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IMPORTANT NOTICE

THIS PRELIMINARY OFFERING MEMORANDUM IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS (“QIBs”) WITHIN THE MEANING OF RULE 144A (“RULE 144A”) UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR (2) NON-U.S. PERSONS PURCHASING THE SECURITIES OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S (“REGULATION S”) UNDER THE U.S. SECURITIES ACT (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, NOT RETAIL INVESTORS (AS DEFINED BELOW)).

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached preliminary offering memorandum following this notice and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached preliminary offering memorandum. In accessing the attached preliminary offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

The preliminary offering memorandum has been prepared in connection with the proposed offer and sale of the securities described herein. The preliminary offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER FOR SALE OR A SOLICITATION OF AN OFFER TO BUY SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS OR LAWS OF OTHER JURISDICTIONS.

THE FOLLOWING PRELIMINARY OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

Confirmation of your representation: In order to be eligible to view the preliminary offering memorandum or make an investment decision with respect to the Notes (as defined in the attached preliminary offering memorandum), either you or the customers you represent must be either (1) a QIB or (2) a person who is not a U.S. person purchasing the Notes outside of the United States as a non-US person in an offshore transaction in reliance on Regulation S (*provided* that investors resident in a Member State of the European Economic Area must not be a retail investor). The preliminary offering memorandum is being sent at your request. By accepting this e-mail and by accessing the preliminary offering memorandum, you shall be deemed to have represented to us and the initial purchasers set forth in the attached preliminary offering memorandum (collectively, the “Initial Purchasers”) that:

- (1) you consent to delivery of such preliminary offering memorandum by electronic transmission; and
- (2) either you or any customers you represent are:
 - (a) QIBs; or
 - (b) a non-U.S. person outside the United States and the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia (and, if you are a resident in a Member State of the European Economic Area, you are not a retail investor).

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Prospective purchasers who are QIBs are hereby notified that the seller of the Notes offered under the preliminary offering memorandum may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A.

You are reminded that the preliminary offering memorandum has been delivered to you on the basis that you are a person into whose possession the preliminary offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the preliminary offering memorandum to any other person.

Under no circumstances shall the preliminary offering memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Initial Purchaser of the Notes offered under the preliminary offering memorandum or any affiliate of any such Initial Purchaser is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such an Initial Purchaser or affiliate on behalf of the issuer in such jurisdiction.

The preliminary offering memorandum is not being distributed by, nor has it been approved by, an authorized person in the United Kingdom and is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are 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 (the “FSMA”) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “Relevant Persons”). The preliminary offering memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the preliminary offering memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

The preliminary offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Initial Purchasers, any person who controls any Initial Purchaser, or any of their respective directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the preliminary offering memorandum distributed to you in electronic format and the hard copy version available to you from the Initial Purchasers upon your request.

Professional investors and ECPs (as defined below) only target market: Solely for the purposes of the product approval process of Morgan Stanley & Co. International plc and Goldman Sachs International as Sole Physical Bookrunners of the Senior Secured Notes and the Senior Notes, respectively, (the “Manufacturers”), the target market assessment in respect of the securities described in the preliminary offering memorandum has led to the conclusion that: (i) the target market for such securities is eligible counterparties (“ECPs”) and professional clients only, each as defined in Directive 2014/65/EU (as amended, “MiFID II”); and (ii) all channels for distribution of such securities to ECPs and professional clients are appropriate. Any person subsequently offering, selling or recommending such securities (a “distributor”) should take into consideration the Manufacturers’ target market assessment; however, and without prejudice to the Issuers’ obligations in accordance with MiFID II, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such securities (by either adopting or refining the Manufacturers’ target market assessment) and determining appropriate distribution channels.

Prohibition of sales to EEA (as defined in the attached preliminary offering memorandum) retail investors: The securities described in the attached preliminary offering memorandum 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. 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 MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the “Insurance Mediation 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” (within the meaning of Article 2(1)(e) of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and any relevant implementing measure in the relevant Member State of the EEA (the “Prospectus Directive”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling

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the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The attached preliminary offering memorandum has been prepared on the basis that any offer of the securities in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of the Securities. The attached preliminary offering memorandum is not a prospectus for the purposes of the Prospectus Directive.


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The information in the preliminary offering memorandum is not complete and may be changed. This preliminary offering memorandum is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction in which such offer, solicitation or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 5, 2018

PRELIMINARY OFFERING MEMORANDUM

CONFIDENTIAL
NOT FOR GENERAL DISTRIBUTION
IN THE UNITED STATES



verisure
SMART ALARMS

Verisure Holding AB (publ)
€ ,000,000 % Senior Secured Notes due 2023

Verisure Midholding AB (publ)
€100,000,000 5¼% Senior Notes due 2023

Verisure Holding AB (publ) (the “Senior Secured Notes Issuer”), a public limited liability company existing under the laws of Sweden, is offering (the “Senior Secured Notes Offering”) € million aggregate principal amount of its % Senior Secured Notes due 2023 (the “Senior Secured Notes”). Verisure Midholding AB (publ) (the “Senior Notes Issuer” and, together with the Senior Secured Notes Issuer, the “Issuers”), a public limited liability company existing under the laws of Sweden, is offering (the “Senior Notes Offering” and, together with the Senior Secured Notes Offering, the “Offering”) €100.0 million aggregate principal amount of its 5¼% Senior Notes due 2023 (the “Senior Notes” and, together with the Senior Secured Notes, the “Notes”).

The Senior Secured Notes will be issued pursuant to an indenture (the “Senior Secured Notes Indenture”) to be dated , 2018 (the “Issue Date”), among, *inter alios*, the Senior Secured Notes Issuer, the Senior Secured Note Guarantors (as defined below), Wilmington Trust, National Association, as trustee for the Senior Secured Notes (in such capacity, the “Senior Secured Notes Trustee”) and Wilmington Trust (London) Limited, as security agent (the “Security Agent”). The Senior Notes will be issued as additional notes under the indenture dated November 24, 2017 (the “Senior Notes Indenture” and, together with the Senior Secured Notes Indenture, the “Indentures”), among, *inter alios*, the Senior Notes Issuer, the Senior Note Guarantors (as defined below), Wilmington Trust, National Association, as trustee for the Senior Notes (in such capacity, the “Senior Notes Trustee” and, together with the Senior Secured Notes Trustee, the “Trustees”) and the Security Agent, as supplemented by a supplemental indenture thereto (the “Senior Notes Supplemental Indenture”) to be dated the Issue Date, among, *inter alios*, the Senior Notes Issuer, the Senior Note Guarantors, the Senior Notes Trustee and the Security Agent.

The Senior Notes will be a part of the same series of the Senior Notes Issuer’s currently outstanding €980,000,000 aggregate principal amount of 5¼% Senior Notes due 2023 (the “Existing Euro Senior Notes”). The Senior Notes will be treated as a single class together with the Existing Euro Senior Notes for all purposes under the Senior Notes Indenture, including with respect to waivers, amendments, redemption and offers to purchase, except as otherwise specified, and will become fully fungible with the Existing Euro Senior Notes following the termination of certain U.S. selling restrictions. The Senior Notes sold pursuant to Regulation S (as defined herein) will initially be issued bearing temporary ISINs and temporary common codes.

The Senior Secured Notes will bear interest at a rate of % per annum, payable semi-annually in arrears on and of each year, commencing on . The Senior Secured Notes will mature on , 2023. Prior to , 2020, the Senior Secured Notes Issuer will be entitled, at its option, to redeem all or a portion of the Senior Secured Notes by paying a “make-whole” premium. In addition, prior to , 2020, the Senior Secured Notes Issuer may redeem at its option up to 40% of the original principal amount of the Senior Secured Notes with the net proceeds from certain equity offerings at the redemption price set forth in this offering memorandum, *provided* that at least 60% of the original principal amount of the Senior Secured Notes remains outstanding. Prior to , 2020, during each 12-month period commencing on the Issue Date, the Senior Secured Notes Issuer may redeem up to 10% of the original aggregate principal amount of the Senior Secured Notes (including any Additional Notes (as defined in the Senior Secured Notes Indenture)) at its option, from time to time, at a redemption price equal to 103% of the principal amount of the Senior Secured Notes redeemed, plus accrued and unpaid interest and additional amounts, if any. At any time on or after , 2020, the Senior Secured Notes Issuer may redeem all or part of the Senior Secured Notes at the redemption prices set forth in this offering memorandum. In addition, the Senior Secured Notes Issuer may redeem all, but not part, of the Senior Secured 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 Senior Secured Notes may require the Senior Secured Notes Issuer to repurchase all or a portion of its Senior Secured 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 Senior Notes will bear interest at a rate of 5¼% per annum, payable semi-annually in arrears on December 1 and June 1 of each year, commencing on December 1, 2018. The Senior Notes will mature on December 1, 2023. Prior to December 1, 2019, the Senior Notes Issuer will be entitled, at its option, to redeem all or a portion of the Senior Notes by paying a “make-whole” premium. In addition, prior to December 1, 2019, the Senior Notes Issuer may redeem at its option up to 40% of the original principal amount of the Senior Notes with the net proceeds from certain equity offerings at the redemption price set forth in this offering memorandum, *provided* that at least 60% of the original principal amount of the Senior Notes remains outstanding. At any time on or after December 1, 2019, the Senior Notes Issuer may redeem all or part of the Senior Notes at the redemption prices set forth in this offering memorandum. In addition, the Senior Notes Issuer may redeem all, but not part, of the Senior Notes at a price equal to 100% of the principal amount upon the occurrence of certain changes in applicable tax law. If a change of control occurs, each holder of the Senior Notes may require the Senior Notes Issuer to repurchase all or a portion of its Senior 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 Senior Secured Notes will be senior secured obligations of the Senior Secured Notes Issuer and will be guaranteed (the “Senior Secured Note Guarantees”) on the Issue Date on a senior basis by the Senior Notes Issuer, ESML SD Iberia Holding S.A.U., Securitاس Direct Espaa S.A.U., Securitاس Direct Sverige AB, Verisure Sverige AB, Securitاس Direct Portugal, Unipessoal Lda., Verisure Holding AS, Verisure AS, Securitاس Direct SAS and Verisure International AB (collectively, the “Senior Secured Note Guarantors”). On the Issue Date, the Senior Secured Notes will be secured by first-priority security interests in the Senior Secured Notes Closing Collateral (as defined herein). Within 10 business days after the Issue Date (the “Post-Closing Date”), the Senior Secured Notes will be secured by first-priority security interests in the Senior Secured Notes Post-Closing Collateral (as defined herein, and together with the Senior Secured Notes Closing Collateral, the “Senior Secured Notes Collateral”). The Senior Secured Notes Collateral also secures the obligations under the Amended and Restated Senior Facilities Agreement on a first-priority basis. The validity and enforceability of the Senior Secured Note Guarantees and the Senior Secured Notes Collateral will be subject to the limitations described in “*Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral.*”

The Senior Notes will be senior obligations of the Senior Notes Issuer and will be guaranteed (the “Senior Note Guarantees” and, together with the Senior Secured Note Guarantees, the “Guarantees”) on the Issue Date on a senior subordinated basis by the Senior Secured Notes Issuer, ESML SD Iberia Holding S.A.U., Securitاس Direct Espaa S.A.U., Securitاس Direct Sverige AB, Verisure Sverige AB, Securitاس Direct Portugal, Unipessoal Lda., Verisure Holding AS, Verisure AS, Securitاس Direct SAS and Verisure International AB (collectively, the “Senior Note Guarantors” and, together with the Senior Secured Note Guarantors, the “Guarantors”). On the Issue Date, the Senior Notes will be secured by a second-priority pledge over the Senior Notes Collateral (as defined herein). The Senior Notes Collateral also secures or will secure the obligations under the Senior Secured Notes and the Amended and Restated Senior Facilities Agreement on a first-priority basis and the obligations under the Existing Senior Notes (as defined herein) on a second-priority basis. The validity and enforceability of the Senior Note Guarantees and the Senior Notes Collateral will be subject to the limitations described in “*Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral.*”

There is currently no public market for the Notes. Application will be made to list the Senior Secured Notes on the Securities Official List of the Luxembourg Stock Exchange (the “Exchange”) and to admit the Senior Notes to the Official List of the Exchange for trading on the Euro MTF market thereof. There can be no assurance that the Senior Secured Notes will be listed on the Securities Official List of the Exchange, that the Senior Notes will be listed on the Official List of the Exchange or that either such listing will be maintained.

See “Risk Factors” beginning on page 36 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 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 under the U.S. Securities Act (“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 Senior Secured Notes:	% (issue price), plus accrued and unpaid interest, if any, from the Issue Date
Offering price for the Senior Notes:	% (issue price), plus accrued and unpaid interest from June 1, 2018
Purchasers of the Senior Notes will be required to pay accrued interest totalling € per €1,000 principal amount of Senior Notes from and including June 1, 2018 to, but excluding, 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.

Senior Secured Notes Offering
Joint Global Coordinators and Joint Bookrunners

Morgan Stanley
(Sole Physical Bookrunner)

BofA Merrill Lynch

Goldman Sachs International

Nomura

Joint Bookrunners

Barclays

Citigroup

J.P. Morgan

Nordea

Senior Notes Offering
Joint Global Coordinators and Joint Bookrunners

Goldman Sachs International
(Sole Physical Bookrunner)

BofA Merrill Lynch

Morgan Stanley

Nomura

Joint Bookrunners

Barclays

Citigroup

J.P. Morgan

Nordea

The date of this offering memorandum is , 2018

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IMPORTANT INFORMATION

This offering memorandum has been prepared by the Issuers solely for use in connection with the proposed offering of the Notes. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. This offering memorandum may not be distributed to any person other than prospective investors and any person retained to advise such prospective investors with respect to the purchase of the Notes, and any disclosure of the contents of this offering memorandum without our prior written consent is prohibited. By accepting delivery of this offering memorandum, you agree to the foregoing and you agree to not make copies of this offering memorandum or any documents referred to in this offering memorandum.

Each of the Senior Secured Notes Issuer and the Senior Notes 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.

None of Morgan Stanley & Co. International plc, Goldman Sachs International, Barclays Bank PLC, Citigroup Global Markets Limited, J.P. Morgan Securities plc, Merrill Lynch International, Nomura International plc and Nordea Bank Abp (each an “Initial Purchaser” and collectively, the “Initial Purchasers”) nor 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 Issuers, 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 Issuers, 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 Issuers and the Guarantors accept responsibility for the accurate extraction and summarization of such information and data, the Issuers 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 Senior Notes*,” “*Description of Senior Secured 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 Issuers accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, they accept no further responsibility in respect of such information.

The Senior Secured Notes Issuer reserves the right to withdraw the Senior Secured Notes Offering and the Senior Notes Issuer reserves the right to withdraw the Senior Notes Offering at any time. The Issuers are making the Offering subject to the terms described in this offering memorandum, the purchase agreement (the “Senior Secured Notes Purchase Agreement”) relating to the Senior Secured Notes to be entered into, *inter alios*, between the Senior Secured Notes Issuer and the Initial Purchasers and the purchase agreement (the “Senior Notes Purchase Agreement”, and together with the Senior Secured Notes Purchase Agreement, the “Purchase Agreements”) relating to the Senior Notes to be entered into, *inter alios*, between the Senior Notes Issuer and the Initial Purchasers. The Issuers 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.

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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 this offering memorandum. Nothing contained in 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 Issuers and the Guarantors have furnished the information contained in this offering memorandum.

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 Issuers 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 Trustees (as defined below), the Security Agent (as defined below), 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 Issuers and the Guarantors and their respective subsidiaries and the terms of the Offering, including the merits and risks involved. In addition, none of the Issuers, 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 Issuers, 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 will be 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, and we intend to submit this offering memorandum to the competent authority in connection with the listing application. In the course of any review by the competent authority, we may be requested to make changes to the financial and other information included in this offering memorandum in producing listing particulars for such listing. Comments by the competent authority may require significant modification or reformulation of information contained in this offering memorandum or may require the inclusion of additional information. We may also be required to update the information in this offering memorandum to reflect changes in the business, financial condition or results of operations and prospects of the Issuers, the Guarantors and their respective subsidiaries. There is no assurance that the Notes will be listed on the Securities Official List of the Exchange, and settlement of the Notes is not conditioned on obtaining this listing.

Notice to Investors in the United States

The Notes and the Guarantees have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the “SEC”), any state securities commission in the United States or any other regulatory authority, and none of the foregoing authorities have passed upon or endorsed

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the merits of the Offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary could be a criminal offense in certain jurisdictions.

This Offering is being made in the United States in reliance upon an exemption from registration under the U.S. Securities Act for an offer and sale of the Notes which does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements. See “*Transfer Restrictions*.”

This offering memorandum is being provided (1) to a limited number of investors in the United States that we reasonably believe to be QIBs under Rule 144A solely in connection with their consideration of the purchase of the Notes and (2) to certain non-U.S. persons outside the United States pursuant to offshore transactions in reliance on Rule 903 or 904 of Regulation S.

You are hereby notified that the seller of any Note may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. 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 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 Directive from the requirement to produce a prospectus for offers of the Notes. The expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in each member state (“EU Member State”) of the European Economic Area (the “EEA”).

Accordingly, any person making or intending to make any offer within the EEA 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. 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 2002/92/EC (as amended, the “Insurance Mediation 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 Directive. 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 has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA 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 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 by any measure implementing the Prospectus Directive in that EU Member State.

Professional investors and ECPs (as defined below) only target market: Solely for the purposes of the product approval process of Morgan Stanley & Co. International plc and Goldman Sachs International as sole physical Bookrunners of the Senior Secured Notes and the Senior Notes, respectively (the “Manufacturers”), 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 Manufacturers’ target market assessment; however, and without

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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 Manufacturers’ 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 Swedish Financial Instruments Trading Act (Sw. *lag* (1991:980) *om handel med finansiella instrument*) 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 Swedish Financial Instruments Trading Act.

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, as last amended and republished by Law no. 35/2018, of 20 July, which has implemented MiFID II into Portuguese national law (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

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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 Issuers’ 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 that would have notified its approval to the AMF under the Prospectus Directive 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

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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*.

Stabilization

IN CONNECTION WITH THIS OFFERING, MORGAN STANLEY & CO. INTERNATIONAL PLC, WITH REGARD TO THE SENIOR SECURED NOTES, AND GOLDMAN SACHS INTERNATIONAL, WITH REGARD TO THE SENIOR NOTES (TOGETHER, THE “STABILIZING MANAGERS”), OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGERS, MAY OVER-ALLOT THE NOTES 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, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGERS OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGERS WILL UNDERTAKE ANY STABILIZATION ACTION. 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 THE EARLIER OF 30 DAYS AFTER THE DATE ON WHICH THE ISSUERS RECEIVED THE PROCEEDS OF THE NOTES, OR NO LATER THAN 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGERS (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGERS) 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 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;

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- 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;
- 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 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.

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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, 2017, 2016 and 2015 prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”), which have been audited by PricewaterhouseCoopers AB; and
- the unaudited condensed consolidated interim financial statements of the Senior Notes Issuer as of and for the nine months ended September 30, 2018 and 2017 prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting* (“IAS 34”).

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 unaudited condensed consolidated interim financial statements of the Senior Notes Issuer as of and for the nine months ended September 30, 2018. This is due primarily 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, each of which took effect as of January 1, 2018.

The audited consolidated financial statements of the Senior Notes Issuer as of and for the years ended December 31, 2016 and 2015 are not directly comparable with the unaudited condensed consolidated interim financial statements of the Senior Notes Issuer as of and for the nine months ended September 30, 2018. This is due primarily to: (i) the adoption of IFRS 15; (ii) certain changes in accounting policy to reclassify certain revenue as other income and in relation to the treatment of interest rate floors; and (iii) the introduction of Adjacencies as a new reporting segment, each of which took effect as of January 1, 2018.

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, 2016 and 2015. This is due primarily to a change in accounting policy in relation to the treatment of interest rate floors.

In order to improve comparability and provide a more meaningful basis for commenting on our most recent results, this offering memorandum includes certain unaudited financial information of the Senior Notes Issuer as of and for the years ended December 31, 2017, 2016 and 2015 that give effect to (i) certain changes in accounting policy to reclassify certain revenue as other income and in relation to the treatment of interest rate floors (other than for the year ended December 31, 2017, for which the interest rate floors change is inapplicable) and (ii) the introduction of Adjacencies as a new reporting segment, as if such changes were applied January 1, 2017, 2016 and 2015, respectively. The comparative figures as of and for the nine months ended September 30, 2017 has for comparative purposes been restated or adjusted to reflect the changes relating to: (i) the adoption of IFRS 15; (ii) certain changes in accounting policy to reclassify certain revenue as other income and in relation to the treatment of interest rate floors; and (iii) the introduction of Adjacencies as a new reporting segment.

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 unaudited condensed consolidated interim financial statements as of and for the nine months ended September 30, 2018 reflect the implementation of IFRS 15. Comparative figures as of and for the nine months ended September 30, 2017 included in the Senior Notes Issuer’s unaudited condensed consolidated interim 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 years ended December 31, 2017, 2016 and 2015 have not been restated in order to give effect to the adoption of IFRS 15. The non-restatement reflecting IFRS 15 for these periods 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 restated financial information and the adjustments for the impact of IFRS 15 as



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of and for the nine months ended September 30, 2017 included in the Senior Notes Issuer’s unaudited condensed consolidated interim financial statements as of and for the nine months ended September 30, 2018 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 IFRS 15 on our financial information, see Note 31 to the audited consolidated financial statements of the Senior Notes Issuer as of and for the year ended December 31, 2017 and Note 7 to the unaudited condensed consolidated interim financial statements of the Senior Notes Issuer as of and for the nine months ended September 30, 2018, in each case included elsewhere in this offering memorandum.

Change in Accounting Policies

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 unaudited condensed consolidated interim financial statements as of and for the nine months ended September 30, 2018 reflect these changes in accounting methodology. Comparative figures as of and for the nine months ended September 30, 2017 included in the Senior Notes Issuer’s unaudited condensed consolidated interim financial statements as of and for the nine months ended September 30, 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 information of the Senior Notes Issuer as of and for the years ended December 31, 2017, 2016 and 2015 has not been restated in order to give effect to these changes in accounting methodology.

Additionally, effective as of and for the three months and year ended December 31, 2017, in response to a statement from the International Accounting Standards Board (“IASB”), we implemented a new accounting principle in relation to the treatment of interest rate floors, which are now valued and reported as part of the associated financial liability. The Senior Notes Issuer’s unaudited condensed consolidated interim financial statements as of and for the nine months ended September 30, 2018 reflect these changes in accounting methodology. Comparative figures as of and for the nine months ended September 30, 2017 and the year ended December 31, 2016 included in the Senior Notes Issuer’s unaudited condensed consolidated interim financial statements as of and for the nine months ended September 30, 2018 and the audited consolidated financial statements as of and for the year ended December 31, 2017, respectively, have been restated in order to give effect to these changes in accounting methodology as if they had occurred on January 1, 2017 and 2016, respectively. The historical audited consolidated financial information of the Senior Notes Issuer as of and for the years ended December 31, 2015 has not been restated in order to give effect to these changes in accounting methodology.

This offering memorandum includes certain unaudited financial information of the Senior Notes Issuer as of and for the years ended December 31, 2016 and 2015 that have been adjusted to give effect to the changes in accounting methodology regarding the reclassification of certain revenue as other income, and the treatment of interest rates floors as if they had been implemented on January 1, 2016 and 2015, respectively. This offering memorandum also includes certain unaudited financial information of the Senior Notes Issuer as of and for the year ended December 31, 2017 that has been adjusted to give effect to the changes in accounting methodology regarding the reclassification of certain revenue as other income as if they had been implemented on January 1, 2017.

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 and Note 7 to the unaudited condensed consolidated interim financial statements of the Senior Notes Issuer as of and for the nine months ended September 30, 2018, in each case included elsewhere in this offering memorandum.

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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 unaudited condensed consolidated interim financial statements as of and for the nine months ended September 30, 2018 reflect the introduction of the Adjacencies reporting segment. Comparative figures as of and for the nine months ended September 30, 2017 included in the Senior Notes Issuer’s unaudited condensed consolidated interim financial statements as of and for the nine months ended September 30, 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 information of the Senior Notes Issuer as of and for the years ended December 31, 2017, 2016 and 2015 has 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 years ended December 31, 2017, 2016 and 2015 that gives effect to the introduction of the Adjacencies reporting segment as if it occurred on January 1, 2017, 2016 and 2015, respectively. 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.

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) October 1, 2017, for the purposes of as adjusted income statement items for the twelve months ended September 30, 2018, (ii) April 1, 2018, for the purposes of as adjusted income statement items for the six months ended September 30, 2018, annualized, (iii) July 1, 2018, for the purposes of as adjusted income statement items for the three months ended September 30, 2018, annualized, and (iv) September 30, 2018, 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 Directive 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 Together” (“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 Directive or any generally accepted accounting standards. Neither the assumptions

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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 quarter annualized” refers to our last quarter of Adjusted EBITDA, multiplied by four;
- “Adjusted EBITDA, last two quarters annualized” refers to our last two quarters of Adjusted EBITDA, multiplied by two;
- “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 quarter annualized” refers to our last quarter of Adjusted EBITDA from Portfolio Services, multiplied by four;
- “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 quarter annualized” refers to our last quarter of Adjusted EBITDA, multiplied by four, as further adjusted by the *pro forma* calculations described under footnote (26) 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 (26) under “*Summary Consolidated Historical Financial and Other Data*”;
- “Last quarter annualized” refers to our last quarter of the relevant metric multiplied by four; 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 margin, Adjusted EBITDA, last quarter annualized, Adjusted EBITDA, last two quarters annualized, Adjusted EBITDA from Portfolio Services, Adjusted EBITDA from Portfolio Services,

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last quarter annualized, Adjusted EBITDA from Portfolio Services, last two quarters annualized, Adjusted EBITDA from Customer Acquisition, Adjusted EBITDA from Adjacencies, Adjusted *Pro Forma* EBITDA, last quarter annualized and Adjusted *Pro Forma* EBITDA, 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.

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Market and Industry Information

This offering memorandum includes market segment share and industry information that was obtained by us from industry publications and surveys (including information published by Berg Insight AB 2017), 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.

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CERTAIN DEFINITIONS

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

“2015 Acquisition”	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 Issuers;
“Additional Senior Term Loan”	the € million additional incremental indebtedness incurred under the Amended and Restated Senior Facilities Agreement as part of the Transactions;
“Agreed Security Principles”	has the meaning ascribed to it in “Description of Senior Notes—Certain Definitions” and “Description of Senior Secured Notes—Certain Definitions”;
“Amended and Restated Senior Facilities Agreement”	the Existing Senior Facilities Agreement, as amended and restated by the Amendment and Restatement Agreement;
“Amendment and Restatement Agreement”	the amendment and restatement agreement in respect of the Existing Senior Facilities Agreement to be entered into on or prior to the Issue Date;
“Bain Capital”	Bain Capital, Ltd. and, where applicable, the funds and limited partnerships owned or advised thereby;
“Clearstream”	Clearstream Banking, S.A. or any successor thereof;
“Collateral”	together, the Senior Notes Collateral and the Senior Secured Notes Collateral;
“Company,” “us,” “Group,” “our” and “we”	the Senior Notes Issuer and its consolidated subsidiaries;
“Distribution”	has the meaning ascribed to it in “Summary—The Transactions”;
“Dream Luxco”	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 Issuers;
“Eiffel”	Eiffel Investment Pte Ltd, a nominated investment vehicle of GIC Special Investments Pte Ltd, a direct subsidiary of GIC;
“EU”	the European Union;
“euro,” “EUR” and “€”	the lawful currency of the European Monetary Union;
“Euroclear”	Euroclear Bank SA/NV or any successor thereof;
“Exchange”	the Luxembourg Stock Exchange;

“Existing Senior Facilities Agreement”	the senior facilities agreement dated October 10, 2015 between, <i>inter alios</i> , the Senior Secured Notes Issuer and the lenders as defined therein, as amended and restated from time to time (pursuant to amendment and restatement agreements dated October 30, 2015, June 8, 2016, June 9, 2016, December 8, 2016, March 10, 2017, May 18, 2017 and November 21, 2017) other than by the Amendment and Restatement Agreement;
“Existing Euro Senior Notes”	the Senior Notes Issuer’s €980 million aggregate principal amount of 5¾% Senior Notes due 2023;
“Existing Senior Notes”	the Senior Notes Issuer’s €1,140 million (equivalent) aggregate principal amount of Senior Notes due 2023, comprised of (i) the Existing Euro Senior Notes and (ii) SEK 1,650,000,000 aggregate principal amount of Floating Rate Senior Notes due 2023;
“Existing Senior Secured Notes”	the Senior Secured Notes Issuer’s €630 million aggregate principal amount of 6% Senior Secured Notes due 2022, which are expected to be redeemed in full in connection with the Transactions;
“Existing Senior Secured Notes Indenture” . .	the indenture governing the Existing Senior Secured Notes, dated as of October 28, 2015, among, <i>inter alios</i> , the Senior Secured Notes Issuer, the Senior Secured Note Guarantors and the trustee thereunder;
“Existing Senior Term Loan”	the €2,380.0 million (equivalent) senior term loan under the Existing Senior Facilities Agreement;
“Financing”	has the meaning ascribed to it in “Summary—The Transactions”;
“GIC”	GIC Pte Ltd;
“Guarantees”	together, the Senior Secured Note Guarantees and the Senior Note Guarantees;
“Guarantors”	together, the Senior Secured Note Guarantors and the Senior Note Guarantors;
“H&F” and “Sponsor”	Hellman & Friedman LLC and, where applicable, the funds and limited partnerships owned or advised thereby;
“Indentures”	together, the Senior Secured Notes Indenture and the Senior Notes Indenture;
“Initial Purchasers”	collectively, Morgan Stanley & Co. International plc, Goldman Sachs International, Barclays Bank PLC, Citigroup Global Markets Limited, J.P. Morgan Securities plc, Merrill Lynch International, Nomura International plc and Nordea Bank Abp;

“Intercreditor Agreement”	the intercreditor agreement, dated October 21, 2015, by and among, <i>inter alios</i> , the Issuers, the Guarantors, the Security Agent, the agent under the Amended and Restated Senior Facilities Agreement, the Senior Notes Trustee and, as of the Issue Date, the Senior Secured Notes Trustee, as amended from time to time;
“Intercreditor Agreement Accession Deed”	the accession undertaking to the Intercreditor Agreement to be entered into on or prior to the Issue Date by the Senior Secured Notes Trustee;
“Issue Date”	, 2018;
“Issuers”	together, the Senior Secured Notes Issuer and the Senior Notes Issuer;
“Local Facilities”	the outstanding debt obligations of certain of our subsidiaries that will remain outstanding on the Issue Date following the Transactions;
“NOK”	Norwegian kroner, the lawful currency of Norway;
“Notes”	together, the Senior Secured Notes and the Senior Notes;
“Offering”	together, the Senior Secured Notes Offering and the Senior Notes Offering;
“Post-Closing Date”	a date that is within 10 business days from the Issue Date;
“Revolving Credit Facility”	the €300.0 million (equivalent) revolving credit facility under the Amended and Restated Senior Facilities Agreement;
“Securitas Direct”	Securitas Direct AB (publ), a public limited 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 Senior Notes and the Senior Secured 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 Senior Notes—Security</i> ” and “ <i>Description of Senior Secured Notes—Security</i> ”;
“SEK”	Swedish kronor, the lawful currency of Sweden;
“Senior Credit Facilities”	collectively, the Existing Senior Term Loan, the Additional Senior Term Loan and the Revolving Credit Facility;
“Senior Notes”	the €100.0 million aggregate principal amount of 5¾% Senior Notes due 2023 offered hereby;
“Senior Notes Collateral”	the collateral securing the Senior Notes on the Issue Date, as further described in “ <i>Description of Senior Notes—Security</i> ”;
“Senior Note Guarantees”	has the meaning ascribed to it in “ <i>Summary—The Offering—Guarantees—Senior Note Guarantees</i> ”;

“Senior Note Guarantors”	has the meaning ascribed to it in “Summary—The Offering—Guarantees—Senior Note Guarantees”;
“Senior Notes Indenture”	the indenture governing the Senior Notes and the Existing Senior Notes, dated as of November 24, 2017, among, <i>inter alios</i> , the Senior Notes Issuer, the Senior Note Guarantors, the Senior Notes Trustee and the Security Agent, as supplemented by the Senior Notes Supplemental Indenture on the Issue Date;
“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 Offering”	the offering of the Senior Notes and the Senior Note Guarantees;
“Senior Notes Proceeds Loans”	the loans made under one or more promissory notes issued on October 21, 2015 by the Senior Secured Notes Issuer to the Senior Notes Issuer and any subsequent loans made under one or more promissory notes issued in connection with the Transactions by the Senior Secured Notes Issuer to the Senior Notes Issuer;
“Senior Notes Supplemental Indenture”	the supplemental indenture to the Senior Notes Indenture, to be entered into on the Issue Date, among, <i>inter alios</i> , the Senior Notes Issuer, the Senior Note Guarantors, the Senior Notes Trustee and the Security Agent, pursuant to which the Senior Note Guarantors will confirm their guarantees of the Senior Notes;
“Senior Notes Trustee”	Wilmington Trust, National Association in its capacity as trustee for the Senior Notes;
“Senior Secured Notes”	the € aggregate principal amount of % Senior Secured Notes due 2023 offered hereby;
“Senior Secured Notes Closing Collateral”	the collateral securing the Senior Secured Notes on the Issue Date, as further described in “Description of Senior Secured Notes—Security”;
“Senior Secured Notes Collateral”	together, the Senior Secured Notes Closing Collateral and the Senior Secured Notes Post-Closing Collateral;
“Senior Secured Note Guarantees”	has the meaning ascribed to it in “Summary—The Offering—Guarantees—Senior Secured Note Guarantees”;
“Senior Secured Note Guarantors”	has the meaning ascribed to it in “Summary—The Offering—Guarantees—Senior Secured Note Guarantees”;
“Senior Secured Notes Indenture”	the indenture governing the Senior Secured Notes, to be dated on or about the Issue Date, among, <i>inter alios</i> , the Senior Secured Notes Issuer, the Senior Secured Note Guarantors, the Senior Secured Notes Trustee and the Security Agent;

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“Senior Secured Notes Issuer”	Verisure Holding AB (publ), a public limited liability company existing under the laws of Sweden with registration number 556854-1410;
“Senior Secured Notes Offering”	the offering of the Senior Secured Notes and the Senior Secured Note Guarantees;
“Senior Secured Notes Post-Closing Collateral”	the collateral securing the Senior Secured Notes on the Post-Closing Date, as further described in “ <i>Description of Senior Secured Notes—Security</i> ”;
“Senior Secured Notes Trustee”	Wilmington Trust, National Association in its capacity as trustee for the Senior Secured Notes;
“Shareholders”	H&F and Eiffel;
“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> ”;
“Trustees”	together, the Senior Secured Notes Trustee and the Senior Notes Trustee;
“U.S.” and “United States”	the United States of America; and
“U.S. dollars” or “\$”	the lawful currency of the United States.

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EXCHANGE RATE INFORMATION

The following table sets out for the periods indicated below the high, low, average and period-end exchange rates as published by Bloomberg (London Composite Rate), expressed as U.S. dollars per €1.00. We make no representation (i) that the U.S. dollar amounts referred to in this offering memorandum have been, could have been or could in the future be converted to euros or (ii) that the euro amounts referred to in this offering memorandum have been, could have been or in the future be converted to U.S. dollars at any particular rate, if at all. These rates may differ from the actual rates used in the preparation of other financial information included in this offering memorandum.

On November 1, 2018, the exchange rate published by Bloomberg for transfers between euros and U.S. dollars was \$1.1411 to €1.00.

U.S. dollar per €1.00				
	Period end	Average	High	Low
Year				
2013	1.3789	1.3283	1.3804	1.2772
2014	1.2100	1.3282	1.3925	1.2100
2015	1.0866	1.1096	1.2010	1.0492
2016	1.0547	1.1069	1.1527	1.0384
2017	1.2022	1.1297	1.2026	1.0427
2018 (through September 30, 2018)	1.1614	1.1947	1.2492	1.1342

U.S. dollar per €1.00				
	Period end	Average	High	Low
Month				
May 2018	1.1671	1.1820	1.2017	1.1546
June 2018	1.1677	1.1678	1.1808	1.1570
July 2018	1.1705	1.1683	1.1747	1.1600
August 2018	1.1595	1.1547	1.1718	1.1342
September 2018	1.1614	1.1663	1.1773	1.1561
October 2018	1.1306	1.1484	1.1586	1.1306

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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 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 approximately 2.8 million customers (as of September 30, 2018) and design, sell and install alarms with network connectivity across 15 countries in Europe and Latin America. Our management estimates, based on third party data, that as of September 30, 2018, 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 79.1% of our revenue in the nine months ended September 30, 2018). Our management also estimates that, on a weighted-average basis, across our geographies and based on our number of customers at the end of 2017, we benefit from a 3.2 times relative size advantage. 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 September 2018. As of September 30, 2018, residential households comprised 78% of our customers, while small businesses accounted for the remaining 22%. 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 82.7% of our total revenue before IFRS 15 adjustment for the quarter ended September 30, 2018, annualized) provide us with a high-margin, stable source of recurring cash flow. For the quarter ended September 30, 2018, annualized, we generated revenue of €1,616.3 million and Adjusted *Pro Forma* EBITDA of €661.5 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 approximately 2.8 million customers 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 14 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 LTM attrition rate of 6.2% as of September 30, 2018. 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 quarter ended September 30, 2018, annualized, our Portfolio Services segment generated revenue of €1,346.1 million (representing 82.7% of our total revenue before IFRS 15 adjustment) and Adjusted EBITDA of €907.0 million (representing a 67.4% Adjusted EBITDA margin).
- **Customer Acquisition.** Our Customer Acquisition segment sells to, and installs our 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 sales, marketing and installation investment activities to grow our customer base, or, alternatively, reduce our investment in such activities to maximize our cash on hand, over the short to medium term.

Additionally, we classify certain none-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.

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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 market under both the Securitas Direct brand and the Verisure brand, 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 some 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 eleven European countries (Spain, Sweden, France, Norway, Portugal, Finland, Denmark, Belgium, the Netherlands, Italy and the United Kingdom) and three Latin American countries (Chile, Brazil and Peru) and are building monitoring operations in Germany. Residential households accounted for 78% of our customers, while small businesses accounted for 22% as of September 30, 2018.

Since we first began operations, we have pursued a primarily organic growth strategy when expanding into new geographies, including Peru, Italy, the United Kingdom and, later this year, Germany, 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, and we are currently opening operations in Germany. 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 and management sold, on a see-through basis, approximately 9.4% of its stake in the Group to Eiffel. 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 September 30, 2018, the broad management team owned an approximate 10% 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.

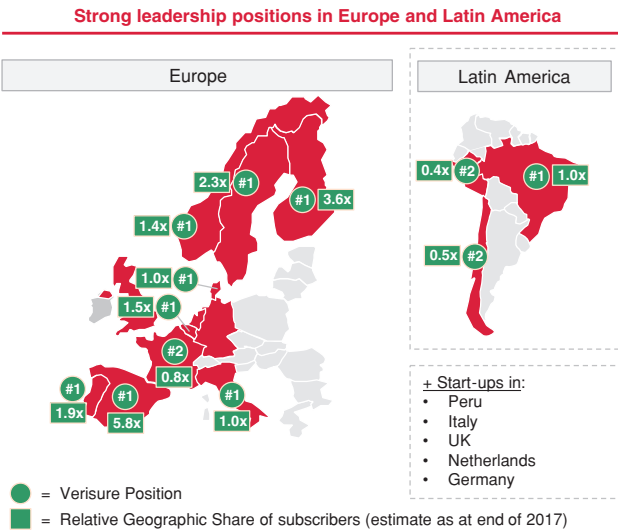
Clear industry leader with larger scale

We are the leading provider of residential and small business monitored alarm solutions in Europe. We are present in 15 countries across Europe and South America and are the leading provider of premium monitored alarm services in nine out of our top ten geographies, with a weighted-average relative

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geographic share (“RGS”) of 3.2 times with respect to residential and small business subscribers across our footprint.

Strong and Growing Leadership Positions in Europe and Latin America



Source: Company information

(1) RGS of residential and small business subscribers.

We estimate, based on available industry data, that we are approximately 5 times larger than our next largest competitor in Europe based on estimated subscriber count as of December 2017. We believe our leading position in these geographies and across Europe 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 2017, 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 of customers (compared to our nearest competitors) of 5.8 times, 2.3 times, 1.4 times, 1.9 times, 1.0 times, 3.6 times, 1.5 times, 1.0 times and 1.0 times, respectively. We also believe our position is further strengthened by high brand awareness in our largest geographies, and we will use our position and expertise to drive future growth into new geographies.

As the largest monitored alarm service provider in most of our geographies, 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 over 2,900 employees, as of September 2018, is approximately three times larger than our closest competitor, which we believe has allowed us to acquire new customers faster than our competitors and gain market segment share as a result. Our salesforce, in addition to having the advantage of being larger in size than 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.

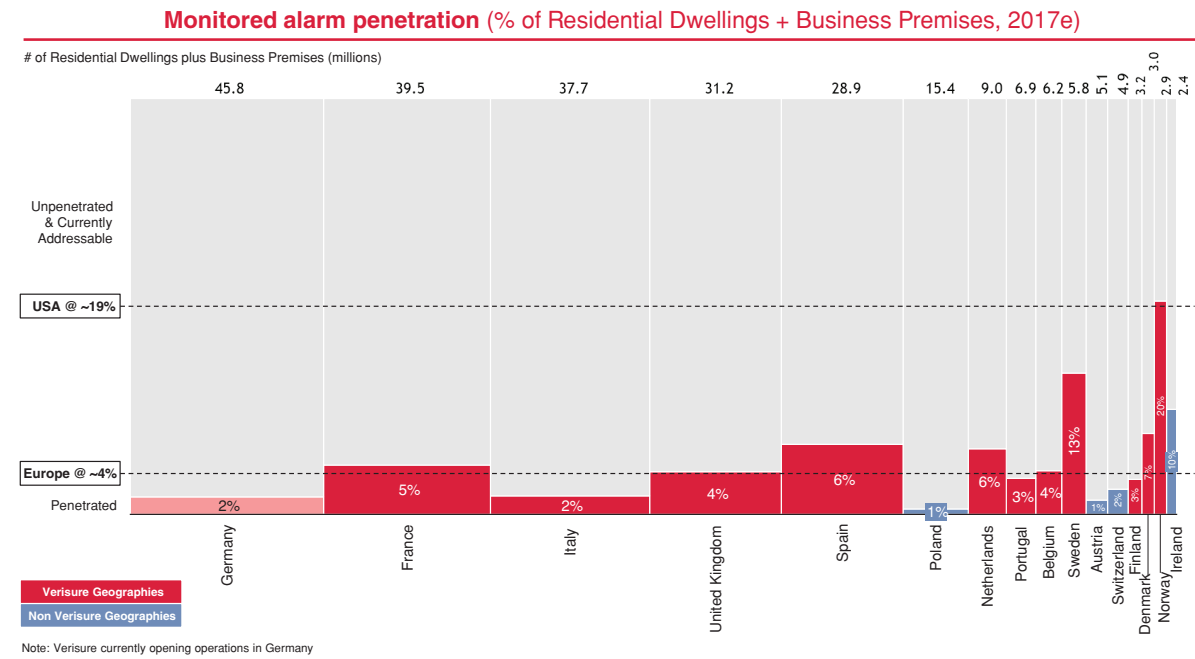
We are the driving force behind the growth of the residential monitored alarm segment in the regions in which we operate. In 2017, we estimate that we represented approximately 58% of the net subscriber growth in the regions in which we operate. We have been able to grow our subscriber base every year since 2000, from approximately 170,000 to approximately 2.8 million as of September 30, 2018, 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 2017, we grew the number of our customers at a CAGR of 6.0% compared to an estimated 1.0% 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 3% 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 2017 geographies, grew from 18% in 2008 to 28% in 2017, 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 2017 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 are now opening operations. Within Europe, 4 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 there is 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 go-to-market (“GTM”) model, our European operations have shown strong growth. From December 2011 to September 30, 2018, we grew our subscriber base in Europe from approximately 1.4 million to 2.7 million.

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

- 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.

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Additionally, a subscription-based service means that our business has proven resilient in the face of 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, or security products, such as standalone fire detectors.
- 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 faced with difficulties to industrialize the marketing and sales process in order to operate at a higher scale and are limited in their ability to access 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 salesforce. 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 in which we are operating 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 fourteen monitoring centers and our sizeable sales force.

We believe that we are well-positioned to benefit from these market dynamics owing to our established competitive position, the strength of brand and reputation, our scale and density of operations, our differentiated GTM model with experienced face-to-face salespeople, our technology and 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 approximately 2.8 million customers as of September 30, 2018. 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

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represented 78% of our total customers as of September 30, 2018, 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, and France since September 2018). 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 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 LTM attrition rate of 6.2% as of September 30, 2018, which we define as the number of terminated subscriptions to our monitoring service in the last 12 months, divided by the average number of subscribers over the last 12 months. 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 continued decrease in our attrition rates, and consequently, allowed for better revenue growth and greater cash flow generation.



Source: Company information—peer customer attrition rates as per latest disclosures

Premium pricing at initial sale

In order to ensure subscriber loyalty, we charge higher upfront fees than our competitors (in 2017, our upfront revenue was approximately €530 per customer). We believe the “sunk cost” of the installation

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fee is a driving 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 (between €0 and €100) are typically associated with higher levels of attrition. We believe that our high upfront fees give us a long-term competitive edge over our competitors, who often provide services with zero or low upfront fee.

Our prices are typically at a premium of between 20% and 30% above 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 “high security” professional service, including installation, maintenance, monitoring and response, and 24/7 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 have developed the leading home security app in Europe: number one by number of installations and number one in customer feedback. This app allows our customers to set, monitor and control various alarm functions and settings. More than 1 million customers have installed our mobile app in Europe with more than 500,000 customers using our app monthly. Furthermore users of the app use it on an average 26 times per month and show an approximately 30-40% lower attrition rate than non-app users.

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 and France), in both 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.

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 our founders still serving in leadership or advisory roles. 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 co-founder, Luis Gil, is still involved in critical roles that support our plans for further growth, expansion and innovation. Our Group Chief Executive Officer, Austin Lally, has led the development of our strategic roadmap with our management team, co-founder and Sponsor, leveraging his experience of over 25 years in building and growing leading consumer businesses in Europe, the United States and Asia.

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. For example, most local sales branches run a full profit and loss account (Customer Acquisition: average revenue per customer (ARPU), recurring monthly cost per customer (RMC), New Installations and cash acquisition cost per new subscriber (CPA)) and track individual salesforce KPIs (including team member consolidation, productivity and commissions) as well as conversion performance. Our strong culture and strategic alignment across geographies, including sharing of best practices, is another source of competitive differentiation.

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High level of employee engagement

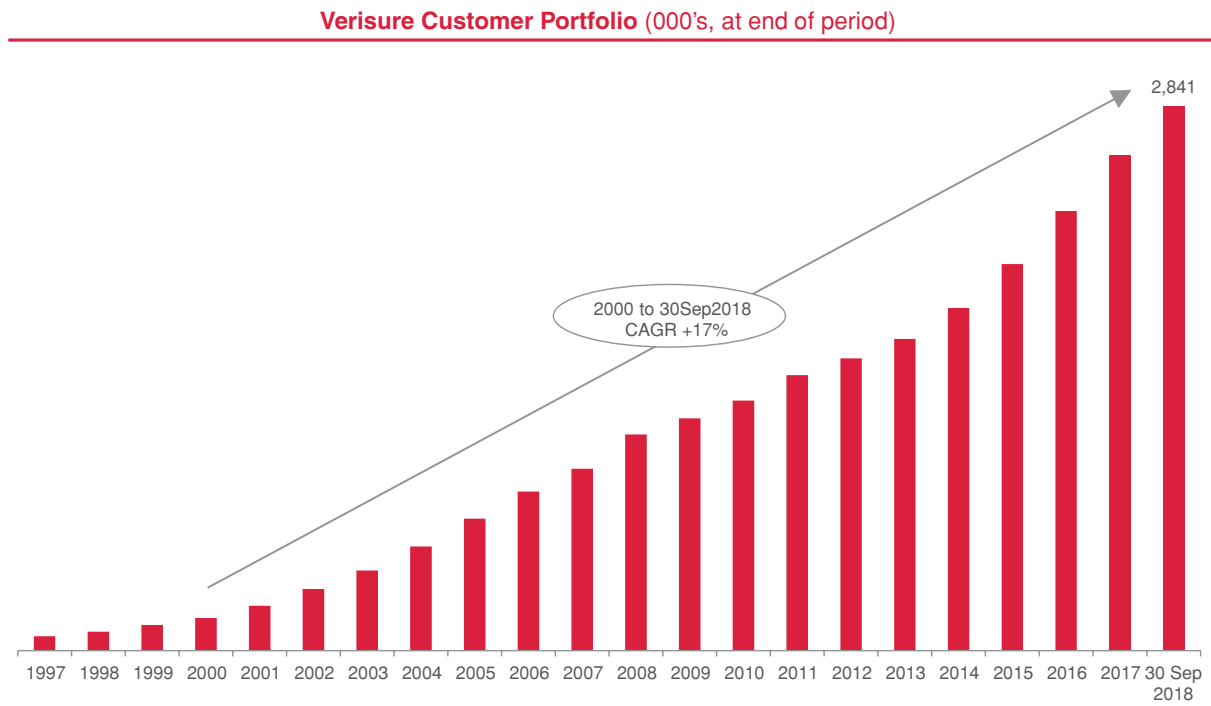
We have a high level of employee engagement, evidenced by our engagement and employee net promoter (“eNPS”) model launched in 2016 with the participation of approximately 90% of our employees. In the last two years, our level of company engagement has remained very high, at around 80 points out of a 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 96. Additionally, our managers who participate in incentive plans have demonstrated an engagement averaging 87.

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 2.8 million customers by September 30, 2018. Additionally, from 2000 to September 30, 2018, 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

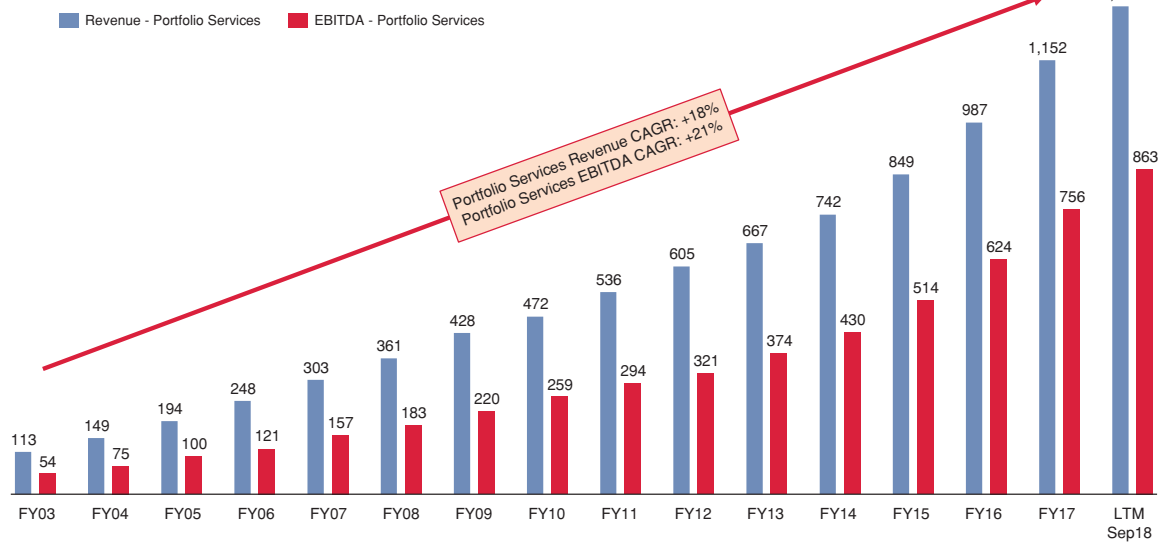


Source: Company information

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 last twelve months ended September 30, 2018, on a constant currency basis, our Portfolio Services revenue increased from €113 million to €1,295 million, which is a CAGR of approximately 18%. Over the same time frame, our Portfolio Services EBITDA increased from €54 million to €863 million, which is a CAGR of approximately 21%.

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

FY03 - Sep-18 LTM (€m at Constant Currency)¹



Source: Company information

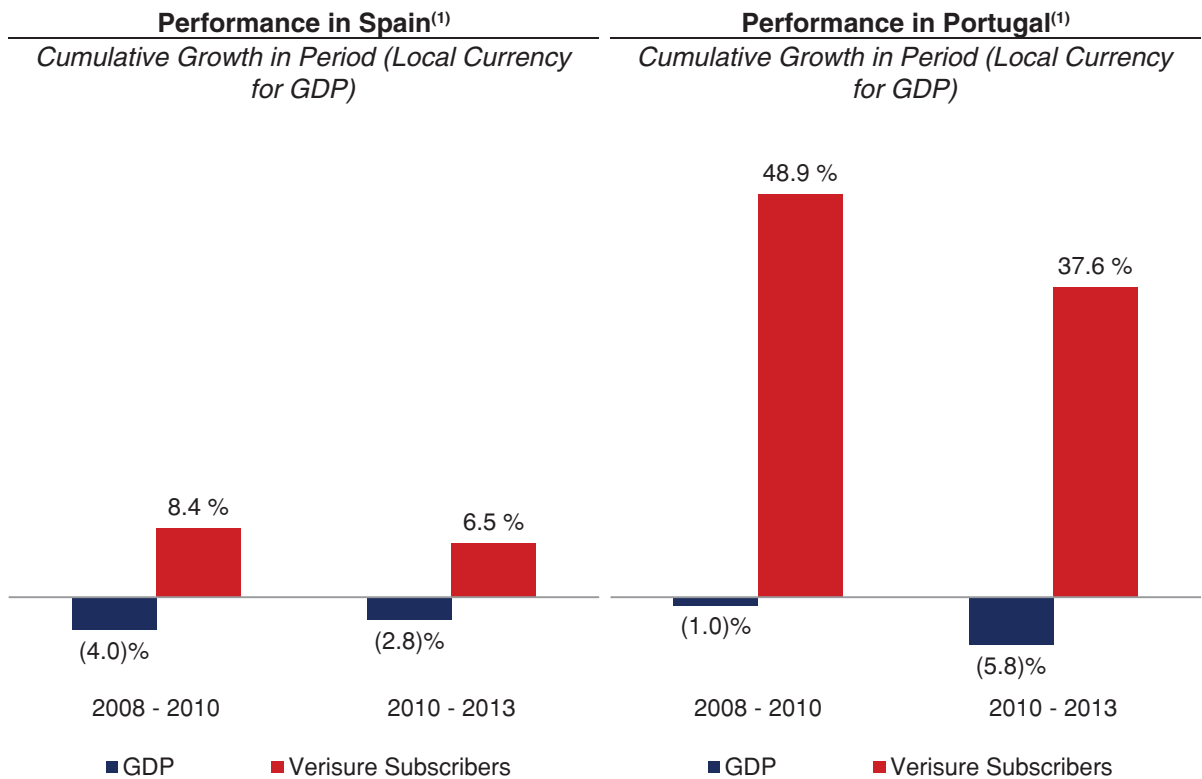
(1) All figures shown on a constant currency basis using FX of EUR/SEK 9.7; EUR/NOK 9.5; EUR/DKK 7.47; EUR/GDP 0.88; EUR/CLP 760.0; EUR/BRL 4.0; EUR/PEN 3.75.

Additionally, we have implemented a continuous cost improvement culture along with building the necessary structural capabilities to support such a culture, including the creation of a central procurement team, the implementation of KPI-budgeting processes and a centralized product and service excellence program. As part of our push towards a stronger culture of cost-savings, we implemented the Funding Our Growth (“FOG”) initiative in late 2014, which we are continuing to operate. The FOG program has achieved cumulative savings of €261 million between January 2015 and June 2018. We have continued the FOG program and expect to achieve further significant cost savings. We have achieved incremental cost savings for the period from July 1, 2017 to June 30, 2018 of €33.3 million, which represents amounts in excess of what is already reflected in our Adjusted EBITDA for the six months ended June 30, 2018, annualized.

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 economic downturn were among the most severe in Europe, we continued to expand our operations. For example, between 2008 and 2010 we were able to grow our customers in Spain and Portugal by 8% and 49%, respectively despite GDP contracting by 4% and 1%, respectively. In Spain, from 2010 to 2013, during a period of continued economic uncertainty, we were able to grow our customers by 7%, while GDP fell 3%. Likewise, in Portugal during the same period, we were able to grow our customers by 38%, while GDP fell by 6%.

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Source: Company information and third-party data

(1) Cumulative growth at constant prices

Between 2007 and 2017, our subscribers in Spain and Portugal grew at a CAGR of 6.4% and 14.3%, 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.

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 approximately 2.8 million customers as of September 30, 2018, generates substantial cash flow through our subscription-based revenues, with Adjusted EBITDA from Portfolio Services of €658.3 million for the nine months ended September 30, 2018 (representing a 67.1% Adjusted EBITDA margin) and Adjusted EBITDA from Portfolio Services of €907.0 million for the three months ended September 30, 2018, annualized (representing a 67.4% 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 3.5% of revenue for the nine months ended September 30, 2018). 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. 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 nine months ended September 30, 2018, we invested 38.9% of our Adjusted EBITDA from the Portfolio Services segment to acquire new customers and used the remaining 61.1% of Adjusted EBITDA from the segment primarily to replace cancelled customers, service our debt, for capital expenditures and other general corporate purposes. 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. 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.

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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, Italy and now Germany), we utilize the same model for expansion that has proven successful in the 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. 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 4 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 (such as our Verisure “MyPages” home automation platform, which enables the customer to remotely access their premises over the internet or through the Verisure App on their smartphone). 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.

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. As our first point-of-contact with our customers, our salespeople, some of whom are also responsible for installing our systems, provide ongoing customer assistance and are one of our greatest assets in achieving this goal. We have further implemented a sales incentive program that rewards our dedicated sales-force for identifying high quality customers while aligning the interests of our salespeople with our customers by measuring 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).



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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 increase average revenue per customer (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) 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.*”

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 80.4% 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. Headquartered in Singapore, GIC employs over 1,300 people across 10 offices in key financial cities worldwide. Eiffel indirectly owns approximately 9.4% of the share capital of the Senior Notes Issuer.

The Transactions

We intend to use the proceeds from the issue of the Notes, together with drawings under the Additional Senior Term Loan (i) to redeem all of the Existing Senior Secured Notes, including paying the redemption premium in connection therewith, (ii) to repay drawings under the Revolving Credit Facility, (iii) to make a distribution to the Shareholders (the “Distribution”) and (iv) 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; (ii) the incurrence of additional incremental indebtedness under the Additional Senior Term Loan (together with the Offering, the “Financing”); (iii) the redemption in full of the Existing Senior Secured Notes and satisfaction and discharge of the Existing Senior Secured Notes Indenture; (iv) the repayment of drawings under the Revolving Credit Facility; and (v) the contribution of the net proceeds of the Financing in excess of amounts used to redeem the Existing Senior Secured Notes, to repay drawings under the Revolving Credit Facility to fund the Distribution. In connection with the Transactions, we intend to seek the extension of the maturity of our Revolving Credit Facility. See “*Use of Proceeds,*” “*Capitalization,*”

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“Description of Certain Indebtedness”, “Description of Senior Notes” and “Description of Senior Secured 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 the completion of the incurrence of debt under the Additional Senior Term Loan, 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 the balance sheet. This table should be read in conjunction with “Capitalization.”

Sources		Uses	
	(€ millions)		(€ millions)
Senior Notes offered hereby ⁽¹⁾	100.0	Redemption of Existing Senior Secured Notes ⁽⁴⁾	648.9
Senior Secured Notes offered hereby ⁽²⁾		Repayment of drawings under the Revolving Credit Facility	102.6
Additional Senior Term Loan ⁽³⁾		Distribution to Shareholders	352.5
		Transaction costs and expenses ⁽⁵⁾ . .	8.0
Total sources	1,112.0	Total uses	1,112.0

(1) Represents gross proceeds from the Offering of the Senior Notes (excluding accrued interest from June 1, 2018 to the Issue Date and assuming an issuance at par). On the Issue Date, we intend to on-lend the proceeds of the Senior Notes to the Senior Secured Notes Issuer via one or more Senior Notes Proceeds Loans, which will be subordinated debt obligations of the Senior Secured Notes Issuer. The amounts so on-lent will be used for the repayment of certain of the Senior Secured Notes Issuer’s indebtedness.

(2) Represents the gross proceeds from the Offering of the Senior Secured Notes.

(3) Represents euro-denominated borrowings under the Additional Senior Term Loan.

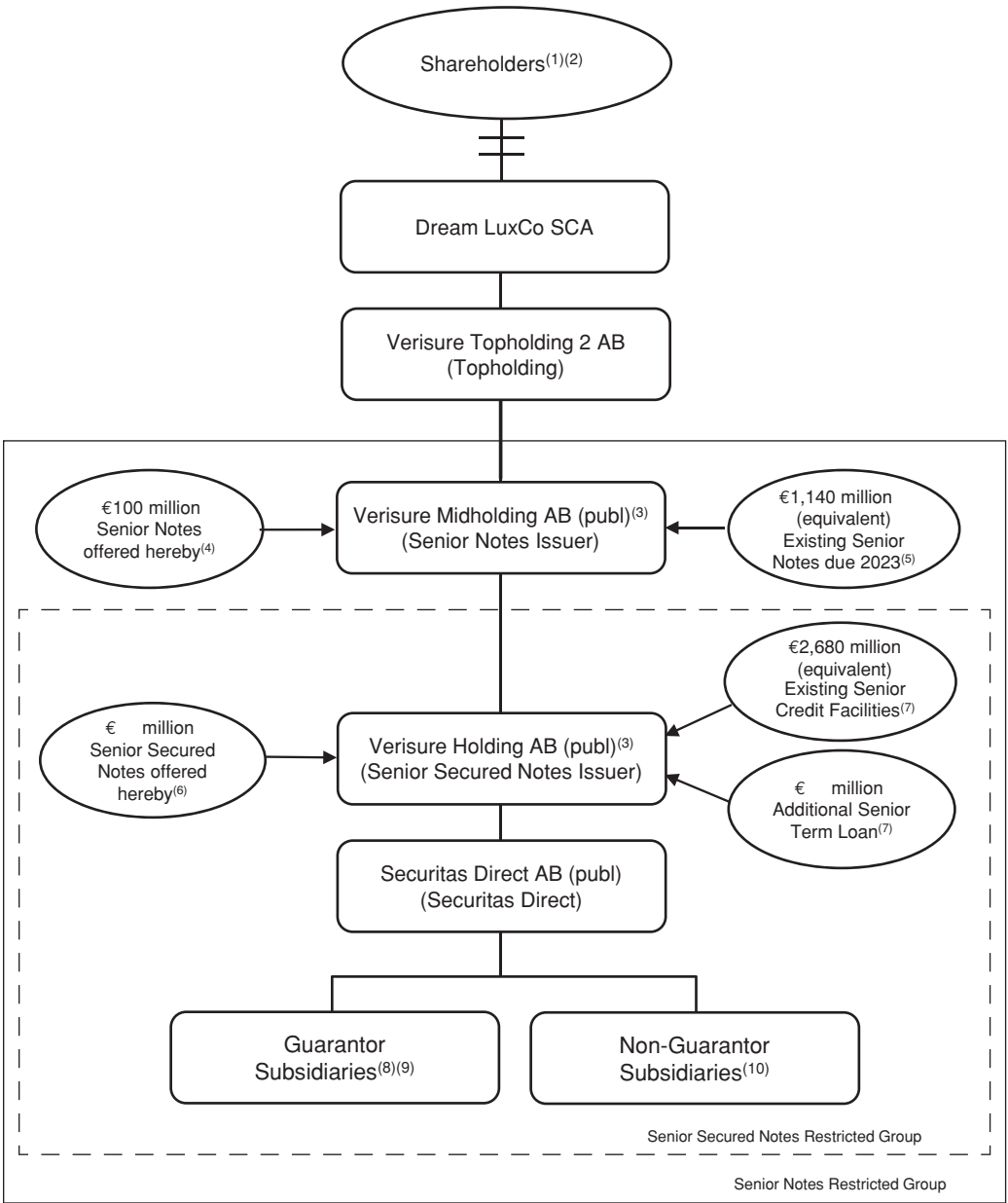
(4) Represents the aggregate outstanding principal amount of the Existing Senior Secured Notes and the redemption premium payable in connection with their redemption, but excludes accrued and unpaid interest, which will be paid with cash on balance sheet. On the Issue Date, we intend to use a portion of the proceeds from the Financing to deposit with the paying agent under the Existing Senior Secured Notes Indenture an amount sufficient to redeem the Existing Senior Secured Notes in full (including redemption premium and accrued and unpaid interest to, but excluding, the expected date of redemption), in accordance with the Existing Senior Secured Notes Indenture, and satisfy and discharge the Existing Senior Secured Notes Indenture. See “Capitalization.”

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

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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 Senior Notes,” “Description of Senior Secured Notes,” “Description of Certain Indebtedness” and “Capitalization.” See also “Principal Shareholders” and “Related Party Transactions.”



(1) As of the date of this offering memorandum, H&F and Eiffel indirectly hold approximately 80.4% and 9.4%, respectively, of the equity interests in Dream Luxco, 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) Each of the Senior Secured Notes Issuer and the Senior Notes Issuer is a holding company, with no operations of its own. The Issuers’ ability to make payments on the relevant series of Notes will depend entirely on their subsidiaries’ ability to generate cash and make distributions to the Issuers.

(4) The Senior Notes will be issued as “Additional Euro Notes” under the Senior Notes Indenture and will have the same terms as the Existing Euro Senior Notes (other than as described herein). The Senior Notes sold pursuant to Regulation S will initially be issued with temporary ISINs and common codes that differ from the ISINs and common codes assigned to the Existing Euro Senior Notes sold pursuant to Regulation S. 40 days after the later of the Issue Date and the earliest day

permitted under the U.S. federal securities laws, we expect that the Senior Notes sold pursuant to Regulation S will have the same ISINs and common codes as, will constitute a single series of debt securities with, and will become fully fungible with, the Existing Euro Senior Notes.

The Senior Notes will be senior obligations of the Senior Notes Issuer and will rank *pari passu* in right of payment with all of the Senior Notes Issuer's existing and future senior indebtedness (including the Existing Senior Notes, and the obligations of the Senior Notes Issuer under the Senior Secured Notes Indenture, the Amended and Restated Senior Facilities Agreement and certain hedging obligations, if any), and will rank senior in right of payment to all of the Senior Notes Issuer's future indebtedness that is expressly subordinated in right of payment to the Senior Notes. The Senior Notes will be structurally subordinated to all of the existing and future indebtedness of the Senior Notes Issuer's subsidiaries that do not guarantee the Senior Notes and will be effectively subordinated to the existing and future secured indebtedness of the Senior Notes Issuer that is secured by property or assets that do not secure the Senior Notes or that secure such indebtedness on a first-priority basis, to the extent of the value of such property or assets.

On the Issue Date, the Senior Notes will be secured by (i) a second-priority pledge over the share capital of the Senior Secured Notes Issuer and (ii) a second-priority pledge over the receivables owed to the Senior Notes Issuer by the Senior Secured Notes Issuer in respect of the Senior Notes Proceeds Loans (as defined herein) (together, the "Senior Notes Collateral"). The validity and enforceability of the Senior Notes 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 10.309 per €1.00, the rate used in the preparation of our consolidated balance sheet as of September 30, 2018.
- (6) The Senior Secured Notes will be senior obligations of the Senior Secured Notes Issuer and will rank *pari passu* in right of payment with all of the Senior Secured Notes Issuer's existing and future senior indebtedness (including obligations of the Senior Secured Notes Issuer under the Amended and Restated Senior Facilities Agreement and certain hedging obligations, if any), and will rank senior in right of payment to all of the Senior Secured Notes Issuer's existing and future indebtedness that is expressly subordinated in right of payment to the Senior Secured Notes, including the obligations of the Senior Secured Notes Issuer under the Senior Notes Indenture. The Senior Secured Notes will be structurally subordinated to all of the existing and future indebtedness of the Senior Secured Notes Issuer's subsidiaries that do not guarantee the Senior Secured Notes and will be effectively subordinated to the existing and future secured indebtedness of the Senior Secured Notes Issuer that is secured by property or assets that do not secure the Senior Secured Notes to the extent of the value of such property or assets.

On the Issue Date, the Senior Secured Notes will be secured by first-priority security interests in: (i) the share capital of the Senior Secured Notes Issuer; (ii) the Senior Notes Issuer's receivables owing from the Senior Secured Notes Issuer under the Senior Notes Proceeds Loans; (iii) the share capital of Securitas Direct and certain intercompany loans made available by the Senior Secured Notes Issuer to Securitas Direct; (iv) convertible preferred equity certificates issued by Securitas Direct to the Senior Secured Notes 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 "Senior Secured Notes Closing Collateral"). On the Post-Closing Date, the Senior Secured 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 "Senior Secured Notes Post-Closing Collateral" and, together with the Senior Secured Notes Closing Collateral, the "Senior Secured Notes Collateral"). The validity and enforceability of the Senior Secured Notes Collateral will be subject to the limitations described in "*Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral.*"

- (7) On or about the Issue Date, we expect that the Amended and Restated Senior Facilities Agreement will become effective and will provide for aggregate borrowings under the Senior Credit Facilities of up to approximately € million (equivalent), consisting of the €2,380 million (equivalent) Existing Senior Term Loan, the €300 million Revolving Credit Facility and the € million Additional Senior Term Loan. The Issuers and the Guarantors guarantee the Senior Credit Facilities on a senior basis, and the Senior Credit Facilities are secured by first-priority security interests over substantially the same assets that will secure the Senior Secured Notes. See "*Description of Certain Indebtedness—Amended and Restated Senior Facilities Agreement*" and "*Description of Certain Indebtedness—Intercreditor Agreement.*" As of the Issue Date, after giving *pro forma* effect to the Transactions, we expect the Revolving Credit Facility and related ancillary facilities to be undrawn, €2,380 million to be drawn under the Existing Senior Term Loan and € million to be drawn under the Additional Senior Term Loan. In connection with the Transactions, we intend to seek the extension of the maturity of our Revolving Credit Facility.
- (8) On the Issue Date, the Senior Secured Notes will be jointly and severally guaranteed on a senior secured basis (the "Senior Secured Note 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, Securitas Direct SAS and Verisure International AB (collectively, the "Senior Secured Note Guarantors"). Each Senior Secured Note Guarantee will rank *pari passu* in right of payment with the relevant Senior Secured Note Guarantor's existing or future indebtedness that is not expressly subordinated in right of payment to such Senior Secured Note Guarantor's Guarantee (including the obligations of such Senior Secured Note Guarantor under the Amended and Restated Senior Facilities Agreement, certain hedging obligations, if any, and, in the case

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- 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 Senior Secured Note Guarantor that is subordinated in right of payment to its Senior Secured Note Guarantee (including the obligations of such Senior Secured Note Guarantor (other than the Senior Notes Issuer) under the Senior Notes Indenture). Each Senior Secured Note Guarantee will be effectively subordinated to any existing or future indebtedness of the relevant Senior Secured Note Guarantor that is secured by property or assets that do not secure such Senior Secured Note 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 Senior Secured Note Guarantor that are not Senior Secured Note Guarantors. The validity and enforceability of the Senior Secured Note 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 94.6% of our EBITDA for the nine months ended September 30, 2018.
- (9) On the Issue Date, the Senior Notes will be jointly and severally guaranteed on a senior subordinated basis (the "Senior Note Guarantees" and, together with the Senior Secured Note Guarantees, the "Guarantees") by each of the Senior Secured 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, Securitas Direct SAS and Verisure International AB (collectively, the "Senior Note Guarantors" and, together with the Senior Secured Note Guarantors, the "Guarantors"). Each Senior Note Guarantee will rank *pari passu* in right of payment with the relevant Senior Note Guarantor's existing and future senior subordinated indebtedness that is not subordinated in right of payment to such Senior Note Guarantor's Guarantee, subordinated in right of payment to any existing or future senior indebtedness of that Senior Note Guarantor (including its obligations under the Senior Secured Notes Indenture, the Amended and Restated Senior Facilities Agreement and certain hedging obligations, if any), and will rank senior in right of payment to all of the Senior Note Guarantors' future indebtedness that is subordinated in right of payment to the Senior Note Guarantees. Each Senior Note Guarantee will be effectively subordinated to the existing and future secured indebtedness of the Senior Note Guarantors that is secured on a first-priority basis by property or assets that secure the Senior Notes, or by property or assets that do not constitute Senior Notes Collateral (including obligations under the Amended and Restated Senior Facilities Agreement and the Senior Secured Notes Indenture), 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 Senior Note Guarantor that are not Senior Note Guarantors. The validity and enforceability of the Senior Note 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 94.6% of our EBITDA for the nine months ended September 30, 2018.
- (10) The subsidiaries of the Issuers that will not guarantee the Notes accounted for 5.4% of our EBITDA for the nine months ended September 30, 2018.

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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 Senior Notes”, “Description of Senior Secured Notes” and “Description of Certain Indebtedness—Intercreditor Agreement.”

Issuers:

Senior Secured Notes Issuer Verisure Holding AB (publ).
Senior Notes Issuer Verisure Midholding AB (publ).

Notes Offered:

Senior Secured Notes € ,000,000 aggregate principal amount of Senior Secured Notes due 2023.
Senior Notes €100,000,000 aggregate principal amount of 5¾% Senior Notes due 2023.

The Senior Notes will be issued pursuant to an indenture (the “Senior Notes Indenture”) dated November 24, 2017, among, *inter alios*, the Senior Notes Issuer, the Senior Note Guarantors, the Senior Notes Trustee and the Security Agent.

The Senior Notes will be issued as “Additional Euro Notes” under the Senior Notes Indenture and will have the same terms as the Existing Euro Senior Notes (other than as described herein). The Senior Notes sold pursuant to Regulation S will initially be issued with temporary ISINs and common codes that differ from the ISINs and common codes assigned to the Existing Euro Senior Notes sold pursuant to Regulation S. 40 days after the later of the Issue Date and the earliest day permitted under the U.S. federal securities laws, we expect that the Senior Notes sold pursuant to Regulation S will have the same ISINs and common codes as, will constitute a single series of debt securities with, and will become fully fungible with, the Existing Euro Senior Notes.

Issue Date , 2018.

Offering Price:

Senior Secured Notes % (issue price), plus accrued and unpaid interest, if any, from the Issue Date.
Senior Notes % (issue price), plus accrued and unpaid interest from and including June 1, 2018 to, but excluding, the Issue Date.
Purchasers of the Senior Notes will be required to pay accrued interest totalling € per €1,000 principal amount of Senior Notes from and including June 1, 2018 to, but excluding, the Issue Date.

Maturity Date:

Senior Secured Notes , 2023.
Senior Notes December 1, 2023.

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Interest Rate:

Senior Secured Notes The Senior Secured Notes will bear interest at a rate of % per annum. Interest on the Senior Secured Notes will accrue from the Issue Date.

Senior Notes The Senior Notes will bear interest at a rate of 5¾% per annum. Interest on the Senior Notes will accrue from June 1, 2018.

Interest Payment Dates:

Senior Secured Notes Interest will be payable on the Senior Secured Notes semi-annually in arrears on and of each year, beginning on .

Senior Notes Interest will be payable on the Senior Notes semi-annually in arrears on December 1 and June 1 of each year, beginning on December 1, 2018.

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 of the Notes:

Senior Secured Notes The Senior Secured Notes will:

- be general, senior obligations of the Senior Secured Notes Issuer;
- be secured as set forth below under “—*Security—Senior Secured Notes*”;
- be guaranteed by the Senior Secured Note Guarantors as described under “—*Guarantees—Senior Secured Note Guarantees*”;
- rank *pari passu* in right of payment with any existing and future indebtedness of the Senior Secured Notes Issuer that is not expressly subordinated in right of payment to the Senior Secured Notes (including the obligations of the Senior Secured Notes Issuer under the Amended and Restated Senior Facilities Agreement and certain hedging obligations, if any);
- rank senior in right of payment to any existing or future indebtedness of the Senior Secured Notes Issuer that is expressly subordinated in right of payment to the Senior Secured Notes, including the obligations of the Senior Secured Notes Issuer under the Senior Notes Indenture;
- be effectively subordinated to any existing or future indebtedness or obligation (including obligations to trade creditors) of the Senior Secured Notes Issuer that is secured by property or assets that do not secure the Senior Secured Notes 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 subsidiaries of the Senior Secured Notes Issuer that do not guarantee the Senior Secured Notes (including obligations to trade creditors).

Senior Notes The Senior Notes will:

- be general, senior obligations of the Senior Notes Issuer;

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- be secured as set forth below under “—*Security—Senior Notes*”;
- be guaranteed by the Senior Note Guarantors as described under “—*Guarantees—Senior Note Guarantees*”;
- 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 Senior Notes (including the Existing Senior Notes, and the obligations of the Senior Notes Issuer under the Senior Secured Notes Indenture, the Amended and Restated Senior Facilities Agreement and certain hedging obligations, if any);
- 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 Senior Notes;
- be 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 or assets that do not secure the Senior Notes, or that is secured on a first-priority basis, 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 subsidiaries of the Senior Notes Issuer that do not guarantee the Senior Notes (including obligations to trade creditors).

Guarantees:

Senior Secured Note Guarantees . The Senior Secured Notes will be guaranteed on a senior basis (the “Senior Secured Note Guarantees”) on the Issue Date by 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, Securitas Direct SAS and Verisure International AB (collectively, the “Senior Secured Note Guarantors”).

The Senior Secured Note Guarantees will be subject to the terms of the Intercreditor Agreement. See “*Description of Certain Indebtedness—Intercreditor Agreement*.”

The obligations of the Senior Secured Note Guarantors will be contractually limited under the applicable Senior Secured Note 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 Senior Secured Note Guarantors and their directors. In certain cases, these limitations may apply to the Senior Secured Note Guarantees, but not to the Senior Secured Note Guarantors’ obligations under other debt. See “*Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral*.”

The Senior Secured Note Guarantees may also be released under certain circumstances. See “*Description of Senior Secured Notes—Releases of the Guarantees*”.

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Senior Note Guarantees The Senior Notes will be guaranteed on a senior subordinated basis (the “Senior Note Guarantees”) on the Issue Date by the Senior Secured 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, Securitas Direct SAS and Verisure International AB (collectively, the “Senior Note Guarantors”).

The Senior Note Guarantees will be subject to the terms of the Intercreditor Agreement, including certain exceptions, payment blockage, standstill and turnover provisions. See “Description of Certain Indebtedness—Intercreditor Agreement.”

The obligations of the Senior Note Guarantors will be contractually limited under the applicable Senior Note 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 Senior Note Guarantors and their directors. In certain cases, these limitations may apply to the Senior Note Guarantees, but not to the Senior Note Guarantors’ obligations under other debt. See “Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral.”

The Senior Note Guarantees may also be released under certain circumstances. See “Description of Senior Notes—Releases of the Guarantees”.

Ranking of the Guarantees:

Senior Secured Note Guarantees . The Guarantee of each Senior Secured Note Guarantor will, at the time such Senior Secured Note Guarantor grants such Guarantee:

- be a general, senior obligation of the relevant Senior Secured Note Guarantor;
- rank *pari passu* in right of payment with any existing or future indebtedness of that Senior Secured Note Guarantor that is not expressly subordinated in right of payment to such Senior Secured Note Guarantor’s Guarantee (including the obligations of such Senior Secured Note Guarantor under the Amended and Restated Senior Facilities Agreement, certain hedging obligations, if any, and, in the case of the Senior Notes Issuer, its obligations under the Senior Notes Indenture);
- rank senior in right of payment to all of any existing or future indebtedness of that Senior Secured Note Guarantor that is subordinated in right of payment to its Senior Secured Note Guarantee (including the obligations of such Senior Secured Note Guarantor (other than the Senior Notes Issuer) under the Senior Notes Indenture);
- be effectively subordinated to any existing or future indebtedness or obligation (including obligations to trade creditors) of such Senior Secured Note Guarantor that is secured by property or assets that do not secure such Senior Secured Note Guarantor’s Guarantee, to the extent

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- 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 Senior Secured Note Guarantor that are not Senior Secured Note Guarantors, including their obligations to trade creditors.
- Senior Note Guarantees The Guarantee of each Senior Note Guarantor will, at the time such Senior Note Guarantor grants such Guarantee:
- be a general, senior subordinated obligation of the relevant Senior Note Guarantor;
 - be subordinated in right of payment to any existing or future senior indebtedness of that Senior Note Guarantor (including its obligations under the Senior Secured Notes Indenture, the Amended and Restated Senior Facilities Agreement and certain hedging obligations, if any);
 - rank *pari passu* in right of payment with any existing or future subordinated indebtedness of that Senior Note Guarantor that is not subordinated in right of payment to such Senior Note Guarantor's Guarantee;
 - rank senior in right of payment to all of any existing or future subordinated indebtedness of that Senior Note Guarantor that is subordinated in right of payment to its Senior Note Guarantee;
 - be effectively subordinated to any existing or future indebtedness of such Senior Note Guarantor that is secured on a first-priority basis by property or assets that secure the Senior Notes, or by property or assets that do not constitute Senior Notes Collateral (including obligations under the Amended and Restated Senior Facilities Agreement and the Senior Secured Notes Indenture), 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 Senior Note Guarantor that are not Senior Note Guarantors, including their obligations to trade creditors.

Security:

- Senior Secured Notes On the Issue Date, the Senior Secured Notes will be secured by first-priority security interests in:
- the share capital of the Senior Secured Notes Issuer;
 - the Senior Notes Issuer's receivables owing from the Senior Secured Notes Issuer under the Senior Notes Proceeds Loans;
 - the share capital of Securitas Direct and certain intercompany loans made available by the Senior Secured Notes Issuer to Securitas Direct;
 - convertible preferred equity certificates issued by Securitas Direct to the Senior Secured Notes Issuer;
 - 100% of all issued and outstanding shares of capital stock of the Senior Secured Note Guarantors (other than the Senior Notes Issuer, Securitas Direct España, S.A.U.,

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ESML SD Iberia Holding S.A.U. and Securitas Direct Portugal, Unipessoal Lda.); and

- 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 Senior Secured Note Guarantors,

(collectively, the “Senior Secured Notes Closing Collateral”).

On the Post-Closing Date, the Senior Secured Notes will be secured by first-priority security interests (*provided* that the security governed by Portuguese law shall be second-ranking in relation to the security of the Amended and Restated Senior Facilities Agreement, without prejudice to the provisions set out under the caption “*Description of Certain Indebtedness—Intercreditor Agreement—Application of Proceeds*”) in:

- 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
- 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 “Senior Secured Notes Post-Closing Collateral” and, together with the Senior Secured Notes Closing Collateral, the “Senior Secured Notes Collateral”)

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 relevant Trustee,*” “*Description of Certain Indebtedness—Intercreditor Agreement*”, “*Description of Senior Notes—Security—Release of Liens*” and “*Description of Senior Secured Notes—Security—Release of Liens.*”

Senior Notes On the Issue Date, the Senior Notes will be secured by second-ranking pledges over:

- the share capital of the Senior Secured Notes Issuer; and
- the Senior Note Issuer’s receivables under the Senior Notes Proceeds Loans,

(collectively, the “Senior Notes Collateral” and, together with the Senior Secured Notes Collateral, the “Collateral”). The Senior Notes Collateral also secures the Existing Senior Notes.

General 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 “*Description of Senior Notes—Security,*” “*Description of Senior Secured Notes—Security,*” “*Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees and the Collateral*” and “*Risk*

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Factors—Risks Related to Our Financing Arrangements and the Notes.”

Pursuant to the Intercreditor Agreement, the lenders under the Amended and Restated Senior Facilities Agreement and certain hedge counterparties will be repaid with the proceeds from any enforcement of the Collateral in priority to the Senior Notes. See “—Intercreditor Agreement.”

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 relevant Trustee,*” “*Description of Certain Indebtedness—Intercreditor Agreement*”, “*Description of Senior Notes—Security—Release of Liens*” and “*Description of Senior Secured 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 Amended and Restated Senior Facilities Agreement, (ii) the holders of the Senior Secured Notes, (iii) the holders of the Senior 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 Amended and Restated Senior Facilities Agreement, the 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 Senior Secured Notes Collateral, and the holders of Senior Notes and the Existing Senior Notes will receive the benefit of security interests over the assets constituting Senior Notes Collateral on a second-priority basis. Pursuant to the Intercreditor Agreement, subject to certain limited exceptions, the Security Agent will act with respect to Senior Secured Notes 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 Amended and Restated Senior Facilities Agreement, any hedging obligations and indebtedness under the Senior Secured Notes Indenture). Pursuant to the Intercreditor Agreement, the holders of the Senior Notes and the Existing Senior Notes will be subject to certain limitations on their ability to take certain actions in respect of their interests in the Collateral. See “*Risk Factors—Risks Relating to Our Financing Arrangements and the Notes—Holders of the Notes may not control certain decisions regarding the Collateral.*”

Optional Redemption:

Senior Secured Notes Prior to _____, 2020, the Senior Secured Notes Issuer will be entitled at its option to redeem all or a portion of the Senior Secured Notes at a redemption price equal to 100% of the principal amount of the Senior Secured Notes redeemed, plus the applicable “make-whole” premium described in this offering memorandum and accrued and unpaid interest and

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additional amounts, if any, to, but excluding, the redemption date.

In addition, prior to _____, 2020, the Senior Secured Notes Issuer will be entitled at its option on one or more occasions to redeem the Senior Secured Notes in an aggregate principal amount not to exceed 40% of the original principal amount of the Senior Secured Notes (including the original principal amount of any additional Senior Secured Notes) with the net cash proceeds from certain equity offerings at a redemption price equal to _____ % of the principal amount of the Senior Secured Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date, so long as at least 60% of the original principal amount of the Senior Secured Notes (including the original principal amount of any additional Senior Secured Notes) remains outstanding immediately after each such redemption.

Prior to _____, 2020, during each 12-month period commencing on the Issue Date, the Senior Secured Notes Issuer may redeem up to 10% of the original aggregate principal amount of the Senior Secured Notes (including any additional Senior Secured Notes) at its option, from time to time, at a redemption price equal to 103% of the principal amount of the Senior Secured Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date.

On or after _____, 2020, the Senior Secured Notes Issuer will be entitled at its option to redeem all or a portion of the Senior Secured Notes at the redemption prices set forth under the heading “*Description of Senior Secured Notes—Optional Redemption*,” plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date.

Senior Notes Prior to December 1, 2019, the Senior Notes Issuer will be entitled at its option to redeem all or a portion of the Senior Notes and the Existing Senior Notes at a redemption price equal to 100% of the principal amount of the Senior Notes and the Existing Senior 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.

In addition, prior to December 1, 2019, the Senior Notes Issuer will be entitled at its option on one or more occasions to redeem the Senior Notes and the Existing Euro Senior Notes in an aggregate principal amount not to exceed 40% of the original principal amount of the Senior Notes and the Existing Euro Senior Notes (including the original principal amount of any additional Senior Notes denominated in euros) with the net cash proceeds from certain equity offerings at a redemption price equal to 105.750% of the Senior Notes and the Existing Euro Senior Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date, so long as at least 60% of the original principal amount of the Senior Notes and the Existing Euro Senior Notes (including the original principal amount of any

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additional Senior Notes denominated in euros) remains outstanding immediately after each such redemption.

On or after December 1, 2019, the Senior Notes Issuer will be entitled at its option to redeem all or a portion of the Senior Notes and the Existing Senior Notes at the redemption prices set forth under the heading “*Description of Senior Notes—Optional Redemption*,” plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date.

Redemption for Tax Reasons:

Senior Secured Notes If certain changes in the law of any relevant taxing jurisdiction impose certain withholding taxes or other deductions on the payments on the Senior Secured Notes, the Senior Secured Notes Issuer may redeem all but not some of the Senior Secured 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 “*Description of Senior Secured Notes—Redemption for Taxation Reasons*.”

Senior Notes If certain changes in the law of any relevant taxing jurisdiction impose certain withholding taxes or other deductions on the payments on the Senior Notes and the Existing Senior Notes, the Senior Notes Issuer may redeem all but not some of the Senior Notes and the Existing Senior 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 “*Description of Senior Notes—Redemption for Taxation Reasons*.”

Change of Control:

Senior Secured Notes Upon the occurrence of certain events constituting a change of control, the Senior Secured Notes Issuer may be required to offer to repurchase all outstanding Senior Secured Notes at a purchase price in cash equal to 101% of the principal amount of the relevant Senior Secured Notes on the date of purchase, plus accrued and unpaid interest to, but excluding, the date of purchase. See “*Description of Senior Secured Notes—Change of Control*.”

Senior Notes Upon the occurrence of certain events constituting a change of control, the Senior Notes Issuer may be required to offer to repurchase all outstanding Senior Notes and Existing Senior Notes at a purchase price in cash equal to 101% of the principal amount of the Senior Notes and Existing Senior Notes on the date of purchase, plus accrued and unpaid interest to, but excluding, the date of purchase. See “*Description of Senior Notes—Change of Control*.”

Certain Covenants The Senior Secured Notes Indenture and the Senior Notes Indenture, among other things, will restrict the ability of the Issuers and their restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;

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- make certain payments, including dividends or other distributions, with respect to the shares of the Issuers or their 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 Issuers or any of their 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 Senior Notes—Certain Covenants*” and “*Description of Senior Secured Notes—Certain Covenants*.”

U.S. Federal Income Tax Considerations

For a discussion of certain U.S. federal income tax considerations of an investment in the Notes, see “*Tax Considerations—U.S. Federal Income Taxation*.” 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.

Original Issue Discount

The Senior Secured Notes may be issued with original issue discount (“OID”) for U.S. federal income tax purposes. In such event, U.S. holders (as defined under “*Tax Considerations—U.S. Federal Income Taxation*”) of Senior Secured Notes generally will be required to include such OID in gross income (as ordinary income) on an annual basis under a constant yield accrual method regardless of their regular method of accounting for U.S. federal income tax purposes. As a result, U.S. holders of Senior Secured Notes will generally include any OID in income in advance of the receipt of cash attributable to such income. See “*Tax Considerations—U.S. Federal Income Taxation—Original Issue Discount on the Senior Secured Notes*.”

Use of Proceeds

The proceeds of the Financing will be used (i) to redeem all of the Existing Senior Secured Notes, including paying the redemption premium in connection therewith, (ii) to repay drawings under the Revolving Credit Facility, (iii) to make the Distribution and (iv) to pay fees and expenses in connection with the Transactions.

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 “*Transfer Restrictions*.” We have not agreed to, or otherwise

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	undertaken to, register the Notes (including by way of an exchange offer).
Listing	Application will be made to list the Senior Secured Notes on the Securities Official List of the Luxembourg Stock Exchange (the “Exchange”) and to admit the Senior Notes to the Official List of the Exchange for trading on the Euro MTF Market thereof.
No Prior Market	The Notes will be new securities for which there is currently no established trading market. Although the Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market- making at any time without notice. Accordingly, there is no assurance that an active trading market will develop for the Notes.
Governing Law	The Senior Notes Indenture, the Senior Secured Notes Indenture, the Notes and the Guarantees will be governed by the laws of the State of New York. The Intercreditor Agreement and the Intercreditor Agreement Accession Deed are governed by English law. The Security Documents are governed by the applicable law of the jurisdiction under which the security interests in the Collateral are granted.
Trustees	<ul style="list-style-type: none">• Senior Secured Notes: Wilmington Trust, National Association• Senior Notes: Wilmington Trust, National Association
Principal Paying Agent and Transfer Agent	<ul style="list-style-type: none">• Senior Secured Notes: Citibank N.A., London Branch• Senior Notes: Citibank N.A., London Branch
Registrar	<ul style="list-style-type: none">• Senior Secured Notes: Citigroup Global Markets Deutschland AG• Senior Notes: Citibank N.A., London Branch
Security Agent	<ul style="list-style-type: none">• Senior Secured Notes: Wilmington Trust (London) Limited• Senior Notes: 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.

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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, 2017, 2016 and 2015 and as of and for the three months ended September 30, 2018 and nine months ended September 30, 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, 2017, 2016 and 2015 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 consolidated financial information of the Senior Notes Issuer as of and for the years ended December 31, 2017, 2016 and 2015 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. Further, the historical consolidated financial information of the Senior Notes Issuer as of and for the year ended December 31, 2015 have not been restated in order to give effect to certain changes in accounting policy in relation to the treatment of interest rate floors. 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 years ended December 31, 2017, 2016 and 2015 that gives effect to the changes in accounting policies mentioned above as if they had occurred as of and at the beginning of the periods indicated. 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*” and “*—Change in Accounting Policies.*”

The historical financial information of the Senior Notes Issuer as of and for the three and nine months ended September 30, 2018 have been extracted from the unaudited condensed consolidated interim financial statements of the Senior Notes Issuer, prepared in accordance with IAS 34 and included elsewhere in this offering memorandum. Comparative figures as of and for the nine months ended September 30, 2017 included in the Senior Notes Issuer’s unaudited condensed consolidated interim financial statements as of and for the nine months ended September 30, 2018 have 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 in relation to the treatment of interest rate floors and (iii) the introduction of Adjacencies as a new reporting segment, as if these changes had occurred on January 1, 2017. The restated financial information has not been audited. This unaudited restated 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*” and “*—Change in Accounting Policies.*”

We also present below certain consolidated financial information of the Senior Notes Issuer for the last quarter annualized and for the last two quarters annualized, which we calculate, in the case of the last quarter annualized, by multiplying the applicable metric for the period from July 1, 2018 to September 30, 2018 by four, and in the case of the last two quarters annualized, by multiplying the applicable metric for the period from April 1, 2018 to September 30, 2018 by two. The financial information for the last quarter annualized or 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

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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 incurrence of debt under the Additional Senior Term Loan and the application of the proceeds therefrom, as set forth under the heading “*Use of Proceeds*,” as if the Transactions had occurred on (i) October 1, 2017, for the purposes of as adjusted income statement items for the twelve months ended September 30, 2018, (ii) April 1, 2018, for the purposes of as adjusted income statement items for the six months ended September 30, 2018, annualized, (iii) July 1, 2018 for the purposes of as adjusted income statement items for the three months ended September 30, 2018, annualized, and (iv) September 30, 2018, 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 Securities Act, the Prospectus Directive 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*” and our consolidated financial statements and the related notes included elsewhere in this offering memorandum.

	For the year ended December 31,			For the nine months ended September 30,		For the three months ended September 30,	Last quarter annualized ⁽¹⁾
(€ millions)	(adjusted) 2015 ⁽²⁾	(adjusted) 2016 ⁽²⁾	(adjusted) 2017 ⁽²⁾	2017 ⁽³⁾	2018	2018	
Summary Consolidated Income Statement Data							
Revenue	1,005.0	1,177.2	1,394.8	1,012.2	1,180.3	404.1	1,616.3
Cost of sales	(573.5)	(649.6)	(734.2)	(540.6)	(630.2)	(215.2)	(860.8)
Gross profit	431.5	527.6	660.6	471.6	550.2	188.9	755.5
Selling and administrative expenses	(389.9)	(436.8)	(493.6)	(357.8)	(414.9)	(137.4)	(549.7)
Other income	6.8	7.3	7.5	5.4	5.1	1.6	6.2
Operating profit	48.5	98.1	174.5	119.2	140.4	53.0	212.1
Finance income	0.8	0.4	9.5	0.1	30.8	0.1	0.5
Finance costs	(363.1)	(141.3)	(264.6)	(147.3)	(202.1)	(65.4)	(261.7)
Result before tax	(313.8)	(42.8)	(80.6)	(28.0)	(30.9)	(12.3)	(49.1)
Income tax (expense)/ benefit	5.0	(14.6)	(2.1)	11.7	(19.2)	(8.9)	(35.4)
Result for the period	(308.8)	(57.4)	(82.6)	(16.3)	(50.0)	(21.1)	(84.6)

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(€ millions)	As of December 31,			As of September 30, 2018
	(adjusted) 2015 ⁽⁴⁾	(adjusted) 2016 ⁽⁴⁾	(audited) 2017	
Summary Consolidated Balance Sheet Data				
Cash and cash equivalents	6.4	6.0	14.2	10.5
Inventories ⁽⁵⁾	59.9	62.6	74.9	108.8
Trade receivables ⁽⁶⁾	89.7	98.7	123.3	124.0
Property, plant and equipment	408.4	501.5	608.2	685.5
Total assets	3,012.8	3,118.4	4,327.1	3,412.1
Trade payables	69.2	86.0	115.8	105.9
Long-term borrowings	2,699.8	2,897.8	4,112.8	4,106.6
Derivatives	4.6	2.3	0.2	0.0
Total liabilities	3,318.1	3,605.2	4,880.9	4,990.4
Total equity	(305.3)	(486.9)	(553.8)	(1,578.3)

	For the year ended December 31,			For the nine months ended September 30,		For the three months ended September 30,
(€ millions)	2015	2016	2017	2017	2018	2018
Summary Consolidated Cash Flow Statement Data						
Cash flow from operating activities	316.9	430.4	520.6	371.3	400.6	137.9
Cash flow from investing activities	(303.5)	(387.9)	(436.7)	(301.0)	(362.1)	(125.7)
Cash flow from financing activities	(13.6)	(43.0)	(75.4)	(67.5)	(42.0)	(12.0)

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(€ millions, unless otherwise stated)	As of and for the year ended December 31,			As of and for the nine months ended September 30,		As of and for the three months ended September 30,	Last quarter annualized ⁽¹⁾
	2015	2016	2017	2017	2018	2018	
	(adjusted)	(adjusted)	(adjusted)	(adjusted)			
Other Financial and Operating Data							
Adjusted EBITDA ⁽⁷⁾	339.7	423.8	522.8	376.2	430.0	153.1	612.3
Adjusted EBITDA margin (%) ⁽⁸⁾	33.8%	36.0%	37.5%	37.2%	36.4%	37.9%	37.9%
Capital expenditures ⁽⁹⁾	253.9	321.1	429.1	298.8	355.0	122.7	491.0
Change in net working capital ⁽¹⁰⁾	9.5	32.2	34.1	(2.5)	(3.7)	(5.9)	(23.7)
Segment data							
Portfolio Services							
Total subscribers (end of period)							
(number of subscribers)	2,016,523	2,293,993	2,586,123	2,502,806	2,840,897	2,840,897	2,840,897
Net subscriber growth (number of subscribers) ⁽¹¹⁾	228,084	277,470	292,130	208,813	254,774	86,794	347,176
Subscriber growth rate, net (%) ⁽¹²⁾	12.8%	13.8%	12.7%	14.5%	13.5%	13.5%	13.5%
Cancellations (number of subscribers) ⁽¹¹⁾⁽¹³⁾	129,174	142,708	153,369	113,482	126,263	41,539	166,156
Attrition Rate (%) ⁽¹⁴⁾	6.8%	6.7%	6.3%	6.4%	6.2%	6.2%	6.2%
Monthly ARPU (€) ⁽¹⁵⁾	38.0	38.8	39.7	39.8	40.2	40.0	40.0
Monthly Adjusted EBITDA per customer ("EPC") (€) ⁽¹⁶⁾	23.0	24.6	26.0	26.2	27.0	27.0	27.0
Revenue from Portfolio Services (€ millions)	862.4	995.4	1,158.1	857.2	981.1	336.5	1,346.1
Adjusted EBITDA from Portfolio Services (€ millions) ⁽¹⁷⁾	521.7	629.5	759.9	563.9	658.3	226.8	907.0
Adjusted EBITDA margin from Portfolio Service (%) ⁽¹⁸⁾	60.5%	63.2%	65.6%	65.8%	67.1%	67.4%	67.4%
Customer Acquisition							
New subscribers added (gross) ⁽¹¹⁾⁽¹⁹⁾	308,494	359,468	439,687	323,802	380,932	128,333	513,332
Cash acquisition cost per new subscriber ("CPA") (€) ⁽²⁰⁾	1,149	1,176	1,167	1,161	1,183	1,209	1,209
Payback period (in number of years) ⁽²¹⁾	4.2	4.0	3.7	3.7	3.7	3.7	3.7
Revenue from Customer Acquisition (€ millions)	141.2	179.8	234.5	169.7	202.0	66.0	263.9
Adjusted EBITDA from Customer Acquisition (€ millions) ⁽¹⁷⁾	(160.9)	(177.4)	(202.8)	(147.0)	(194.2)	(66.0)	(264.0)
Capital expenditures from Customer Acquisition (€ millions)	193.4	245.3	310.4	229.0	256.6	89.2	356.6
Adjacencies							
Revenue from Adjacencies (€ million)	1.4	2.0	2.2	1.7	13.1	4.6	18.4
Adjusted EBITDA from Adjacencies (€ millions) ⁽¹⁷⁾	0.0	0.4	0.5	0.4	(2.0)	(0.1)	(0.3)
Pro Forma and as Adjusted Financial Data							
						As of and for the twelve months ended September 30, 2018	
(€ millions)							
As adjusted secured indebtedness ⁽²²⁾							3,392.0
As adjusted total funded indebtedness ⁽²³⁾							4,683.0
As adjusted interest expense ⁽²⁴⁾							

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(€ millions, except ratios)	Last two quarters annualized ⁽²⁵⁾	Last quarter annualized ⁽¹⁾
Adjusted <i>Pro Forma</i> EBITDA ⁽²⁶⁾	644.5	661.5
Adjusted EBITDA from Portfolio Services ⁽¹⁷⁾	890.7	907.0
Ratio of as adjusted secured indebtedness/Adjusted <i>Pro Forma</i> EBITDA ⁽²²⁾⁽²⁶⁾	5.3x	5.1x
Ratio of as adjusted secured indebtedness/Adjusted EBITDA from Portfolio Services ⁽¹⁷⁾⁽²³⁾	3.8x	3.7x
Ratio of as adjusted total funded indebtedness/Adjusted <i>Pro Forma</i> EBITDA ⁽²³⁾⁽²⁶⁾	7.3x	7.1x
Ratio of as adjusted total funded indebtedness/Adjusted EBITDA from Portfolio Services ⁽¹⁷⁾⁽²³⁾	5.2x	5.1x
Ratio of Adjusted <i>Pro Forma</i> EBITDA/as adjusted interest expense ⁽²⁴⁾⁽²⁶⁾ .	x	x

- (1) Last quarter annualized data represents our results of operations for the quarter ended September 30, 2018, multiplied by four.
- (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 nine months ended September 30, 2017 have been restated for illustrative purposes in order to give retrospective effect to (i) a change in our accounting policy relating to interest rate floors, (ii) the reclassification of certain revenue amounts to ‘Other income’, (iii) the implementation of IFRS 15 and (iv) the creation of the Adjacencies segment. For more information, please refer to note 7 to the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2018.
- (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, please see note (3) 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 12 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). Adjusted EBITDA is a supplemental measure of financial performance that is not required by, or presented in accordance with, IFRS. Adjusted EBITDA is not a measurement of performance or liquidity under IFRS and you should not consider Adjusted EBITDA 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 because we believe that it is a measure commonly used by investors and it is a measure that we use in managing our business. Adjusted EBITDA, 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 as presented herein differs from “Consolidated EBITDA” as defined in each Indenture. In evaluating Adjusted EBITDA, you should be aware that Adjusted EBITDA is subject to certain limitations as an analytical tool. See “*Presentation of Financial and Other Information*.”

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

(€ millions)	For the year ended December 31,			For the nine months ended September 30,		For the three months ended September 30,	Last quarter annualized
	2015	2016	2017	2017	2018	2018	
Result for the period	(308.8)	(57.4)	(82.6)	(16.3)	(50.0)	(21.1)	(84.6)
Net finance costs ^(a)	362.3	140.9	255.0	147.2	171.3	65.3	261.2
Income tax expense/(benefit)	(5.0)	14.6	2.1	(11.7)	19.2	8.9	35.4
Depreciation and amortization ^(b)	255.2	285.9	298.5	222.3	245.6	84.7	338.6
Retirement of assets ^(b)	36.0	39.8	49.8	34.6	44.1	15.4	61.7
Adjusted EBITDA	<u>339.7</u>	<u>423.8</u>	<u>522.8</u>	<u>376.2</u>	<u>430.0</u>	<u>153.1</u>	<u>612.3</u>

- (a) Net finance costs consist of finance costs net of finance income.
- (b) Recognized within selling and administrative expenses in our consolidated income statement.
- (8) Adjusted EBITDA margin represents Adjusted EBITDA as a percentage of revenue.

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- (9) Our capital expenditures primarily consist of (i) capital expenditures from Customer Acquisition, which include purchases of equipment for new subscribers, 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,			For the nine months ended September 30,		For the three months ended September 30,
	2015	2016	2017	2017	2018	2018
(Increase)/decrease in inventories	(5.1)	(0.3)	(13.6)	(24.7)	(35.2)	(12.9)
(Increase)/decrease in trade receivables	(13.9)	(9.9)	(33.2)	(13.3)	(2.4)	(6.8)
(Increase)/decrease in other receivables	0.9	(16.0)	(20.4)	(12.6)	(25.3)	(6.1)
Increase/(decrease) in trade payables	6.4	13.5	31.1	(1.8)	(8.2)	(0.9)
Increase/(decrease) in other payables	21.3	45.0	70.0	49.9	67.4	20.9
Changes in net working capital	9.5	32.2	34.1	(2.5)	(3.7)	5.9

- (11) Differences in reconciliation with gross new subscribers added and cancellations are due to geographical and other variations in subscriber databases and acquisitions.
- (12) Subscriber growth rate, net, represents the annualized net subscriber growth during the relevant period divided by the number of subscribers at the beginning of that period.
- (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 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 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.
- (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 separately disclosed items. 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 for the respective segments for the periods indicated.

(€ millions)	For the year ended December 31,			For the nine months ended September 30,		For the three months ended September 30,
	2015	2016	2017	2017	2018	2018
Revenue from Portfolio Services	862.4	995.4	1,158.1	857.2	981.1	336.5
Operating expenses from Portfolio Services	(340.6)	(365.9)	(398.2)	(293.3)	(322.9)	(109.8)
Adjusted EBITDA from Portfolio Services	521.7	629.5	759.9	563.9	658.3	226.8

(€ millions)	For the year ended December 31,			For the nine months ended September 30,		For the three months ended September 30,
	2015	2016	2017	2017	2018	2018
Revenue from Customer Acquisition	141.2	179.8	234.5	169.7	202.0	66.0
Operating expenses from Customer Acquisition	(302.1)	(357.1)	(437.3)	(316.7)	(396.2)	(132.0)
Adjusted EBITDA from Customer Acquisition	(160.9)	(177.4)	(202.8)	(147.0)	(194.2)	(66.0)

(€ millions)	For the year ended December 31,			For the nine months ended September 30,		For the three months ended September 30,
	2015	2016	2017	2017	2018	2018
Revenue from Adjacencies	1.4	2.0	2.2	1.7	13.1	4.6
Operating expenses from Adjacencies	(1.4)	(1.7)	(1.7)	(1.3)	(15.1)	(4.7)
Adjusted EBITDA from Adjacencies	0.0	0.3	0.5	0.4	(2.0)	(0.1)

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,			For the nine months ended September 30,		For the three months ended September 30,
	2015	2016	2017	2017	2018	2018
Adjusted EBITDA from Portfolio Services	521.7	629.5	759.9	563.9	658.3	226.8
Adjusted EBITDA from Customer Acquisition	(160.9)	(177.4)	(202.8)	(147.0)	(194.2)	(66.0)
Adjusted EBITDA from Adjacencies	0.0	0.4	0.5	0.4	(2.0)	(0.1)
Separately disclosed items ^(a)	(21.2)	(28.7)	(34.8)	(41.1)	(32.1)	(7.6)
Adjusted EBITDA	339.7	423.8	522.8	376.2	430.0	153.1

(a) Represents separately disclosed items, including the impact of the implementation of IFRS 15 for the three months and nine months, respectively, ended September 30, 2017 and 2018, which are not available at the segment level.

- (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.
- (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.
- (22) As adjusted secured indebtedness represents our secured indebtedness as of September 30, 2018, as adjusted to give effect to the Transactions (including the incurrence of up to €1,012.0 million of senior secured indebtedness under a combination of the Senior Secured Notes and the Additional Senior Term Loan) as if they occurred on September 30, 2018. 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.”
- (23) As adjusted total funded indebtedness represents our total funded indebtedness as of September 30, 2018, as adjusted to give effect to the Transactions as if they had occurred on September 30, 2018. 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.”
- (24) As adjusted interest expense for the twelve months ended September 30, 2018 represents our finance costs (including the interest on the Notes), as adjusted to give effect to the Transactions as if they had occurred on October 1, 2017. 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 Senior Secured Notes Indenture and the Senior Notes Indenture may differ from “as adjusted interest expense” as presented herein.
- (25) Last two quarters annualized represents the applicable metric for the period from April 1, 2018 to September 30, 2018, multiplied by two.
- (26) The Adjusted *Pro Forma* EBITDA, last quarter annualized, and Adjusted *Pro Forma* EBITDA, last two quarters annualized, information presented in this offering memorandum are inherently subject to risks and uncertainties. They do not present our reported results of operations for the twelve months ended September 30, 2018, and are not comparable to our consolidated financial statements or other financial information included elsewhere in this offering memorandum. In addition, neither Adjusted *Pro Forma* EBITDA, last quarter annualized, nor Adjusted *Pro Forma* EBITDA, last two quarters annualized, purports to indicate our future consolidated results of operations. Our actual results may differ significantly from those reflected in our Adjusted *Pro Forma* EBITDA, last quarter annualized, and Adjusted *Pro Forma* EBITDA, last two quarters annualized. Further, the definition of “Consolidated EBITDA” for the purposes of calculation of the covenants under the Senior Secured Notes

Indenture and the Senior Notes Indenture will differ from Adjusted *Pro Forma* EBITDA, last quarter annualized, and 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 Senior Secured Notes Indenture and the Senior Notes Indenture.

The *pro forma* and adjusted information presented below is for illustrative purposes only. This information does not represent the results we would have achieved had the cost savings associated with the FOG program begun on October 1, 2017. The calculations of Adjusted *Pro Forma* EBITDA are based on various assumptions, management estimates and the partial reflection of such acquisitions in our last quarter and last two quarters annualized. 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, and Adjusted *Pro Forma* EBITDA, last quarter annualized.

(€ millions)	Last two quarters annualized	Last quarter annualized
Adjusted EBITDA ^(a)	625.6	642.6
LTI expenses ^(b)	(5.2)	(5.2)
Anticipated incremental cost savings under FOG program ^(c)	24.1	24.1
Adjusted <i>Pro Forma</i> EBITDA	644.5^(d)	661.5

(a) Represents Adjusted EBITDA for the two quarters ended September 30, 2018 multiplied by two and Adjusted EBITDA for the quarter ended September 30, 2018, multiplied by four, respectively, which we use for purposes of calculating our Consolidated EBITDA (as defined in the Indentures).

(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, and Adjusted EBITDA, last quarter annualized, as applicable. In late 2014, we began implementing 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: Portfolio Operations, Indirect Spend and Direct Spend. The Program is closely monitored and savings are reported quarterly at 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) 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 Senior Secured Notes Indenture and the Senior Notes 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 Senior Secured Notes Indenture and the Senior Notes Indenture differs from “Adjusted *Pro Forma* EBITDA, last two quarters annualized” as presented herein.

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. 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 and results of operations.

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 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. Additionally, large players in other 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 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 US 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. 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. Given the extensive customer base of larger telecommunications players, if they are able to successfully develop security monitoring capabilities,

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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 alarm 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 alarm 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. For example, one of the current limitations of DIY systems is that they are not yet intelligent enough to distinguish at a sufficiently high degree between false alarms and actual intrusions. However, the technology used in such systems, and in particular in the artificial intelligence engines behind them, could quickly improve and thus increase the level of competition. Alternatively, technological improvements in distinct but related industries could also increase levels of competition. 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 could be materially 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. A renewed or future recession or period of economic uncertainty could lead to increases in our attrition rate and could reduce the inflow of new customers purchasing our products. Periods of economic downturn, particularly those that affect Europe, can also negatively impact our ability to sell new alarm systems. The outlook for the world economy remains subject to uncertainty.

Spain, as mentioned above, was severely affected by the crisis of previous years but, at the moment, is recovering from the period of recession and austerity. However, the economy still suffers from relatively high levels of unemployment and debt. Furthermore, tensions in Catalonia relating to the sovereignty of the region are not abating and as a result the Spanish Government has decreased its economic outlook for 2019, and the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) has mentioned the uncertainty derived from the political turmoil in Catalonia as a domestic risk.

Additionally, on March 29, 2017, the Prime Minister of the United Kingdom officially triggered Article 50 of the Treaty of Lisbon, signalling the start of a two-year period in which the United Kingdom will negotiate the terms of its exit (“Brexit”) from the European Union. While it is difficult to predict the effect of Brexit on the European and global economy, uncertainty regarding new or modified arrangements between the

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United Kingdom and the European Union could have a material adverse effect on the buying behavior of commercial and individual customers. There could be further calls for other governments of other European Union Member States to consider withdrawal from the European Union. 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, dissatisfaction with our 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 our customer service or prices. Our overall attrition rates on a twelve-month trailing basis were 6.8%, 6.7%, 6.3% and 6.2% in the years ended December 31, 2015, 2016 and 2017 and the twelve-month period ended September 30, 2018, respectively. As we continue to expand, including into new regions, our new customers may have different economic and other characteristics from our current customers, which may lead to increased attrition rates. For example, in Latin America, the attrition rates were higher than we typically experience in our European geographies.

Customer attrition reduces our revenues from monthly subscription fees and, to the extent we decide to invest in replacing such customer attrition with new customer contracts, 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. If upfront customer acquisition costs increase, or if the installation fees or monthly subscription fees we charge decrease, the payback period will lengthen, only serving to increase the negative effects that attrition may have on our business, financial condition and results of operations.

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 cause existing customers to cancel their services with us. 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 have a material adverse effect on our business, financial condition and results of operations. 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 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.

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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 40% of our revenue for the year ended December 31, 2017. 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. In particular, growth in our customer base has been affected by higher attrition rates among our small business customers, which may persist due to disruptive economic events in Iberia. We have a higher percentage of small business customers in Iberia than in our other market segments 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 recent tension in Catalonia relating to the sovereignty of the region, or political instability in other regions in Iberia could lead to an economic slowdown in those regions. While the impact of a continued 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.

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) and telecommunications or utility companies (both of which may already have a relationship with our potential customers) may decide to expand into alarm monitoring services and bundle their existing offerings with monitored security 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 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.

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 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 new entrants, could have a material adverse effect on our business, financial condition and results of operations.

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.

As part of our operations, we collect 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 private information 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 the past, when concerns were raised regarding data integrity, we proactively requested that customers change their passwords. However, if we are unable to identify such potential threats prior to a breach of our systems, customers may lose confidence in our ability to protect their

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personal information. If consumers become reluctant to use our services because of concerns over data privacy or credit card fraud, our ability to generate revenues would be impaired. 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.

Moreover, in certain of the regions 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. For example, the Spanish Data Protection Authority conducted two investigations into our handling of customer data in 2017 and ten investigations to date in 2018. We have diligently handled all information requests and to date, no administrative procedure has been initiated against us or penalties imposed on us. If any initiation of a civil proceeding were to occur, it could lead to a fine of up to €50,000. 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.

We must comply with strict data protection and privacy laws in the European Union. Such laws restrict our ability to collect and use personal information relating to customers and potential customers, including the marketing use of that information. Notwithstanding such efforts, 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. If we, or any of the third-party service providers on which we rely, fail to store or transmit customer information in a secure manner, or if any such loss of personal customer data were otherwise to occur, we could face liability under data protection laws. We are also exposed to the risk that the personal data we control could be wrongfully accessed or used, whether by employees or third parties, or otherwise lost or disclosed or processed in breach of applicable data protection law. These failures could result in administrative penalties from the relevant authorities, civil claims from affected customers, the loss of the goodwill of our existing customers or deter new customers from using our services, which could have a material adverse effect on our business, financial condition and results of operations.

The changes to the wider EU data protection regime may also affect our operations. In particular, the provision of Regulation (EU) 2016/679 of April 27, 2016 (“**General Data Protection Regulation**” or “**GDPR**”), which repealed the former European Data Protection Directive, increased both the number of and the restrictive nature of the obligations binding on us for the collection and processing of personal data. In particular, the GDPR provides for:

- higher applicable maximum fines, up to the higher of (i) €20 million or (ii) 4% of annual global turnover per breach, as opposed to fines of less than €1 million under the current regime;
- more onerous consent requirements, as consent will always have to be express/opt-in, while implied/opt-out consent has at times been deemed sufficient under the current regime; and
- stronger rights for individuals, including an individual “*right to be forgotten*”, which would require us to permanently delete a user’s personal data in certain circumstances.

The GDPR entered into force on May 24, 2016, but its provisions became applicable only from May 25, 2018.

Data protection in the Group is subject to a robust governance structure, and the Group’s GDPR compliance program is comprehensive and contains detailed and clear processes to ensure the Group’s full compliance with GDPR. However, there can be no assurance that we carried out the implementation of a GDPR compliance program in an appropriate manner, and any failure to successfully comply with GDPR could have a material adverse effect on our business, financial condition and results of operations.

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.

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Potential competition with our former parent or disputes over the brand name SECURITAS may negatively impact our results of operations.

Verisure trades under two brands, SECURITAS DIRECT and VERISURE. We do not own the “SECURITAS” brand name or trademark. Instead, we license the “SECURITAS” brand name and trademark from Securitas AB (publ) for most of our 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 some markets discussed below. However, 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, consumers may prefer the products or services that Securitas AB (publ) would offer over our products or services.

Our current license for the use of the “SECURITAS” brand name and trademark expires in December 2029. After that date, we may not be able to continue to license the “SECURITAS” brand on commercially reasonable terms, if at all. Additionally, in accordance with the agreements granting our license, Securitas AB (publ) may terminate the agreement under certain circumstances, including if we are acquired by or enter into a joint venture with a competitor of Securitas AB (publ). Our license does not provide exclusive use of the “SECURITAS” brand name or trademark even in the countries where we have operations. As a result, there could be significant brand confusion in geographies where Securitas AB (publ) or its sub-licensees use the same trademark to sell alarm systems or provide other security services. Any resulting brand confusion among our customers could harm our reputation or reduce the value of our brand. For example, Securitas AB (publ) currently competes with us in Spain, Sweden, Belgium, the Netherlands, Finland, Norway and France, under the name “SECURITAS ALARM SERVICES.” The license does not extend beyond our current countries of operation in Europe, and we operate under the name “VERISURE” in Latin America. We would have to obtain the consent of Securitas AB (publ) to use the “SECURITAS” brand name in any other country in which we choose to commence operations if we would like to operate under that brand. Additionally, the license stipulates that the “SECURITAS” brand name may not be used alongside or in combination with other trademarks or business names without consent from Securitas AB (publ). Securitas AB (publ) is under no obligation to grant consent of such use. Breaches under this license would allow Securitas AB (publ) to bring legal action against us for unauthorized use of its intellectual property, which could have a material adverse effect on our business, financial condition and results of operations. We currently use the “SECURITAS” brand name alongside and in combination with “VERISURE” and other trademarks in certain countries.

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, 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.

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.

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 recently. However, our future rate of growth may slow compared to the last several years. Our recent revenue growth is primarily due to the growth of our

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customer base and increases in our subscription fees (including some increases beyond the increase in consumer price indices). 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 rate. If we are unable to execute our business strategy, the RHSB segment does not continue to grow as we expect, or we encounter other unforeseen difficulties in acquiring new customers 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.

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 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 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 inflationary 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.

In late 2014, we began implementing a group-wide operational improvement plan, FOG, with the aim of optimizing our cost structure and improving productivity. 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 implementation of a diligent bottom-up process with quarterly reporting to country and Group Management teams. The actual cumulative savings as of June 2018 are €261 million, obtained through development and sharing of new best practices in our alarm monitoring, customer care and maintenance departments. We expect that our incremental cost savings for the period from January 1, 2019 to December 31, 2019 will be approximately €24.1 million, which represents amounts in excess of what is already reflected in our Adjusted EBITDA for the nine months ended September 30, 2018, annualized. There can be no guarantee that such benefits will be realized or that additional costs will not be incurred. The 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 requests 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, may adversely affect our business and profitability.

Our business is labor intensive, with labor costs representing 43% of our total operating costs for the year ended December 31, 2017. Any increase in labor costs, particularly in Spain where our largest number of employees are located, could adversely affect our business and profitability. Most of our employees work under collective bargaining agreements. These existing collective bargaining

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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 may could have a material adverse effect on our costs, operations and business. Additionally, in certain circumstances we may have to pay severance or other payments to those with whom we work in our partner model. 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, it could have a material adverse effect on our business, financial condition and results of operations.

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 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. 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.

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.

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 alarm monitoring agreements 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

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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.

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 and employees includes 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 are subject to certain consequences if we forward false alarms to such emergency providers. Any failure to comply with the laws, rules or regulations (local or otherwise) in which we operate may result in fines, penalties or a suspension or termination of our right to sell, install and monitor alarm systems in the relevant jurisdiction.

Additionally, changes in laws or regulations in the jurisdictions in which we operate or the introduction of 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. 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.

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 operation 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 an alarm monitoring system. In addition, some local governments impose assessments, 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 assessments, fines or penalties, or if local governments increase existing requirements, our customers may find these additional charges prohibitive and be discouraged from using alarm monitoring 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

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customers, we could experience a material adverse effect on our business, financial condition and results of operations.

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, 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. 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.

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.

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.

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

Our success and competitive position depends 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 proprietary products and solutions. We have sought and received few patents covering such proprietary technologies and therefore 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.

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.

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, particularly in Europe. 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 purchases of NorAlarm in May 2016, Falck Denmark in September 2016, Falck Norway in December 2016 and TeleAlarme in October 2017, 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

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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.

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, 2017, 64% of our revenue was denominated in euro, 25% was denominated in SEK and NOK and 11% 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 and for the nine months ended September 30, 2018, the exchange rate averaged SEK 10.2831 = EUR 1.0.

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 could have a material adverse effect on our business, financial condition and results of operations.

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

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could be obligated to make substantial payments, which could have a material adverse effect on our business, financial condition and results of operations. In addition, the costs related to litigation and arbitration proceedings may be significant. Even in case of a positive outcome in such proceedings, we may still have to bear part or all of our advisory and other costs to the extent they are not reimbursed by the opponent, which could have a material adverse effect on our business, financial condition and results of operations. 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 in 2014, 2015, 2016, 2017 and 2018, 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. Finally, 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.

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 (primarily Greece, Ireland, Italy, Portugal and Spain), 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 Average Revenue per User (“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.

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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 Amended and Restated Senior Facilities Agreement, the Senior Notes Indenture and the Senior Secured Notes Indenture contain or will 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 Issuers and certain of the Guarantors are holding companies with no operations of their own.

The Issuers 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 relevant series of Notes and the Guarantees, as applicable. The amounts of dividends, intercompany loan payments (including, in the case of the Senior Notes, payments by the Senior Secured Notes Issuer under the Senior Notes Proceeds Loans), 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 Issuers and these Guarantors, however, may not be permitted to make such dividends, payments or distributions to the Issuers or the Guarantors to enable them to make payments in respect of their respective 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 Issuers or the Guarantors. Any restrictions on such subsidiaries could adversely affect the ability of the Issuers 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 Issuers or such Guarantors by their respective subsidiaries to enable the Issuers or such Guarantors to service their respective obligations, including those under the relevant series of Notes or the Guarantees, as applicable. Although the Senior Notes Indenture and the Senior Secured Notes Indenture will limit the ability of the Issuers' subsidiaries to enter into future consensual restrictions on their ability to pay dividends and make other payments to the Issuers 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 Issuers' subsidiaries' reserves available for distribution and thus reduce or prevent upstream dividend payments directly or indirectly to the Issuers or the Guarantors. In addition, the subsidiaries of the Issuers 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 September 30, 2018, as adjusted to give effect to the Transactions, our total indebtedness would have been €4,683.0 million and we would have had €290.3 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 Senior Notes," "Description of Senior Secured Notes" and "Description of Certain Indebtedness."*

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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 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 Senior Secured Notes Indenture and the Amended and Restated Senior Facilities Agreement contain or will 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 (or, with respect to the Senior Notes, on a senior basis) and debt of a Guarantor that ranks on a *pari passu* basis (or, with respect to the Senior Notes, on a senior 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 Senior Secured Notes Indenture and the Amended and Restated Senior Facilities Agreement will 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 Senior Secured Notes Indenture and the Amended and Restated Senior Facilities Agreement contain or will contain covenants that impose significant operating and financial restrictions on us. These agreements limit or will 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 Notes; and

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- merge, consolidate or transfer all or substantially all of our assets.

All of these limitations are or will be subject to significant exceptions and qualifications. See “*Description of Senior Notes—Certain Covenants*” and “*Description of Senior Secured Notes—Certain Covenants*.” The covenants to which we are or will be 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 Amended and Restated 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 Amended and Restated Senior Facilities Agreement) while certain amounts under the Senior Credit Facilities remain outstanding. See “*Description of Certain Indebtedness—Amended and Restated 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 Amended and Restated Senior Facilities Agreement. Upon the occurrence of any event of default that is continuing under the Amended and Restated 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 Amended and Restated Senior Facilities Agreement could lead to an event of default and acceleration under other debt instruments that contain or will contain cross default or cross acceleration provisions, including the Senior Notes Indenture and the Senior Secured Notes Indenture. If our creditors, including the creditors under the Amended and Restated 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 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, which matures before both the Senior Notes and the Senior Secured 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.

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Any failure to make payments on any series of 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 Senior Notes Indenture, the Senior Secured Notes Indenture and the Amended and Restated Senior Facilities Agreement, limit or will 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 SEK-denominated Existing Senior Notes, drawings under the Senior Credit Facilities and any other variable interest rate debt we incur in the future will bear interest at floating rates that could rise significantly, thereby increasing our costs and reducing our cash flow.

The Senior Credit Facilities and the SEK-denominated Existing Senior Notes 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 Senior Secured Notes Indenture and the Amended and Restated Senior Facilities Agreement do not or will 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 Issuers 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 Issuers 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 Senior Secured Notes Indenture or the Amended and Restated Senior Facilities Agreement would result therefrom, the Issuers and the Guarantors may, among other things, without any release or consent by

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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 Senior Secured Notes 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 Senior Secured Notes will be secured by the same collateral securing our obligations under our Senior Credit Facilities on a *pari passu* basis (*provided* that the security governed by Portuguese law shall be second-ranking in relation to the security of the Amended and Restated Senior Facilities Agreement, without prejudice to the provisions set out under the caption “*Description of Certain Indebtedness—Intercreditor Agreement—Application of Proceeds*”). The Senior Secured Notes will also be secured by the same collateral (to the extent of the Senior Notes Collateral) securing our obligations under the Senior Notes and any future Senior Unsecured Notes (as defined in the Intercreditor Agreement) , which will be secured on a second priority basis. In addition, under the terms of the Senior Notes Indenture, the Senior Secured Notes 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 Senior Secured Notes 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 certain hedging obligations and debt under the Senior Secured Notes). It is anticipated that, upon issuance of the Senior Secured Notes, the holders of the Senior Secured Notes will, together, hold a lower percentage of the total senior secured credit participations than the lenders under the Senior Credit Facilities, other obligations (including hedging obligations) that may be secured by the Senior Secured Notes Collateral and, accordingly, the holders of the Senior Secured Notes will not initially have effective control of whether to enforce the Senior Secured Notes Collateral.

The holders of the Senior Secured Notes will not have separate rights to enforce the Senior Secured Notes Collateral. As a result, the holders of the Senior Secured Notes will not be able to instruct the Security Agent, force a sale of Senior Secured Notes 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 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 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 Senior Secured Notes Collateral. In such an event, the holders of the Senior Secured 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 Senior Secured Noteholders*”) which may result in enforcement action in respect of the Senior Secured Notes Collateral, whether or not such action is approved by the holders of the Senior Secured Notes or may be adverse to such holders. The creditors under our Senior Credit Facilities (and any of our other secured creditors) may have interests that are different from the interests of holders of the Senior Secured 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 Senior Secured Notes to do so.

In addition, if the Security Agent sells Collateral comprising the shares of any of the Issuers’ 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,*” “*Description of Senior Notes—Security—Release of Liens*”

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and “Description of Senior Secured 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 Senior Secured Notes 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 Senior Secured Notes Collateral; 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; or (iv) 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 Senior Secured Notes Collateral and certain distressed disposals of assets in priority to holders of the Senior Secured Notes and may otherwise have interests that are different from the interests of holders of the Senior Secured 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 Senior Secured Notes Collateral and certain distressed disposals of assets in priority to the Senior Secured Notes and the Senior Secured Note Guarantees.

The Senior Secured Notes and the Senior Secured Note Guarantees will rank pari passu with our other senior debt, including the Existing Senior Term Loan, the Additional Senior Term Loan and the Revolving Credit Facility. The Intercreditor Agreement includes provisions governing the sharing of recoveries from

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proceeds from enforcement of the Senior Secured Notes Collateral. Such recoveries and enforcement proceeds are required to be turned over to the Security Agent after certain events, including the enforcement of the Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes Collateral (the “Senior Liabilities”), prior to paying any such amounts to discharge the Senior Secured Notes and the Senior Secured Note Guarantees. As such, in the event of a foreclosure of the Senior Secured Notes Collateral, holders of the Senior Secured 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 Senior Secured Notes 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 Senior Secured Notes and any hedging obligations or other indebtedness secured by the Senior Secured Notes Collateral on a *pari passu* basis with the Senior Secured Notes.

The rights of holders of Senior Notes to pursue remedies with respect to the Senior Notes Collateral are limited as long as any senior secured debt is outstanding.

The Intercreditor Agreement provides that the security interests in the Senior Notes Collateral will be second-priority, in relation to the enforcement and the proceeds thereof, to the first-priority security interests in the Senior Notes Collateral in favor of creditors in respect of the Amended and Restated Senior Facilities Agreement, the Senior Secured Notes, any indebtedness which is permitted under the Amended and Restated Senior Facilities Agreement, the Senior Secured Notes Indenture and the Senior Notes Indenture to be incurred and secured by the Senior Notes Collateral and which is permitted to rank *pari passu* with the Senior Secured Notes (“Senior Secured Debt”) and any indebtedness in favor of institutions with whom we enter into certain hedging arrangements (the liabilities owing to all such creditors being “Senior Secured Liabilities”). The Intercreditor Agreement provides that a common security agent will serve as the Security Agent for the secured parties under the Amended and Restated Senior Facilities Agreement, the Senior Secured Notes, any Senior Secured Debt, certain hedging arrangements and the Senior Notes and will (subject to certain limited exceptions) act with respect to the Senior Notes Collateral only at the direction of the relevant Instructing Group until amounts outstanding in respect of the Revolving Credit Facility, the Existing Senior Term Loan and the Additional Senior Term Loan, the Senior Secured Notes, the Senior Secured Debt and certain hedging arrangements are paid in full and discharged. The creditors under the Amended and Restated Senior Facilities Agreement, the Senior Secured Notes, any Senior Secured Debt and institutions who are counterparties to certain of our hedging arrangements will have (subject to certain exceptions) the exclusive right to make all decisions with respect to the enforcement of remedies relating to the Senior Notes Collateral. See “*Description of Certain Indebtedness—Intercreditor Agreement*.” As a result, the holders of the Senior Notes will not be able to independently pursue the remedies of a secured creditor under the Security Documents in respect of the Senior Notes Collateral or force a sale of the Senior Notes Collateral unless permitted to do so under certain exceptions set out in the Intercreditor Agreement. The creditors in respect of the Amended and Restated Senior Facilities Agreement, the Senior Secured Notes, any Senior Secured Debt and the institutions who are counterparties to our secured hedging arrangements may have interests that are different from the interests of holders of the Senior Notes, and they may elect to pursue their remedies in respect of the Senior Notes Collateral at a time when it would be disadvantageous for the holders of the Senior Notes to do so. This may affect the ability of holders of the Senior Notes to recover under the Senior Notes Collateral if the proceeds from the Senior Notes Collateral, after having satisfied obligations owed to the Security Agent, any receiver, certain creditor representatives and under the Amended and Restated Senior Facilities Agreement, the Senior Secured Notes, any Senior Secured Debt and certain of our hedging arrangements, are less than the aggregate amount outstanding under the Senior Notes.

We may also issue further indebtedness which will be entitled to rank *pari passu* with or senior to the Senior Notes in right and priority of payment and which will be entitled to share in the Senior Notes Collateral with the Senior Notes on a *pari passu* or senior-ranking basis. In the event that any such debt is incurred, the creditor voting rights of the holders of the Senior Notes will be diluted proportionately to the amount of debt incurred.

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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 each of the Notes and the Guarantees, which also secures or will secure the obligations under the Amended and Restated Senior Facilities Agreement and certain hedging obligations. The Collateral may also secure additional debt ranking *pari passu* with the Senior Secured Notes or the Senior Notes to the extent permitted by the terms of the Indentures 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 either the Senior Secured Notes or the Senior Notes, or a reduction of the Collateral securing such 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 Issuers to satisfy their 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 Issuers 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 Issuers 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 Trustees 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 relevant Guarantee has not been released) against the Issuers' 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.

The security over the Senior Notes Collateral ranks behind the security benefiting the creditors of our senior secured liabilities, and claims of creditors secured by assets other than the Senior Notes Collateral will have priority to the extent of the value of the assets securing such indebtedness.

All of the Senior Notes Collateral is or will be pledged to the holders of the Senior Secured Notes, the lenders under the Senior Credit Facilities and certain hedging obligations, if any, in each case as represented by the Security Agent, in addition to being pledged to the holders of the Senior Notes, as represented by the Security Agent. Under the Intercreditor Agreement and the Security Documents, the Senior Secured Notes, the Senior Credit Facilities and certain hedging obligations, if any, are or will be secured by first-priority security interests in all of the Senior Notes Collateral and the proceeds of any sale of the Senior Notes Collateral on enforcement will be applied first to repay all debt of the holders of the Senior Secured Notes, the lenders under the Senior Credit Facilities, and certain hedging counterparties, if any before applying such proceeds for the benefit of the holders of the Senior Notes. Consequently, holders of the Senior Notes may not be able to recover on the Senior Notes Collateral because the holders of the Senior Secured Notes, the lenders under the Senior Credit Facilities and

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certain hedging counterparties, if any, will have a prior claim on all proceeds realized from any enforcement of the Senior Notes Collateral.

As opposed to the Senior Secured Notes and the Senior Credit Facilities, no security over the capital stock of any of the Senior Note Guarantors (except over the shares in the Senior Secured Notes Issuer) and no security over any other assets of the Senior Notes Issuer or any of the other Senior Note Guarantors will be granted in favor of holders of the Senior Notes (other than the Senior Notes Issuer's receivables owing from the Senior Secured Notes Issuer under the Senior Notes Proceeds Loans). Accordingly, each Senior Note Guarantee will be effectively subordinated to indebtedness with respect to the Senior Secured Notes, the Senior Credit Facilities and any other secured indebtedness of the Senior Note Guarantors to the extent of the value of the assets pledged in favor of such indebtedness (other than the Senior Notes Collateral). In the event of any foreclosure, dissolution, winding up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any Senior Note Guarantor that has any such secured indebtedness, or in the event that any such secured indebtedness becomes due or the creditors thereunder proceed against the operating assets that secured such indebtedness, the assets remaining after repayment of such secured indebtedness may not be sufficient to repay any amounts owing in respect of the relevant Senior Note Guarantee. As a result, holders of Senior Notes may receive less, ratably, than holders of indebtedness of the relevant Senior Note Guarantor that is secured by assets other than the Senior Notes 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 Senior Notes Indenture does not, and the Senior Secured Notes 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 Issuers 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 Issuers 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 Issuers 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 Issuers 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 related Guarantee will be structurally subordinated to the creditors (including trade creditors) and any preferred stockholders of our non-guarantor subsidiaries.

As of September 30, 2018, after giving effect to the Transactions, the subsidiaries of the Issuers that are not Guarantors will have no material outstanding financial indebtedness. The subsidiaries of the Issuers that will not guarantee the Notes accounted for 5.4% of our EBITDA for the nine months ended September 30, 2018.

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

The right of holders of the Senior Notes to receive payments under the Senior Note Guarantees will be contractually subordinated to our existing and future senior indebtedness, and the Senior Notes are subject to restrictions on payment and enforcement.

The obligations of the Senior Note Guarantors under their respective Senior Note Guarantees will be contractually subordinated in right of payment to the prior payment in full in cash of all existing and future obligations in respect of senior indebtedness of such Senior Note Guarantor, including the obligations under the Senior Secured Notes, the Senior Credit Facilities and certain hedging obligations, if any. Although the Senior Notes Indenture contains and the Senior Secured Notes Indenture will contain restrictions on the ability of the Guarantors to incur additional senior indebtedness, any such additional

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debt incurred may be substantial and would rank senior in right of payment to the Senior Note Guarantees.

Upon any payment or distribution to creditors of a Senior Note Guarantor in respect of an insolvency event, the holders of such senior indebtedness of such Senior Note Guarantor will be entitled to be paid in full from the assets of such Senior Note Guarantor before any payment may be made pursuant to such Senior Note Guarantee. Until the senior indebtedness of such Senior Note Guarantor is paid in full, any distribution to which holders of the Senior Notes would be entitled but for the subordination provisions included in the Intercreditor Agreement shall instead be made to holders of senior debt of such Senior Note Guarantor. As a result, in the event of insolvency of a Senior Note Guarantor, holders of senior debt of such Senior Note Guarantor may recover more, ratably, than the holders of Senior Notes, in respect of such Senior Note Guarantee.

In addition, the Intercreditor Agreement contains significant restrictions with respect to payments of the Senior Notes, including payments by the Senior Notes Issuer, following an acceleration event under a prior ranking finance agreement. If there is a payment default under the Senior Secured Notes Indenture or the Amended and Restated Senior Facilities Agreement, or if a payment stop notice is issued following an event of default other than non-payment under the Senior Secured Notes Indenture or the Amended and Restated Senior Facilities Agreement, then payments will not be permitted to be made in respect of the Senior Notes until the expiration of the applicable payment stop notice. In some circumstances, for instance where payments were received on the Senior Notes in breach of the Intercreditor Agreement, holders would be required to turn over such payments to the Security Agent for redistribution. In addition, although the holders of the Senior Notes are generally entitled to enforce their claims against the Senior Notes Issuer pursuant to the terms of the Senior Notes Indenture, nevertheless the Intercreditor Agreement places certain limits on enforcement. See “*Description of Certain Indebtedness—Intercreditor Agreement—Permitted Payments.*”

In addition, the subordination provisions in the Intercreditor Agreement relating to the Senior Note Guarantees provide:

- for customary turnover provisions by the Senior Notes Trustee and the holders of the Senior Notes for the benefit of the holders of senior debt of the Senior Note Guarantors;
- that if a payment default on any senior debt of a Senior Note Guarantor has occurred and is continuing, such Senior Note Guarantor may not make any payment in respect of its Senior Note Guarantee until such default is cured or waived;
- that if any other event of default occurs and is continuing on any designated senior indebtedness and the Senior Notes Trustee receives a notice of such event of default, such Senior Note Guarantor may not make any payment in respect of the Senior Notes, or pursuant to its Senior Note Guarantee, until (amongst others) the earlier of the waiver or cure of such default and 179 days after the date on which the applicable payment blockage notice is received; and
- that the holders of the Senior Notes and the Senior Notes Trustee are prohibited, without the prior consent of the agent for the Senior Credit Facilities and the Senior Secured Notes Trustee, from taking any enforcement action in relation to such Senior Note Guarantee, except in certain circumstances.

The Senior Notes Indenture also provides and the Senior Secured Notes Indenture will also provide that, except under very limited circumstances, only the applicable Trustee will have standing to bring an enforcement action in respect of the Notes and the Guarantees. Moreover, the Intercreditor Agreement, the Senior Notes Indenture and the Senior Secured Notes Indenture will restrict the rights of holders of the Notes to initiate insolvency proceedings or take legal actions against each of the Guarantor and by accepting any Note each such holder will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Notes will have limited remedies and recourse under the Guarantees in the event of a default under the Notes by the Issuers or a Guarantor.

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.

The Notes will be guaranteed by certain of our subsidiaries which are incorporated under the laws of Sweden, Norway, Spain, Portugal and France and secured by security interests over the Collateral,

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which will be governed by the laws of Sweden, and, in the case of the Senior Secured Notes Collateral, Norway, Spain, Portugal and France. The Senior Notes Indenture provides and the Senior Secured Notes Indenture will provide that the Guarantees, and the Senior Notes Indenture provides and the Senior Secured Notes Indenture and the relevant Security Documents will 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 Senior Notes Indenture and the Senior Secured Notes 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

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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 relevant 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 Issuers, 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 Senior Notes Indenture or the Senior Secured Notes 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.

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 Issuers 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 Senior Notes Indenture and the Intercreditor provides that and the Senior Secured Notes Indenture will 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 relevant Trustee for the relevant series of Notes, 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 relevant Trustee.

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

- in connection with any sale or other disposition of Collateral to (a) a person that is not any of the Issuers 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 relevant 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 unless the relevant property and assets remain subject to, or otherwise become subject to, a lien in favor of the relevant series of Notes following such sale or disposal;
- in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the relevant Indenture, the release of the property and assets, and capital stock, of such Guarantor;

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- as described under the amendments and waivers provisions of the relevant Indenture;
- upon payment in full of principal, interest and all other obligations under the relevant series of Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the relevant series of Notes, as provided in the defeasance or satisfaction and discharge provisions of the relevant Indenture;
- upon the designation of any restricted subsidiary as an unrestricted subsidiary in accordance with the applicable provisions of the relevant Indenture, the release of the property and assets, and capital stock, of such unrestricted subsidiary;
- as permitted by the impairment of security interest covenant or the merger and consolidation covenant of the relevant Indenture; or
- as otherwise permitted in accordance with the relevant 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:

- 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 Issuers or a restricted subsidiary) otherwise permitted by the relevant Indenture;
- upon the designation in accordance with relevant Indenture of the Guarantor as an unrestricted subsidiary;
- upon payment in full of principal, interest and all other obligations under the relevant Indenture, the relevant series of Notes, the Security Documents and the Intercreditor Agreement or upon defeasance or discharge of the relevant series of Notes and the relevant Indenture, as provided in the defeasance or satisfaction and discharge provisions of the relevant Indenture;
- in accordance with an enforcement action pursuant to the Intercreditor Agreement or any additional intercreditor agreement;
- as described under the amendments and waivers provisions of the relevant Indenture;
- 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 additional guarantees provisions of the relevant Indenture;
- upon release of the guarantee of Indebtedness that resulted in the creation of the Guarantee under the additional guarantees provisions of the relevant Indenture; or
- as a result of any transaction permitted by the merger and consolidation covenant of the relevant Indenture.

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

H&F indirectly beneficially owns approximately 80.4% of the equity of the Issuers and the Guarantors. As controlling shareholder of the Issuers 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,

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financings or other transactions that, in their judgment, could enhance their equity investment, or in making large dividend payments (subject to limitations in the Senior Notes Indenture and the Senior Secured Notes Indenture) 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 Senior Notes Indenture or the Senior Secured Notes Indenture.

Additionally, the Senior Notes Indenture and the Amended and Restated Senior Facilities Agreement permit and the Senior Secured Notes Indenture will 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 Senior Notes Indenture, the Senior Secured Notes Indenture, the Amended and Restated 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. Furthermore, the second-priority ranking of security interests with respect to the Senior Notes can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens, re-characterization under applicable law or regulatory approvals.

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

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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 Issuers 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 Issuers and the Guarantors will not be required to improve the Collateral.

The granting 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 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 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 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 Indentures 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 Senior Secured Notes Collateral and a second-priority security interest in respect of the Senior Notes.

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. Pursuant to the terms of the Intercreditor Agreement, the liens securing such Collateral will secure obligations under the Senior Secured Notes and the Senior Credit Facilities on a first-priority basis, and the 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 each 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 Senior Secured Notes 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 Senior Secured Notes and the Senior Notes would rank *pari passu* under Swedish law, which could reduce the potential recoveries available for the holders of the Senior Secured Notes in the case of an enforcement of such Collateral.

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

The Senior Notes Indenture provides and the Senior Secured Notes Indenture will provide 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,

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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 Senior Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status*” and “*Description of Senior Secured 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.

The recovery from the enforcement of the share pledge forming part of the Senior Notes Collateral may be complicated, involve long recovery times and a low recovery rate.

In connection with the enforcement of the share pledge over the shares of the Senior Secured Notes Issuer, any sale of such entity is likely to involve a release of primary debt, which could result in a taxable capital gain to the Senior Secured Notes Issuer. As the Senior Secured Notes Issuer is the issuer of the Senior Secured Notes and the borrower under the Senior Credit Facilities, an enforcement over the shares of the Senior Secured Notes Issuer would involve the enforcement over an entity with outstanding primary debt claims. Such release is permitted by the Intercreditor Agreement and could result in a taxable capital gain. This taxable capital gain is likely to reduce the proceeds of any recovery from the enforcement of the share pledge over the shares of the Senior Secured Notes Issuer. Therefore, the value of the pledge over the shares of the Senior Secured Notes Issuer is limited. In addition, the holders of the Senior Notes do not share in the other collateral that has been granted in favor of the creditors of our senior secured liabilities (other than the Senior Notes Issuer’s receivables owing from the Senior Secured Notes Issuer under the Senior Notes Proceeds Loan). Collateral has been granted in favor of such creditors over the shares of certain of our subsidiaries, some of whom may have outstanding primary debt claims. The release of such primary debt claims upon the enforcement of such share pledges (which is permitted by the Intercreditor Agreement) could also result in a taxable capital gain to such entities.

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 Senior Notes Indenture and the Senior Secured Notes 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 Issuers to offer to purchase the Notes would constitute a default under the Senior Notes Indenture or the Senior Secured Notes Indenture which would, in turn, constitute a default under the Amended and Restated Senior Facilities Agreement. See “*Description of Senior Notes—Change of Control*” and “*Description of Senior Secured 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 Issuers to make a similar offer to the lenders under the Senior Credit Facilities. If an event constituting a change of control occurs at a time when we are prohibited from providing funds to the Senior Notes Issuer for the purpose of repurchasing the Senior Notes (due to, for instance, an ongoing default or Event of Default under the Senior Secured Notes or the Senior Credit Facilities), we may seek the consent of the debt holders under such indebtedness to such provision or may attempt to refinance the indebtedness that contain such prohibition, but may be unable to obtain consent or to refinance such indebtedness and would remain prohibited from repurchasing any Senior Notes. Future indebtedness of the Issuers or their 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 each of the Senior Notes Indenture and the Senior Secured Notes 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

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beneficial ownership or, even if they do, may not constitute a “change of control” as defined in the each of the Senior Notes Indenture and the Senior Secured Notes Indenture.

The definition of “change of control” contained in each of the Senior Notes Indenture and the Senior Secured Notes Indenture includes a disposition of all or substantially all of the assets of the relevant 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 relevant 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 relevant Issuer would be required to make an offer to repurchase the relevant series of Notes. Additionally, an enforcement of the share pledge over the Senior Secured Notes Issuer could constitute a “change of control” under each of the Senior Notes Indenture and the Senior Secured Notes Indenture.

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

The Issuers and the Guarantors are incorporated under the laws of Sweden, Norway, Spain, Portugal and France, 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 Issuers 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 predicated upon the civil liability provisions of the U.S. Federal and state securities laws. In addition, we cannot assure you that civil liabilities predicated upon the Federal securities laws of the United States will be enforceable in Sweden, Norway, Spain, Portugal and France. See “*Enforceability of Judgments.*”

Your rights as a creditor may not be as favorable under the insolvency laws of Sweden, Norway, Spain, Portugal and France 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 Issuers and the Guarantors are organized or incorporated, as applicable, under the laws of Sweden, Norway, Spain, Portugal and France. 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 or French 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 and France.

In the event that the Issuers, 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

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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 Issuers, 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.

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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.

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 or remain 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 Senior Secured Notes from the Securities Official List of the Exchange, or of the Senior Notes from the Official List of the Exchange, may have a material effect on a holder's ability to resell the Notes, as applicable, 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 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

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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. Investments in the Notes denominated in a currency other than U.S. dollars by U.S. holders (as defined in “*Tax Considerations—U.S. Federal Income Taxation*”) may also have important tax consequences as a result of foreign exchange gains or losses, if any. See “*Tax Considerations—U.S. Federal Income Taxation*.”

The Senior Secured Notes may be issued with original issue discount for U.S. federal income tax purposes.

The Senior Secured Notes may be issued with original issue discount (“OID”) for U.S. federal income tax purposes. In such event, U.S. holders (as defined under “*Tax Considerations—U.S. Federal Income Taxation*”) of Senior Secured Notes generally will be required to include such OID in gross income (as ordinary income) on an annual basis under a constant yield accrual method regardless of their regular method of accounting for U.S. federal income tax purposes. As a result, U.S. holders of Senior Secured Notes will generally include any OID in income in advance of the receipt of cash attributable to such income. See “*Tax Considerations—U.S. Federal Income Taxation—Original Issue Discount on the Senior Secured Notes*.”

The transferability of the Notes may 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*.” 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.

Each series of 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.

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 depository (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 depository, 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 Senior Notes Indenture or the Senior Secured Notes 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

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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 Senior Notes Indenture or the Senior Secured Notes 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.

The Senior Notes offered hereby in reliance on Regulation S will initially trade under different ISINs and common codes to those assigned to the Existing Euro Senior Notes sold in reliance on Regulation S, which could adversely affect the liquidity of the Senior Notes and cause the Senior Notes to trade at different prices than the Existing Euro Senior Notes.

The Senior Notes sold in reliance on Regulation S (the “Reg S Senior Notes”) will be issued bearing temporary ISINs and common codes that differ from the ISINs and common codes assigned to the Existing Euro Senior Notes represented by a Regulation S Global Note (the “Reg S Existing Euro Senior Notes”). After the expiry of the 40-day period following the Issue Date, we will provide a notice to the holders of the Reg S Senior Notes, the Trustee and the common depository for the accounts of Euroclear and Clearstream that the Reg S Senior Notes shall be assigned the same ISINs and common codes as the Reg S Existing Euro Senior Notes on a date that is within five business days of the date of such notice. Upon receipt of such notice, we expect that Euroclear and Clearstream, in accordance with their procedures, will assign the Reg S Senior Notes the same ISINs and common codes as those of the Reg S Existing Euro Senior Notes. Upon such assignment, the Senior Notes will constitute a single series of debt securities with, and will become fully fungible with, the Existing Euro Senior Notes for all purposes under the Indenture, including, without limitation, redemptions and offers to purchase. However, in the event that we are unable to provide such notice, or the Reg S Senior Notes are not transferred to the permanent ISINs and common codes, in each case in a timely manner or at all, the Reg S Senior Notes will continue to trade under a separate ISIN and common code to the Reg S Existing Euro Notes, which may adversely affect the liquidity of such Reg S Senior Notes and cause such Reg S Senior Notes to trade at different prices than the Reg S Existing Euro Senior Notes.

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USE OF PROCEEDS

The gross proceeds of the Offering of the Notes will be € million. We intend to use the proceeds from the Offering together with drawings under the Additional Senior Term Loan (i) to redeem all of the Existing Senior Secured Notes, including paying the redemption premium in connection therewith, (ii) to repay drawings under the Revolving Credit Facility, (iii) to make the Distribution and (iv) 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 on the Issue Date, the completion of the incurrence of indebtedness under the Additional Senior Term Loan, and differences between estimated and actual fees and expenses. Any increase in these amounts will be funded with cash on the balance sheet. This table should be read in conjunction with “Capitalization.”

Sources		Uses	
	(€ millions)		(€ millions)
Senior Notes offered hereby ⁽¹⁾	100.0	Redemption of Existing Senior Secured Notes ⁽⁴⁾	648.9
Senior Secured Notes offered hereby ⁽²⁾		Repayment of drawings under the Revolving Credit Facility	102.6
Additional Senior Term Loan ⁽³⁾		Distribution to Shareholders	352.5
		Transaction costs and expenses ⁽⁵⁾ . .	8.0
Total sources	1,112.0	Total uses	1,112.0

(1) Represents gross proceeds from the Offering of the Senior Notes (excluding accrued interest from June 1, 2018 to the Issue Date and assuming an issuance at par). On the Issue Date, we intend to on-lend the proceeds of the Senior Notes to the Senior Secured Notes Issuer via one or more Senior Notes Proceeds Loans, which will be subordinated debt obligations of the Senior Secured Notes Issuer. The amounts so on-lent will be used for the repayment of certain of the Senior Secured Notes Issuer’s indebtedness.

(2) Represents the gross proceeds from the Offering of the Senior Secured Notes.

(3) Represents euro-denominated borrowings under the Additional Senior Term Loan.

(4) Represents the aggregate outstanding principal amount of the Existing Senior Secured Notes and the redemption premium payable in connection with their redemption, but excludes accrued and unpaid interest, which will be paid with cash on balance sheet. On the Issue Date, we intend to use a portion of the proceeds from the Financing to deposit with the paying agent under the Existing Senior Secured Notes Indenture an amount sufficient to redeem the Existing Senior Secured Notes in full (including redemption premium and accrued and unpaid interest to, but excluding, the expected date of redemption), in accordance with the Existing Senior Secured Notes Indenture, and satisfy and discharge the Existing Senior Secured Notes Indenture. See “Capitalization.”

(5) 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 September 30, 2018 of the Senior Notes Issuer on a historical basis derived from the Senior Notes Issuer’s unaudited condensed consolidated interim financial statements of September 30, 2018, 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” and the consolidated financial statements and accompanying notes appearing elsewhere in this offering memorandum. Except as set forth below, there have been no other material changes to our capitalization since September 30, 2018.

	As of September 30, 2018		As Adjusted for the Transactions
	Historical	Adjustments (€ millions)	
Cash and cash equivalents ⁽¹⁾	10.5	—	10.5
Total debt: ⁽²⁾			
Revolving Credit Facility ⁽³⁾	102.6	(102.6)	—
Existing Senior Term Loan	2,380.0	—	2,380.0
Additional Senior Term Loan	—	—	—
Existing Senior Secured Notes ⁽⁴⁾	630.0	(630.0)	—
Senior Secured Notes	—	—	—
Total secured indebtedness	3,112.6	279.4	3,392.0
Local Facilities ⁽⁵⁾	49.8	—	49.8
Finance Leases	1.2	—	1.2
Existing Euro Senior Notes	980.0	—	980.0
SEK-denominated Existing Senior Notes (euro-equivalent) ⁽⁶⁾	160.1	—	160.1
Senior Notes	—	100.0	100.0
Total funded indebtedness	4,303.7	379.4	4,683.0
Total equity	(1,578.3)	—	(1,578.3)
Total capitalization	2,725.4	379.4	3,104.8

(1) Historical cash and cash equivalents reflects our cash and cash equivalents as of September 30, 2018. As adjusted cash and cash equivalents reflects our cash on balance sheet after giving effect to the Transactions. See “Use of Proceeds.”

(2) Total debt is reflected at its aggregate principal amounts plus capitalized interest as of September 30, 2018, if applicable, and does not reflect capitalized debt issuance costs or accrued interest expense.

(3) Represents amounts drawn under our Revolving Credit Facility as of September 30, 2018, which we intend to repay in connection with the Transactions. See “Use of Proceeds.” Amounts repaid may be re-borrowed. In connection with the Transactions, we intend to seek the extension of the maturity of our Revolving Credit Facility.

(4) Represents the aggregate principal amount outstanding under the Existing Senior Secured Notes. In connection with the Transactions, the Existing Senior Secured Notes Indenture will be satisfied and discharged on the Issue Date via irrevocable deposit of amounts required to redeem the Existing Senior Secured Notes on the expected redemption date.

(5) See “Description of Certain Indebtedness—Local Facilities.”

(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 10.309 per €1.00, which was the exchange rate used with respect to our consolidated balance sheet as of September 30, 2018. You should not view such translation as 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, 2017, 2016 and 2015 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. The selected historical consolidated financial information of the Senior Notes Issuer as of and for the nine months ended September 30, 2018 and 2017 have been extracted from the unaudited condensed consolidated interim financial statements as of and for the nine months ended September 30, 2018 prepared in accordance with IAS 34 (Interim Financial Reporting), 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 this offering memorandum.

(€ millions)	For the year ended December 31,			For the nine months ended September 30,		For the three months ended September 30,
	(adjusted) 2015 ⁽¹⁾	(adjusted) 2016 ⁽¹⁾	(adjusted) 2017 ⁽¹⁾	2017 ⁽²⁾	2018	2018
Selected Consolidated Income Statement Data						
Revenue	1,005.0	1,177.2	1,394.8	1,012.2	1,180.3	404.1
Cost of sales	(573.5)	(649.6)	(734.2)	(540.6)	(630.2)	(215.2)
Gross profit	431.5	527.6	660.6	471.6	550.2	188.9
Selling and administrative expenses . . .	(389.9)	(436.8)	(493.6)	(357.8)	(414.9)	(137.4)
Other income	6.8	7.3	7.5	5.4	5.1	1.6
Operating profit	48.5	98.1	174.5	119.2	140.4	53.0
Finance income	0.8	0.4	9.5	0.1	30.8	0.1
Finance costs	(363.1)	(141.3)	(264.6)	(147.3)	(202.1)	(65.4)
Result before tax	(313.8)	(42.8)	(80.6)	(28.0)	(30.9)	(12.3)
Income tax (expense)/benefit	5.0	(14.6)	(2.1)	11.7	(19.2)	(8.9)
Result for the period	(308.8)	(57.4)	(82.6)	(16.3)	(50.0)	(21.1)

(€ millions)	As of December 31,			As of September 30,
	(adjusted) 2015 ⁽³⁾	(adjusted) 2016 ⁽³⁾	(audited) 2017	2018
Selected Consolidated Balance Sheet Data				
Cash and cash equivalents	6.4	6.0	14.2	10.5
Inventories	59.9	62.6	74.9	108.8
Trade receivables	89.7	98.7	123.3	124.0
Property, plant and equipment	408.4	501.5	608.2	685.5
Total assets	3,012.8	3,118.4	4,327.1	3,412.1
Trade payables	69.2	86.0	115.8	105.9
Long-term borrowings	2,699.8	2,897.8	4,112.8	4,106.6
Derivatives	4.6	2.3	0.2	0.0
Total liabilities	3,318.1	3,605.2	4,880.9	4,990.4
Total equity	(305.3)	(486.9)	(553.8)	(1,578.3)

(€ millions)	For the year ended December 31,			For the nine months ended September 30,		For the three months ended September 30,
	2015	2016	2017	2017	2018	2018
Selected Consolidated Cash Flow Statement Data						
Cash flow from operating activities	316.9	430.4	520.6	371.3	400.6	137.9
Cash flow from investing activities	(303.5)	(387.9)	(436.7)	(301.0)	(362.1)	(125.7)
Cash flow from financing activities	(13.6)	(43.0)	(75.4)	(67.5)	(42.0)	(12.0)

(1) Our consolidated income statement data for the years ended December 31, 2017, 2016 and 2015 have 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 years ended December 31, 2016 and 2015 have been further adjusted to give effect to a change in our accounting policy relating to interest rate floors as if it had occurred as of and at the beginning of the periods indicated.

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) 2015	(adjustment) 2015	(adjusted) 2015	(audited) 2016	(adjustment) 2016	(adjusted) 2016	(audited) 2017	(adjustment) 2017	(adjusted) 2017
Selected Consolidated Income Statement Data									
Revenue	1,011.8	(6.8)	1,005.0	1,184.5	(7.3)	1,177.2	1,402.3	(7.5)	1,394.8
Cost of sales	(573.5)	—	(573.5)	(649.6)	—	(649.6)	(734.2)	—	(734.2)
Gross profit	438.4	(6.8)	431.5	534.9	(7.3)	527.6	668.0	(7.5)	660.6
Selling and administrative expenses	(389.9)	—	(389.9)	(436.8)	—	(436.8)	(493.6)	—	(493.6)
Other income	—	6.8	6.8	—	7.3	7.3	—	7.5	7.5
Operating profit . . .	48.5	—	48.5	98.1	—	98.1	174.5	—	174.5
Finance income . . .	0.8	—	0.8	0.4	—	0.4	9.5	—	9.5
Finance costs	(365.7)	2.6	(363.1)	(140.1)	(1.2)	(141.3)	(264.6)	—	(264.6)
Result before tax .	(316.4)	2.6	(313.8)	(41.6)	(1.2)	(42.8)	(80.6)	—	(80.6)
Income tax (expense)/benefit .	5.0	—	5.0	(14.6)	—	(14.6)	(2.1)	—	(2.1)
Result for the period	(311.4)	2.6	(308.8)	(56.2)	(1.2)	(57.4)	(82.6)	—	(82.6)

(2) Our consolidated income statement data for the nine months ended September 30, 2017 have been restated for illustrative purposes in order to give retrospective effect to (i) the implementation of IFRS 15, (ii) the reclassification of certain revenue amounts to 'Other income' and (iii) a change in our accounting policy relating to interest rate floors. For more information, please refer to note 7 to the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2018.

(3) Our consolidated balance sheet data as of December 31, 2016 and 2015 have been adjusted for illustrative purposes in order to give retrospective effect to a change in our accounting policy relating to interest rate floors.

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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) 2015	(adjustment) 2015	(adjusted) 2015	(audited) 2016	(adjustment) 2016	(adjusted) 2016	(audited) 2017	(adjustment) 2017	(adjusted) 2017
Selected Consolidated Balance Sheet Data									
Cash and cash equivalents	6.4	—	6.4	6.0	—	6.0	14.2	—	14.2
Inventories	59.9	—	59.9	62.6	—	62.6	74.9	—	74.9
Trade receivables	89.7	—	89.7	98.7	—	98.7	123.3	—	123.3
Property, plant and equipment	408.4	—	408.4	501.5	—	501.5	608.2	—	608.2
Total assets	3,012.8	—	3,012.8	3,118.4	—	3,118.4	4,327.1	—	4,327.1
Trade payables	69.2	—	69.2	86.0	—	86.0	115.8	—	115.8
Long-term borrowings	2,592.9	107.0	2,699.8	2,791.8	106.1	2,897.8	4,112.8	—	4,112.8
Derivatives	114.1	(109.5)	4.6	109.7	(107.4)	2.3	0.2	—	0.2
Total liabilities	3,320.7	(2.6)	3,318.1	3,606.6	(1.4)	3,605.2	4,880.9	—	4,880.9
Total equity	(307.9)	2.6	(305.3)	(488.2)	1.4	(486.9)	(553.8)	—	(553.8)

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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 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 years ended December 31, 2017, 2016 and 2015 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—Change in accounting policies.” Our financial information for the nine months ended September 30, 2017 has been restated to give effect to the adoption of IFRS 15 and to certain 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—Change in accounting policies.”

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 approximately 2.8 million customers (as of September 30, 2018) and design, sell and install alarms with network connectivity across 15 countries in Europe and Latin America. Our management estimates, based on third party data, that as of September 30, 2018, 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 79.1% of our revenue in the nine months ended September 30, 2018). Our management also estimates that, on a weighted-average basis, across our geographies and based on our number of customers at the end of 2017, we benefit from a 3.2 times relative size advantage. 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 September 2018. As of September 30, 2018, residential households comprised 78% of our customers, while small businesses accounted for the remaining 22%. 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 82.7% of our total revenue before IFRS 15 adjustment for the quarter ended September 30, 2018, annualized) provide us with a high-margin, stable source of recurring cash flow. For the quarter ended September 30, 2018, annualized, we generated revenue of €1,616.3 million and Adjusted *Pro Forma* EBITDA of €661.5 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 approximately 2.8 million customers 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 14 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 LTM attrition rate of 6.2% as of September 30, 2018. 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 quarter ended September 30, 2018, annualized, our Portfolio Services segment generated revenue of €1,346.1 million (representing 82.7% of our total revenue before IFRS 15 adjustment) and Adjusted EBITDA of €907.0 million (representing a 67.4% Adjusted EBITDA margin).
- **Customer Acquisition.** Our Customer Acquisition segment sells to, and installs our alarm systems for, new customers in return for an upfront sales and installation fee. This installation fee typically

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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 sales, marketing and installation investment activities to grow our customer base, or, alternatively, reduce our investment in such activities to maximize our cash on hand, over the short to medium term.

Additionally, we classify certain none-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.

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 6.8%, 6.7%, 6.3% and 6.2% in the years ended December 31, 2015, 2016 and 2017 and the twelve-month period ended September 30, 2018, respectively.

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

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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, 2015, 2016 and 2017 was 6.8%, 6.7% and 6.3%, respectively, compared to 6.2% in the twelve-month period ended September 30, 2018.

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, 2017, 64% of our revenue was denominated in euro, 25% of revenue was denominated in SEK and NOK and 11% of revenue was denominated in other currencies. Historically, the euro/SEK exchange rate fluctuated significantly, as it averaged SEK 9.6464 = EUR 1.0 in 2017 and SEK 9.4648 = EUR 1.0 in 2016, and for the nine months ended September 30, 2018, the exchange rate averaged SEK 10.2831 = 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 36% of our revenue is denominated in non-euro currencies, the majority of our indebtedness is euro-denominated. After giving effect to the Transactions, however, 10% of our indebtedness will be denominated in SEK, after giving effect to 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⁽¹⁾

(€ millions)	For the year ended December 31,			For the nine months ended September 30,		For the last quarter ended September 30,	For the last quarter annualized ⁽²⁾
	(adjusted) 2015	(adjusted) 2016	(adjusted) 2017	2017	2018	2018	
Revenue	989.2	1,166.9	1,387.5	1,003.9	1,193.9	410.2	1,640.9
Adjusted EBITDA	335.1	420.5	520.5	373.3	437.0	156.0	624.1
Revenue from Portfolio Services	848.8	986.7	1,152.2	850.2	992.7	341.7	1,366.7
Revenue from Customer Acquisition	138.9	178.3	233.2	168.3	204.0	67.0	268.0
Revenue from Adjacencies	1.4	2.0	2.2	1.7	13.1	4.6	18.4
Adjusted EBITDA from Portfolio Services	514.2	624.2	756.3	559.6	666.2	230.3	921.1
Adjusted EBITDA margin from Portfolio Services (%)	60.6	63.3	65.6	65.8	67.1	67.4	67.4
ARPU (€/month)	37.4	38.5	39.4	39.4	40.7	40.7	40.7
EPC (€)	22.7	24.3	25.9	26.0	27.3	27.4	27.4
Capital Expenditures	249.8	317.9	427.3	296.6	360.2	125.1	500.3
Capital Expenditure from Customer Acquisition	190.5	243.2	308.7	227.1	259.1	90.4	361.8
Other Capital Expenditures	59.3	74.7	118.6	69.4	101.0	34.6	138.5
Change in Working Capital	14.2	29.8	47.0	21.1	4.5	1.5	6.0

(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.

(2) Represents results for the three months ended September 30, 2018, stated in constant currency, multiplied by four.

Factors Affecting Comparability of Our Financial Results

Increased Leverage

As of September 30, 2018, we had €4,349.2 million of outstanding indebtedness and certain of our indebtedness was denominated in SEK. *Pro forma* for the Transactions, we will have €4,683.0 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 Amended and Restated Senior Facilities Agreement, the Senior Notes Indenture and the Senior Secured Notes 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

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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 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, 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 average number of customers during the relevant period.

Monthly Adjusted EBITDA per Customer. “EPC” is calculated by dividing the total monthly Adjusted EBITDA from managing our existing customer portfolio (which is our Adjusted EBITDA from Portfolio Services) by the 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 twelve months previously.

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.”

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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,			As of and for the nine months ended September 30		As of and for the three months ended September 30 2018	Last quarter annualized
(€ millions, unless otherwise stated)	(adjusted) 2015	(adjusted) 2016	(adjusted) 2017	2017	2018		
Other Financial and Operating Data							
Adjusted EBITDA (€ millions)	339.7	423.8	522.8	376.2	430.0	153.1	612.3
Adjusted EBITDA margin (%)	33.8%	36.0%	37.5%	37.2%	36.4%	37.9%	37.9%
Capital expenditures (€ millions)	253.9	321.1	429.1	298.8	355.0	122.7	491.0
Change in net working capital (€ millions) .	9.5	32.2	34.1	(2.5)	(3.7)	(5.9)	(23.7)
Segment data⁽¹⁾							
Portfolio Services							
Total subscribers (end of period)	2,016,523	2,293,993	2,586,123	2,502,806	2,840,897	2,840,897	2,840,897
Net subscriber growth (number of subscribers)	228,084	277,470	292,130	208,813	254,774	86,794	347,176
Subscriber growth rate, net (%)	12.8%	13.8%	12.7%	14.5%	13.5%	13.5%	13.5%
Cancellations (number of subscribers)	129,174	142,708	153,369	113,482	126,263	41,539	166,156
Attrition Rate (%)	6.8%	6.7%	6.3%	6.4%	6.2%	6.2%	6.2%
Monthly ARPU (€)	38.0	38.8	39.7	39.8	40.2	40.0	40.0
Monthly Adjusted EBITDA per subscriber ("EPC")(€)	23.0	24.6	26.0	26.2	27.0	27.0	27.0
Revenue from Portfolio Services (€ millions)	862.4	995.4	1,158.1	857.2	981.1	336.5	1,346.1
Adjusted EBITDA from Portfolio Services (€ millions)	521.7	629.5	759.9	563.9	658.3	226.8	907.0
Adjusted EBITDA margin from Portfolio Service (%)	60.5%	63.2%	65.6%	65.8%	67.1%	67.4%	67.4%
Customer Acquisition							
New subscribers added (gross)	308,494	359,468	439,687	323,802	380,932	128,333	513,332
Cash acquisition cost per new customer ("CPA") (€)	1,149	1,176	1,167	1,161	1,183	1,209	1,209
Payback period (in number of years)	4.2	4.0	3.7	3.7	3.7	3.7	3.7
Revenue from Customer Acquisition (€ millions)	141.2	179.8	234.5	169.7	202.0	66.0	263.9
Adjusted EBITDA from Customer Acquisition (€ millions)	(160.9)	(177.4)	(202.8)	(147.0)	(194.2)	(66.0)	(264.0)
Capital expenditures from Customer Acquisition (€ millions)	193.4	245.3	310.4	229.0	256.6	89.2	356.6
Adjacencies							
Adjacencies revenue	1.4	2.0	2.2	1.7	13.1	4.6	18.4
Adjacencies adjusted EBITDA (€ millions) . .	0.0	0.4	0.5	0.4	(2.0)	(0.1)	(0.3)

(1) Differences in reconciliation with end of period customer data is due to geographical and other variations in customer databases and acquisitions.

Description of Key Items in Our Income Statement

Revenue

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 recognized 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 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, 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

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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 such as finance and human resources and management.

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.

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Analysis of Operating Results

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

(€ millions)	For the years ended December 31,			For the nine months ended September 30,	
	2015 (adjusted)	2016 (adjusted)	2017 (adjusted)	2017	2018
Consolidated Income Statement Data					
Revenue	1,005.0	1,177.2	1,394.8	1,012.2	1,180.3
Cost of sales	(573.5)	(649.6)	(734.2)	(540.6)	(630.2)
Gross profit	431.5	527.6	660.6	471.6	550.2
Selling and administrative expenses	(389.9)	(436.8)	(493.6)	(357.8)	(414.9)
Other income	6.8	7.3	7.5	5.4	5.1
Operating profit	48.5	98.1	174.5	119.2	140.4
Finance income	0.8	0.4	9.5	0.1	30.8
Finance costs	(363.1)	(141.3)	(264.6)	(147.3)	(202.1)
Result before tax	(313.8)	(42.8)	(80.6)	(28.0)	(30.9)
Income tax (expense)/benefit	5.0	(14.6)	(2.1)	11.7	(19.2)
Result for the period	(308.8)	(57.4)	(82.6)	(16.3)	(50.0)

The discussions set forth below provide a separate analysis of each of the line items that comprise our statement of income for each of the periods described below. Our consolidated income statement data for the years ended December 31, 2015, 2016 and 2017 are presented on an adjusted basis giving effect to changes in accounting principles as more fully described in “Presentation of Financial and Other Information.” Our consolidated income statement data for the nine months ended September 30, 2017 are presented on an adjusted basis giving effect to changes in accounting principles and the adoption of IFRS 15 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, 2017, 64% of our revenue was denominated in euro, 16% of revenue was denominated in SEK, 9% of revenue was denominated in NOK and 11% 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.

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Nine months ended September 30, 2018 and September 30, 2017

Revenue

The following table shows the split of our revenue by market segment and geographic region for the nine months ended September 30, 2018 and September 30, 2017:

(€ millions, other than percentages)	Nine months ended September 30, 2017	Percent of revenue	Nine months ended September 30, 2018	Percent of revenue
Revenue by segment				
Portfolio Services	857.2	84.7%	981.1	83.1%
Customer Acquisition	169.7	16.8%	202.0	17.1%
Adjacencies	1.7	0.2%	13.1	1.1%
Adjustments for IFRS 15 ⁽¹⁾	(16.3)	(1.6)%	(15.9)	(1.3)%
Total	1,012.2	100.0%	1,180.3	100.0%
Revenue by geography				
Iberia	417.3	41.2%	487.6	41.3%
Nordics	332.5	32.9%	358.1	30.3%
Rest of Europe	227.7	22.5%	287.1	24.3%
LatAm	51.0	5.0%	63.4	5.4%
Adjustments for IFRS 15 ⁽¹⁾	(16.3)	(1.6)%	(15.9)	(1.3)%
Total	1,012.2	100.0%	1,180.3	100.0%

(1) Represents an adjustment for the implementation of IFRS 15, which is not reflected at the segment level.

Total revenue for the nine months ended September 30, 2018 increased by 16.6%, or €168.1 million, to €1,180.3 million from €1,012.2 million for the nine months ended September 30, 2017. Organic revenue growth, excluding the impact of FX and acquisitions, was 18.7%. The increase in revenue was primarily due to the increasing customer base and higher average monthly revenue per user. Our customer base grew from 2,502,806 on September 30, 2017 to 2,840,897 on September 30, 2018, primarily as a result of our continued customer acquisition efforts and low attrition.

Revenue for Portfolio Services for the nine months ended September 30, 2018 increased by 14.5%, or €124.0 million, to €981.1 million from €857.2 million for the nine months ended September 30, 2017. The increase was primarily due to a higher number of customers and the increased average monthly revenue per user of €40.2, up from €39.8 in the prior period.

Revenue for Customer Acquisition for the nine months ended September 30, 2018 increased by 19.0%, or €32.3 million, to €202.0 million from €169.7 million for the nine months ended September 30, 2017. The increase was mainly due to a higher number of installations as well as higher up front revenue compared to the same period in 2017.

Revenue for the Iberia geographic cluster for the nine months ended September 30, 2018 increased by 16.8%, or €70.3 million, to €487.6 million from €417.3 million for the nine months ended September 30, 2017. The increase was mainly due to a higher number of customers as well as higher average monthly revenue per user compared to the same period in 2017.

Revenue for the Nordics geographic cluster for the nine months ended September 30, 2018 increased by 7.7%, or €25.5 million, to €358.1 million from €332.5 million for the nine months ended September 30, 2017. The increase was mainly due to a higher number of customers compared to the same period in 2017.

Revenue for the Rest of Europe geographic cluster for the nine months ended September 30, 2018 increased by 26.1%, or €59.4 million, to €287.1 million from €227.7 million for the nine months ended September 30, 2017. The increase was mainly due to a higher number of customers compared to the same period in 2017.

Revenue for the Latin America geographic cluster for the nine months ended September 30, 2018 increased by 24.4%, or €12.4 million, to €63.4 million from €51.0 million for the nine months ended September 30, 2017. The increase was mainly due to a higher number of customers as well as a higher number of installations compared to the same period in 2017.

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Cost of Sales

Cost of sales increased by 16.6%, or €89.5 million, to €630.2 million for the nine months ended September 30, 2018 from €540.6 million for the nine months ended September 30, 2017. This increase was primarily due to growth in the portfolio and the increase in new installations.

Selling and Administrative Expenses

Selling and administrative expenses increased by 16.0%, or €57.1 million, to €414.9 million for the nine months ended September 30, 2018 from €357.8 million for the nine months ended September 30, 2017. This increase was primarily due to growth in sales.

Finance Income

Finance income increased by €30.7 million to €30.8 million for the nine months ended September 30, 2018 from €0.1 million for the nine months ended September 30, 2017. This increase was due to interest income regarding a loan to a related party totalling €30.6 million.

Finance Costs

Finance costs increased by 37.2%, or €54.8 million, to €202.1 million for the nine months ended September 30, 2018 from €147.3 million for the nine months ended September 30, 2017. The increase was mainly due to a negative FX revaluation related to the November 2017 distribution totalling €56.2 million. Interest expense increased by €14.7 million mainly due to an increase in indebtedness relating to the refinancing in November 2017.

Income Tax Expense and Benefit

Income tax expense was €19.2 million in the nine months ended September 30, 2018 compared to an income tax benefit of €11.7 million for the nine months ended September 30, 2017. Current tax cost was €28.7 million in the nine months ending September 30, 2018, compared to €25.7 million in 2017. The difference between the periods was due to higher profit in 2018 partly offset by lower tax rate in some countries.

Years Ended December 31, 2017 and December 31, 2016

Revenue

The following table shows the split of our revenue by market segment and geographic region for the years ended December 31, 2017 and December 31, 2016:

(€ millions, other than percentages)	2016 (adjusted)	Percent of revenue	2017 (adjusted)	Percent of revenue
Revenue by segment				
Portfolio Services	995.4	84.5%	1,158.1	83.0%
Customer Acquisition	179.8	15.3%	234.5	16.8%
Adjacencies	2.0	0.2%	2.2	0.2%
Total	1,177.2	100.0%	1,394.8	100.0%
Revenue by geography				
Iberia	493.7	41.9%	561.4	40.3%
Nordics	386.9	32.9%	449.1	32.2%
Rest of Europe	244.7	20.8%	314.0	22.5%
LatAm	51.9	4.4%	70.2	5.0%
Total	1,177.2	100.0%	1,394.8	100.0%

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Total revenue for the year ended December 31, 2017 increased by 18.5%, or €217.6 million, to €1,394.8 million from €1,177.2 million for the year ended December 31, 2016. Organic revenue growth, excluding the impact of FX and acquisitions, was 17.4%. 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 2,293,993 as of December 31, 2016 to 2,586,123 as of December 31, 2017, primarily as a result of our continued customer acquisition efforts and low attrition.

Revenue for Portfolio Services for the year ended December 31, 2017 increased by 16.3%, or €162.7 million, to €1,158.1 million from €995.4 million for the year ended December 31, 2016. 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, 2017 increased by 30.4%, or €54.7 million, to €234.5 million from €179.8 million for the year ended December 31, 2016. The increase was mainly due to 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, 2017 increased by 13.7%, or €67.7 million, to €561.4 million from €493.7 million for the year ended December 31, 2016. The increase mainly came from the portfolio due to a higher number of customers compared to the previous period.

Revenue for the Nordics geographic cluster for the year ended December 31, 2017 increased by 16.1%, or €62.2 million, to €449.1 million from €386.9 million for the year ended December 31, 2016. The increase was mainly due to a higher number of customers as well as higher average monthly revenue per user compared to the previous period.

Revenue for the Rest of Europe geographic cluster for the year ended December 31, 2017 increased by 28.3%, or €69.3 million, to €314.0 million from €244.7 million for the year ended December 31, 2016. The increase was mainly due to a higher number of customers in the portfolio as well as increased number of new customers compared to the previous period.

Revenue for the Latin America geographic cluster for the year ended December 31, 2017 increased by 35.3%, or 18.3 million, to €70.2 million from €51.9 million for the year ended December 31, 2016. The increase was mainly due to a higher number of customers, increase of new installations and to some extent higher monthly revenue compared to the previous period.

Cost of Sales

Cost of sales increased by 13.0%, or €84.6 million, to €734.2 million for the year ended December 31, 2017 from €649.6 million for the year ended December 31, 2016. This increase was primarily due to growth in the portfolio and increase in new installations.

Selling and Administrative Expenses

Selling and administrative expenses increased by 13.0%, or €56.7 million, to €493.6 million for the year ended December 31, 2017 from €436.8 million for the year ended December 31, 2016. This increase was primarily due to growth in sales.

Finance Income

Finance income increased by €9.1 million, to €9.5 million for the year ended December 31, 2017 from €0.4 million for the year ended December 31, 2016. This increase was due to interest income regarding a loan to a related party totalling €9.3 million.

Finance Costs

Finance costs increased by 87.2%, or €123.3 million, to €264.6 million for the year ended December 31, 2017 from €141.3 million for the year ended December 31, 2016. Interest expense decreased by €9.7 million mainly due to the reduced margin on the Term Loan B albeit partially off-set by additional indebtedness incurred on November 21, 2017. Other financial items cost increased by €132.9 million mainly due to call costs, consent fees as and other prepaid debt charges relating to the refinancing in November 2017 as well as non-cash FX revaluations of debt items.

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Income Tax Expense/Benefit

Income tax expense was €2.1 million in the year ended December 31, 2017 compared to €14.6 million for the year ended December 31, 2016. Current tax cost was €39.4 million in the year ending December 31, 2017, compared to €25.5 million in 2016. The difference between the years is mainly due to higher profit in 2017 partly offset by lower tax rate in some countries. The corresponding amounts for deferred tax were a benefit of €37.3 million in 2017, and €10.9 million in 2016.

Years Ended December 31, 2016 and December 31, 2015

Revenue

The following table shows the split of our revenue by market segment and geographic region for the years ended December 31, 2016 and December 31, 2015:

(€ millions, other than percentages)	2015 (adjusted)	Percent of revenue	2016 (adjusted)	Percent of revenue
Revenue by segment				
Portfolio Services	862.4	85.8%	995.4	84.5%
Customer Acquisition	141.2	14.1%	179.8	15.3%
Adjacencies	1.4	0.1%	2.0	0.2%
Total	1,005.0	100.0%	1,177.2	100.0%
Revenue by geography				
Iberia	436.3	43.4%	493.7	41.9%
Nordics	338.4	33.7%	386.9	32.9%
Rest of Europe	184.7	18.4%	244.7	20.8%
LatAm	45.6	4.5%	51.9	4.4%
Total	1,005.0	100.0%	1,177.2	100.0%

Total revenue for the year ended December 31, 2016 increased by 17.1%, or €172.2 million, to €1,177.2 million from €1,005.0 million for the year ended December 31, 2015. Organic revenue growth, excluding the impact of FX and acquisitions, was 15.7%. 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 2,016,523 as of December 31, 2015 to 2,293,993 as of December 31, 2016, primarily as a result of our continued customer acquisition efforts and low attrition.

Revenue for Portfolio Services for the year ended December 31, 2016 increased by 15.4%, or €133.0 million, to €995.4 million from €862.4 million for the year ended December 31, 2015. 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, 2016 increased by 27.3%, or €38.6 million, to €179.8 million from €141.2 million for the year ended December 31, 2015. The increase was mainly due to 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, 2016 increased by 13.2%, or €57.4 million, to €493.7 million from €436.3 million for the year ended December 31, 2015. The increase was mainly due to a higher number of customers as well as higher average monthly revenue per user compared to the previous period.

Revenue for the Nordics geographic cluster for the year ended December 31, 2016 increased by 14.3%, or €48.5 million, to €386.9 million from €338.4 million for the year ended December 31, 2015. The increase was mainly due to a higher number of customers as well as higher average monthly revenue per user compared to the previous period.

Revenue for the Rest of Europe geographic cluster for the year ended December 31, 2016 increased by 32.5%, or €60.0 million, to €244.7 million from €184.7 million for the year ended December 31, 2015. The increase was mainly due to a higher number of customers compared to the previous period.

Revenue for the Latin America geographic cluster for the year ended December 31, 2016 increased by 13.9%, or 6.3 million, to €51.9 million from €45.6 million for the year ended December 31, 2015. The increase was mainly due to a higher number of customers compared to the previous period.

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Cost of Sales

Cost of sales increased by 13.3%, or €76.1 million, to €649.6 million for the year ended December 31, 2016 from €573.5 million for the year ended December 31, 2015. This increase was primarily due to growth in the portfolio and increase in new installations.

Selling and Administrative Expenses

Selling and administrative expenses increased by 12.0%, or €46.9 million, to €436.8 million for the year ended December 31, 2016 from €389.9 million for the year ended December 31, 2015. This increase was primarily due to growth in sales.

Finance Income

Finance income decreased by 48.7%, or €0.4 million, to €0.4 million for the year ended December 31, 2016 from €0.8 million for the year ended December 31, 2015.

Finance Costs

Finance costs decreased by 61.1%, or €221.8 million, to €141.3 million for the year ended December 31, 2016 from €363.1 million for the year ended December 31, 2015. Interest expense decreased by €42.6 million mainly due to the replacement of a shareholder loan with a term loan carrying a lower interest margin. Other financial items improved by €179.3 million mainly due to non-cash FX revaluations of debt items as well as call costs, consent fees and other prepaid debt charges relating to the refinancing in October 2015.

Income Tax Expense/Benefit

Income tax expense was €14.6 million in the year ended December 31, 2016 compared to a benefit of €5.0 million for the year ended December 31, 2015. This was primarily driven by increasing operating results in most market segments.

Cash Flow for the Years Ended December 31, 2015, 2016 and 2017 and for the nine months ended September 30, 2017 and 2018

The following table shows a summary of our cash flow for the years ended December 31, 2015, 2016 and 2017 and for the nine months ended September 30, 2017 and 2018.

(€ millions)	For the years ended December 31,			For the nine months ended September 30,	
	2015	2016	2017	2017	2018
Cash flow from operating activities before change in working capital ⁽³⁾	307.4	398.1	486.6	373.8	404.2
Change in working capital ⁽¹⁾	9.5	32.2	34.1	(2.5)	(3.7)
Cash flow from operating activities ⁽²⁾⁽³⁾	316.9	430.4	520.6	371.3	400.6
Cash flow from investing activities	(303.5)	(387.9)	(436.7)	(301.0)	(362.1)
Cash flow from financing activities ⁽³⁾	(13.6)	(43.0)	(75.4)	(67.5)	(42.0)
Cash flow for the period	(0.2)	(0.5)	8.5	2.8	(3.5)
Cash and cash equivalents at beginning of period	6.7	6.4	6.0	6.0	14.2
Translation differences on cash and cash equivalents	(0.2)	0.1	(0.2)	(0.1)	(0.1)
Cash and cash equivalents at end of period	6.4	6.0	14.2	8.6	10.5

(1) From 2015, other financing items and interest received are classified as cash flow from financing activities.

(2) 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 26 days of receiving them. We generally maintain approximately 121 days of inventories.

(3) Consistent with our regular reporting, cash flow from operating activities is calculated after giving effect to tax liabilities.

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Cash Flow from Operating Activities Before Change in Working Capital

Cash flow from operating activities before change in working capital was €404.2 million in the nine months ended September 30, 2018, compared to €373.8 million in the nine months ended September 30, 2017. The improvement was mainly due to an increase in profitability.

Cash flow from operating activities before change in working capital for the year ended December 31, 2017 was €486.6 million compared to €398.1 million for the year ended December 31, 2016. The improvement was primarily due to an increase in profitability.

Cash flow from operating activities before change in working capital for the year ended December 31, 2016 was €398.1 million compared to €307.4 million for the year ended December 31, 2015. The improvement was primarily due to an increase in profitability.

Change in Working Capital

Change in working capital for the nine months ended September 30, 2018 was negative €3.7 million, compared to negative €2.5 million for the nine months ended September 30, 2017. The decrease was due primarily to a controlled increase in inventory as well as timing of large supplier payments.

Change in working capital for the year ended December 31, 2017 was €34.1 million, compared to €32.2 million for the year ended December 31, 2016. The increase was due primarily to a larger increase in other payables such as prepayments from customers, VAT liabilities and other accrued costs compared to the previous year.

Change in working capital for the year ended December 31, 2016 was €32.2 million, compared to €9.5 million for the year ended December 31, 2015. The increase was due primarily to a larger increase in other payables such as prepayments from customers, VAT liabilities and other accrued costs compared to the previous year.

Cash Flow from Investing Activities

Cash outflow from investing activities for the nine months ended September 30, 2018 was €362.1 million, compared to €301.0 million in the nine months ended September 30, 2017. The increase was primarily due to growth in acquisitions of new customers, upgrades and development cost.

Cash outflow used in investing activities for the year ended December 31, 2017 was €436.7 million, compared to €387.9 million in the year ended December 31, 2016. The increase was mainly due to growth in acquisition of new customers, upgrades and development cost.

Cash outflow used in investing activities for the year ended December 31, 2016 was €387.9 million, compared to €303.5 million in the year ended December 31, 2015. The increase was mainly due to organic growth and also related to the acquisition of NorAlarm in Norway and Falck Alarm in Norway and Denmark.

Cash Flow from Financing Activities

Cash outflow from financing activities for the nine months ended September 30, 2018 was €42.0 million, compared to €67.5 million for the nine months ended September 30, 2017. The primary elements in the nine months ended September 30, 2018 comprised net paid interest of €114.1 million, a net increase in borrowings of €96.4 million and paid debt-related fees and other financial items of €6.3 million and a distribution of €18 million.

Cash outflow from financing activities for the year ended December 31, 2017 was €75.4 million, compared to €43.0 million for the year ended December 31, 2016. The main elements included paid interest of €181.6 million, a net increase in borrowings of €1,216.6 million, a loan to related party of €1,036.7 million and paid debt related fees from refinancing and other financial items totalling €74.0 million.

Cash outflow from financing activities for the year ended December 31, 2016 was €43.0 million, compared to €13.6 million for the year ended December 31, 2015. This was primarily due to interest payments of €155.7 million and paid dividend of €110.0 million, partially funded by an increase in borrowings of €224.7 million.

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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 and (ii) portfolio services capital expenditures which relates to new equipment for existing customers (iii) agencies capital expenditure which includes direct costs related to the acquisition of a new customer contract, and (iv) capital expenditures relating to investments in R&D, IT and 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, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018:

(€ millions)	For the years ended December 31,			For the nine months ended September 30,	
	2015	2016	2017	2017	2018
Portfolio Service capital expenditures	28.9	32.9	40.2	28.2	34.5
Customer Acquisition capital expenditures, material	116.2	139.1	169.5	125.5	133.9
Customer Acquisition capital expenditures, direct costs . . .	77.2	106.2	140.9	103.5	122.6
Agencies capital expenditures	—	—	—	—	7.5
Capital expenditures, other	31.5	42.9	78.6	41.7	56.4
Consolidated capital expenditures	253.9	321.1	429.1	298.8	355.0

Capital expenditures for the nine months ended September 30, 2018 was €355.0 million, compared to €298.8 million for the nine months ended September 30, 2017. This increase was mainly due to growth in acquisition of new customers, upgrades of existing customers and development costs. Capital expenditure was €429.1 million for the year ended December 31, 2017, compared to €321.1 million for the year ended December 31, 2016. This increase primarily resulted from growth in sales, upgrades, product development and investment in IT. Capital expenditures also increased to €321.1 million in the year ended December 31, 2016 from €253.9 million for the year ended December 31, 2015, primarily due to growth in the business.

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 September 30, 2018, after giving effect to the Transactions, we would have had €4,683.0 million of indebtedness, comprising the Senior Credit Facilities, the Senior Secured Notes, the Existing Senior Notes, the Senior Notes, our existing local credit facilities and finance leases. As of September 30, 2018, after giving effect to the Transactions, we would have had €290.3 million available for borrowing under the Revolving Credit Facility after taking into consideration outstanding letters of credit as of September 30, 2018. 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, primarily debt obligations and non-cancellable operating leases. As of September 30, 2018, giving *pro forma* effect to the Transactions, our contractual cash obligations and commercial commitments are set

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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 ⁽¹⁾	—		—	
Senior Secured Notes offered hereby ⁽²⁾	—		—	
Senior Notes ⁽³⁾	—	1,240.1	—	1,240.1
Local Facilities ⁽⁴⁾	25.1	24.7	—	49.8
Finance leases ⁽⁵⁾	0.3	0.9	—	1.2
Operating leases ⁽⁶⁾	29.9	84.0	23.7	137.6
Total	55.3		23.7	4,820.7

- (1) Represents the outstanding principal amount drawn under our Senior Credit Facilities.
- (2) Represents the € million aggregate principal amount of the Senior Secured Notes offered hereby.
- (3) Represents the outstanding principal amount of the Existing Senior Notes together with the €100.0 million aggregate principal amount of the Senior Notes offered hereby. The amount shown in the table reflects the aggregate principal amount of the SEK-denominated Existing Senior Notes using an exchange rate of SEK 10.309 per €1.00, which was the exchange rate used with respect to our consolidated balance sheet as of September 30, 2018.
- (4) As of September 30, 2018, we had €49.8 million outstanding under our Local Facilities.
- (5) 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.
- (6) Represents operating leases as of December 31, 2017. The Group leases offices, cars and various equipment under operating lease agreements. Operating lease payments totalled €32.6 million in the year ended December 31, 2017.

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 and Switzerland have a pension plan, whereas our employees in Chile, Brazil, Spain, Portugal, Italy, the United Kingdom, 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. 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 plans in foreign units are classified as defined contribution plans, with the exception of a limited defined benefit plan in France and Switzerland. 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, which means 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.

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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 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 instalment, 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.

In the past we have utilized 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 bear interest at varying rates, and as a result we have interest risk with respect to this debt. For fixed rate debt, interest rate changes affect the fair market value of such debt, but do not impact earnings or cash flow.

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, 2017, 64% of our revenue was denominated in euro, 25% was denominated in SEK and NOK and 11% of revenue was denominated in other currencies. In the past we have hedged our foreign exchange exposure when we have deemed it appropriate. 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 36% of our revenue is denominated in non-euro currencies, the majority of our indebtedness was euro-denominated. As of December 31, 2017, 10% of our indebtedness is denominated in SEK, after giving effect to certain cross currency swaps, which provided a partial natural hedge against movements in FX on a 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. Because transactions with other countries (or in currencies other than the euro) arise on only a very limited basis in the various subsidiaries, we currently do not hedge our transaction exposure. We believe this form of currency exposure is, therefore, not significant for us.

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



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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.

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.

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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

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 12 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. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The standard will affect primarily the accounting for our operating leases. As of December 31, 2017, we had noncancellable operating lease commitments of €137.6 million. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity, Liabilities and Financing Arrangements—Contractual Obligations*”. We are currently performing the analysis of the effect of IFRS 16.

IFRS 16 will be mandatory for financial years commencing on or after January 1, 2019. At this stage, we do not intend to adopt the standard before its effective date.

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INDUSTRY

Unless stated otherwise, the statements on markets and competition provided below are based on our beliefs and estimates, some of which were, in turn, derived from various sources we believe to be reliable, including from surveys or studies conducted by third-party sources. We compiled the market and competitive data in part on the basis of this historical data and in part on the basis of assumptions and methodology which we believe to be reasonable. In light of the absence of publicly available information on a significant proportion of participants in the industry, the data on market segment sizes and projected growth rates should be viewed with caution. Additional factors, which should be considered in assessing the usefulness of the market and competitive data, are described elsewhere in this offering memorandum, including those set out in the section entitled “Risk Factors.”

Introduction

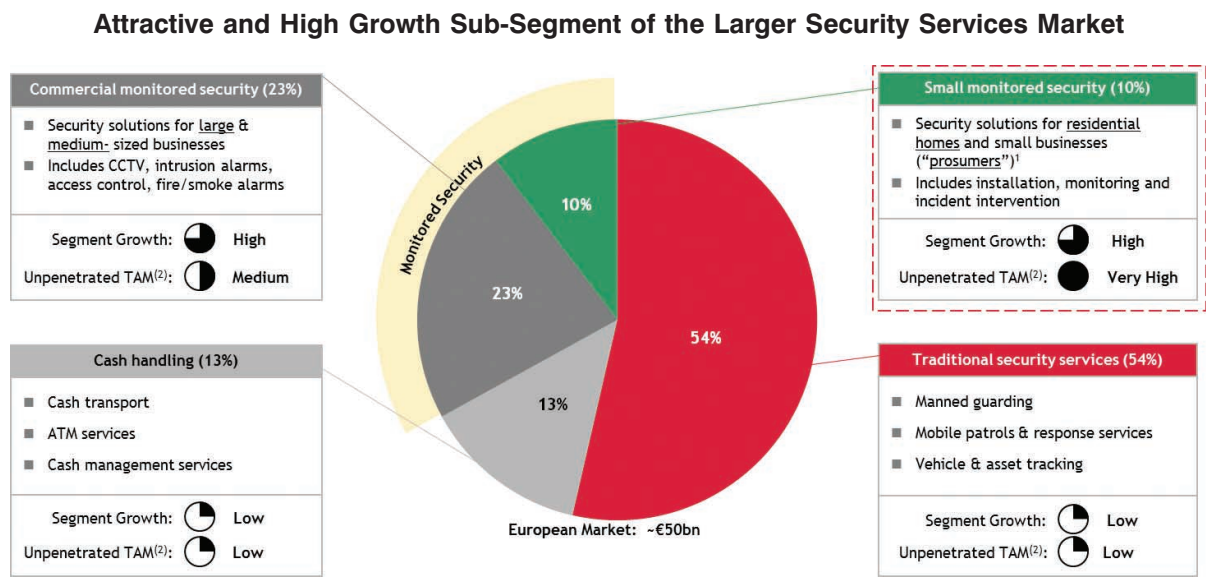
We operate in the residential home and small business (“RHSB”) segment of the €140 billion global security services market. We are present in 12 countries in Europe and 3 countries in Latin America. In 2016, according to Berg Insight (2017), the European RHSB segment is estimated to have generated €5 billion of revenue, accounting for 10% of the broader €50 billion European security services market.

European sales of RHSB monitored alarms are expected to grow annually over the long term, driven by an increasing market penetration, adoption of additional technology enabled services and population growth. We believe that a key driver of previous market growth has been the presence of large, established providers that actively drove overall market adoption by targeting new subscribers through marketing (TV, radio, digital) and direct sales (such as door-to-door canvassing and telesales). We expect these factors to also continue to drive growth.

RHSB systems include those sold in conjunction with remote professional monitoring services as well as those that are unmonitored alarms. We operate in the professional monitored alarm segment. Monitored alarm systems typically incorporate, at a minimum, several motion sensors connected to a central control panel that communicates with a remote monitoring station either wirelessly or via a landline telephone or internet connection. Monitored RHSB service providers differ in the sophistication of the underlying detection technology (for example, video cameras and jamming prevention), the range of additional services provided (such as smoke detection, remote access control and remote monitoring services over personal devices, including smartphones), as well as the quality of service provided (for example, maintenance, fast call back times, providing a private security guard response, the ability to dispatch emergency services).

Monitored alarm providers typically make an upfront investment to acquire new subscribers (partly offset through installation fees) which is then recouped over time by charging subscribers on a monthly basis for the ongoing monitoring service. Monitored alarms are primarily sold by our salespeople, who are either our employees or independent local partners. The Verisure Group focuses on face-to-face sales. After an alarm is sold and installed, subscribers are connected to a remote monitoring station where their property is monitored 24 hours a day, seven days a week by trained operators. In the event that an alarm is triggered, these operators use a variety of verification methods to confirm whether the incident is a true emergency or a false alarm and then forward the alarm to the police, fire services or private security guards, if necessary. Alarm providers typically also offer subscribers ongoing service and technical support to ensure their systems are functioning correctly.

The chart below shows the breakdown of the main sub-segments of the larger security industry as of 2016, including the small monitored security segment where we operate:



Source: Berg Insight (2017), Company estimates and perspective on segment growth and TAM.

- (1) Prosumer = Professional Consumer, for example, professionals or very small businesses with consumer-like needs such as architects, dentist or estate agents.
- (2) TAM = Total Addressable Market size.

Attractive Industry Characteristics

We believe the following key characteristics make the RHSB professionally monitored alarm segment attractive.

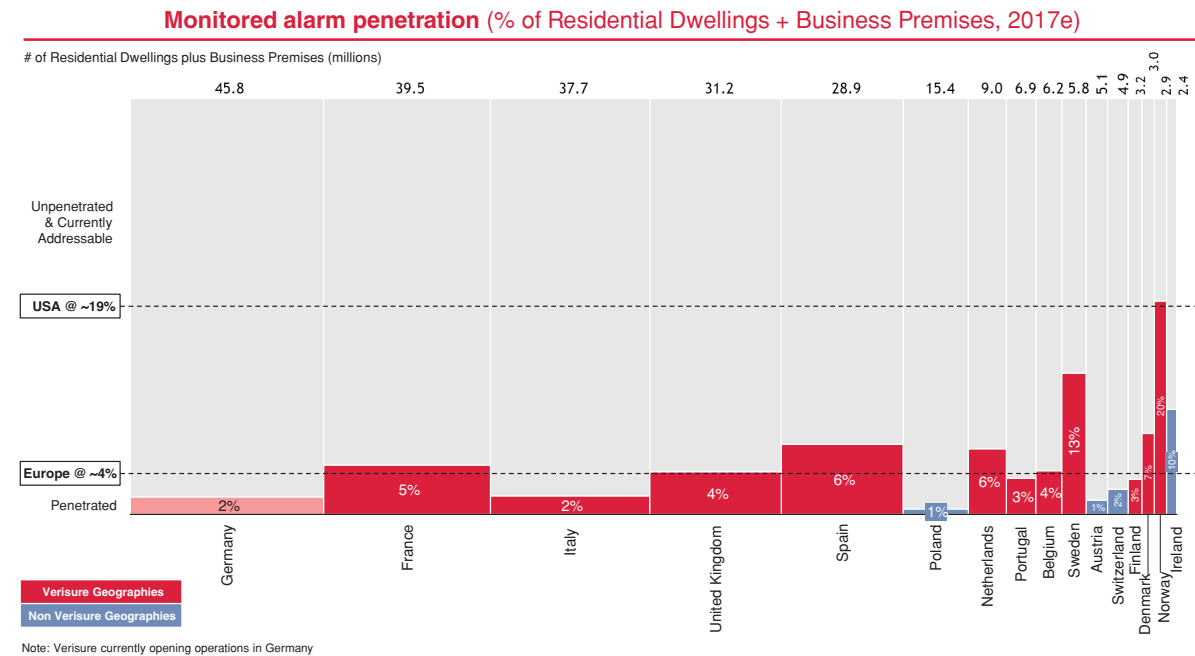
Under-penetrated European Market Segment

According to management estimates based on third-party data, in 2017 there were 248 million residential dwellings and small workplaces in Western Europe, of which 77 million (31%) were in our largest four geographies (Spain, Sweden, Norway and France). In these four geographies we have 2.0 million installed monitored alarms, accounting for 75.8% of our revenues before IFRS 15 adjustment for 2017.

Although the total universe of residential dwellings in Western Europe is 1.5 times larger than in the United States, the penetrated market segment for residential home alarms, with an estimated 6.2 million monitored alarms, is less than one-fourth the size of the United States. Despite recent growth, the European market segment for residential home alarms remains highly underpenetrated, particularly in comparison to the United States, where there is a significantly higher percentage of households with monitored alarms. According to company estimates, the average penetration in the Western European alarm monitoring segment in 2017 was estimated to be approximately 4%, compared to approximately 19% in the more developed U.S. market. The following chart shows the penetration rates for residential

and small business monitored alarms in the United States and selected countries in Europe and Latin America:

Monitored Alarms Penetration in 2017 (%)



Source: Company estimates and third party data.

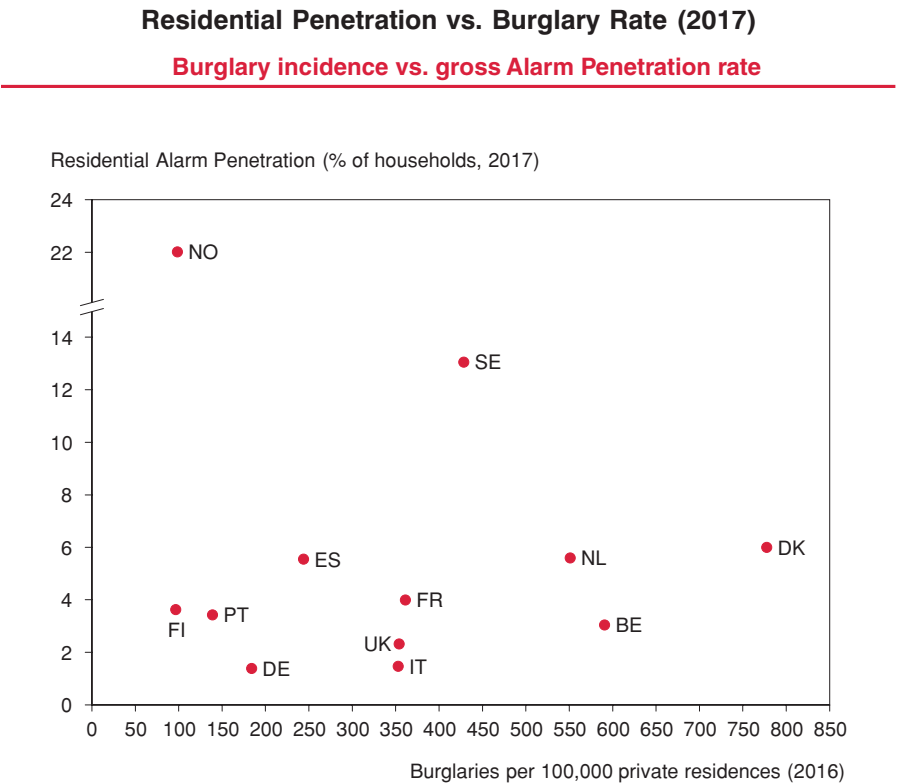
Sizeable Penetration Opportunity in Europe

Verisure is present in all large European markets including Germany (where we are currently opening operations), and has a sizeable penetration opportunity across all of its geographies. We do not believe there is a permanent structural gap versus the USA and have significant headroom to grow.

We believe that effective sales and marketing expenditure creating customer demand is a key driver of the adoption of monitored security systems and explains some of the differential in penetration between market geographies. We believe there is significant opportunity for a leading player like Verisure to further drive adoption of security systems in Europe by further increasing consumer awareness and further leveraging our scale and leading market segment position.

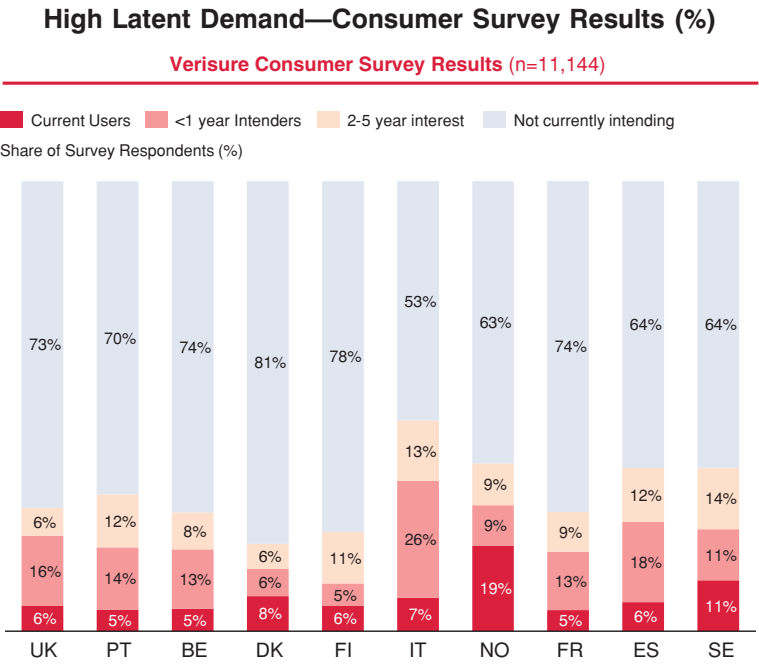
While there are some demographic differences between the United States and Europe that could partly explain some of the difference in adoption between these two regions, we do not believe that these differences explain the significant penetration differential. For example, whereas crime rates (as measured by the residential burglary rate per 100,000 inhabitants in 2016) tended to be in line with the United States in certain areas of Europe (292 in the United States compared to 429 in Sweden, 244 in Spain, 361 in France, 353 in Italy, 354 in the United Kingdom), most European countries, including those with the highest burglary rates in Europe, have lower residential monitored alarm penetration rates compared to the United States (22% in the United States compared to 13% in Sweden, 6% in Spain, 4% in France, 1% in Italy, and 2% in the United Kingdom). Our internal research has also shown that, even though having experienced or witnessed a burglary is a driver of alarm purchase, there is no clear

correlation at the national level between burglary rates and alarm penetration, as demonstrated in the chart below:



Source: Company estimates and third party data

We believe this supports the view that the European security system market segment is under-penetrated and that there is significant potential for increased adoption in many European geographies. This view is supported by a third-party consumer survey commissioned by the company showing a high latent demand for security solutions (see chart below).



Source: Company April 2018 Survey (n = 11,144 residential customers). We note that this survey is subject to several limitations, including small sample sizes of only approximately 500 respondents in several countries, and as such, we consider the results useful to confirm high latent demand, but not to properly assess current penetration levels, which we believe are better captured by other means, including public records when such records are available.

Regulation

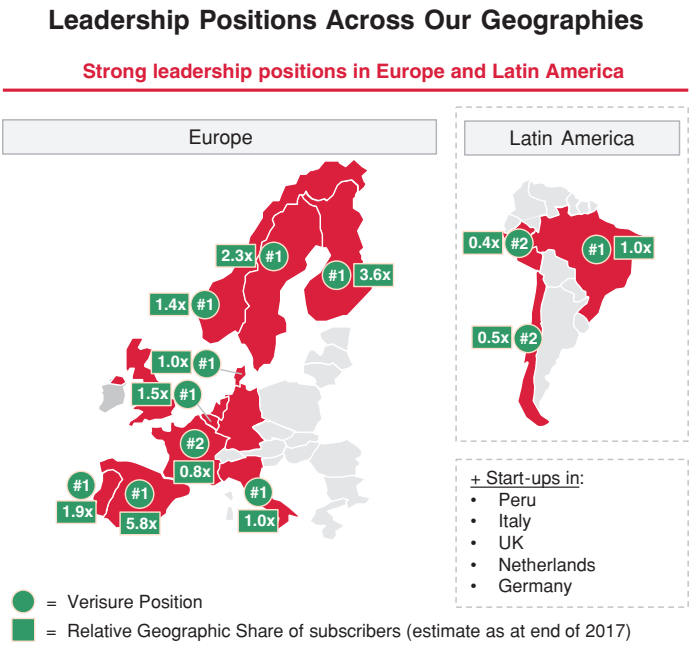
Regulation is increasing in certain of the European countries in which we operate. An increasing number of local governmental authorities have adopted, or are considering the adoption of, laws, regulations or policies aimed at reducing their costs of responding to false alarm signals. For example, in France and Spain this type of regulation is already in place. While these regulations may make it more difficult to operate in this industry for certain players, they may also increase demand for certain types of monitored alarm solutions that we offer, including alarms with verification features such as image capture or two-way voice communication. The alarm verification requirement favors more established players who possess the ability to comply with national and fragmented regulatory frameworks and creates an incentive for potential customers to seek out a provider with these professional monitoring capabilities. We believe that this regulatory trend will continue as governments operate with budget constraints and improve the efficiency of public services, including police and fire services.

Fragmented Provider Base Across Europe with Few Large Providers by Country

Our primary competitors in the market segments in which we operate are generally regional or national companies with limited cross-border presence. Although the RHSB segment is fragmented at a pan-European level, it is relatively consolidated in most of our individual countries, where the top three alarm providers typically command a large share of the market segment.

We are one of the few pan-European residential and small business alarm monitoring providers, and the leading provider in four out of our top five geographies (our top five geographies representing 79.1% of our revenue for the nine months ended September 30, 2018), and are approximately 5 times larger than our next largest competitor in Europe. Across the geographies in which we operated during 2017, we believe the top four monitored alarm providers were Verisure Securitas Direct, ADT, Sector Alarm and Prosegur who we estimate accounted together for close to 40% of the total RHSB segment in 2017, while we were the largest provider accounting for approximately 28% of the segment in terms of active subscribers in these market segments. We estimate that on a weighted-average basis, across our five largest geographies, based on our number of customers at the end of 2017, we benefit from a 3.6 RGS advantage.

The following chart shows our estimates of our positions in the geographic segments in which we operate:



Source: Company estimates and third party data (1) RGS of residential and small business subscribers

Supplier-driven Industry Favoring Larger Providers With Resources and Know-How

The monitored RHSB alarm business is a supplier-driven industry, in which the established providers have an opportunity to drive security system adoption in the market. Although there is significant latent demand, potential subscribers are frequently unfamiliar with the benefits and features of monitored alarms and therefore require significant education. Larger companies more often have the ability to leverage the cash generation of their existing portfolio to make investments to run marketing campaigns to build a strong brand image and further create product awareness. Larger providers are also able to use their accumulated know-how to develop the sales force necessary to reach new subscribers as well as the technological infrastructure necessary to provide a compelling value proposition for subscribers. Further, given the importance of gaining subscriber trust, a company with a strong, established reputation for reliability and integrity is able to attract new subscribers more effectively than less established companies because high customer advocacy tends to generate high-quality referrals.

Resilient Market Segment

The European RHSB monitored alarm segment has historically been very resilient. The durability of the demand for security systems is underpinned by the nature of the services we offer, as we address the safety of our subscribers’ families (or businesses) and property, and hence our products and services are viewed by our subscribers as less discretionary. When faced with the need to make household budget cuts under economic pressure, residential consumers indicate that their monitored alarm system would be one of the last items they would eliminate. Our own subscriber base has historical attrition of 8% or less per year from 2014 to the last twelve months ended September 30, 2018. Appropriate customer selection is key to ensuring customer retention. As part of the customer selection process to help ensure subscriber loyalty, we, like many other leading providers charge upfront installation fees of several hundred euros or more, which helps us build a portfolio of more committed adopters and increases the likelihood of subscribers continuing to use our systems over the long term.

For the last twelve months ended September 30, 2018, our attrition rate was 6.2%. These rates of customer attrition compare very favourably to industry competitors, particularly those in the United States, where attrition rates are more than twice as high. Fundamental differences in (i) sales channels, (ii) customer credit quality, (iii) required upfront installation fees, (iv) number of competitors, (v) fixed contract model and (vi) quality of customer onboarding and customer service account for the significant differences in attrition rates across the industry. Furthermore, our subscriber attrition rates also compare favorably to other subscription services providers in Europe, including the mobile telecom, cable television and broadband industries, which are two or three times higher. The following chart shows our attrition rates relative to other subscription service providers in the top European geographies in which we operate:



Source: Company information—peer customer attrition rates as per latest disclosures



Flexible Growth Model

Generally speaking, RHSB monitored security providers conduct two main business activities: subscriber acquisition and ongoing subscriber portfolio monitoring and support, each of which has fundamentally different cash flow characteristics. The subscriber acquisition activity typically uses more cash than it generates, as a result of upfront investments to obtain new subscribers. Most providers charge installation fees, but these fees typically cover only a portion of the overall subscriber acquisition cost. In certain countries, providers install equipment for free with a view towards recouping their initial investment over the course of the customer’s subscription life cycle. In contrast, providing ongoing portfolio management services is intended to generate a significant amount of cash once a subscriber has been acquired. For larger suppliers like us, with sufficient scale and excess monitoring capacity, each incremental new subscriber requires relatively limited additional cost to serve. As a result of the significant cash flow generation from their existing subscriber portfolio, RHSB monitored alarm providers have flexibility in managing cash to optimize specific financial objectives. During periods of slower growth or challenging economic environments, suppliers can choose to reduce subscriber acquisition investment while harvesting cash flow from ongoing portfolio management services, in an effort to increase the amount of cash they generate.

Potential New Market Participants and Opportunities

Telecom and cable providers

Various participants in the telecommunications market are seeking or have sought to enter the security and safety services market in Europe by leveraging their existing customer base. However, we believe that we are able to continue to successfully grow our business in Europe without any significant negative impact from telecommunications competitors in our market space. In order to be successful, we believe these companies would need to possess an experienced local sales force on the ground, create know-how on marketing to create demand as well as excellence in remote monitoring and service capabilities. Moreover, the difficulties of telecommunications companies seeking to enter the security and safety market in both Europe and the United States provide insights into the drivers of successful growth in our industry. Most telecommunications companies that have sought to enter the security and safety market in Europe and the United States have not yet seen significant take-up of these services among their existing customer base. General customer acquisition costs remain high, while attrition rates are typically materially higher than our own. Furthermore, we believe these telecommunications companies lack the marketing and salesforce expertise necessary to make a success of their alarm entries.

We believe residential and small business security presents specific characteristics that makes it an unlikely candidate for large telecommunications providers to successfully add to their product range. Residential Security is still a relatively new offering (as witnessed by low penetration rates), that requires description and explanation best done face to face, as well as specific on-site customization, and installation. For those reasons, attempts by telecommunications companies to enter the market by simply adding Security as an additional off-the-shelf product to their range, have regularly failed in the past. Examples of such attempts have included Orange in France in 2014 (professional remote surveillance solutions, the offering is no longer found in stores); Telefonica in Spain in 2012 (monitored cameras, ended in 2013); Swisscom in Switzerland in 2012 (DIY security solution, ended earlier this year); and SFR in France in 2014 (deploying alarm packages to customers for free, but followed by less than half of the customer base downloading the specific App, and very low connection and usage rates). Since May 2017, Orange has tried to penetrate the Spanish segment, and although this effort is still on-going, we have lost less than fifty customers to Orange in sixteen months. Due to a low degree of genuine commitment and lack of experienced sales force, we believe that telecommunication companies are more likely to partner with a leading security player such as us in the long term, rather than resorting to insourcing.

Participants in the connected home market

The connected home concept represents an amalgamation of several services, including those related to entertainment, safety and security, utility management and wellness management, delivered via smart appliances (i.e. devices that are linked to each other through the Internet).

During the past four years, several significant events have driven the acceleration of the connected home trend. Some of these developments include Apple’s launch of HomeKit in early 2016 as an



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extension to iOS for embedded home automation, Google’s acquisition of Nest followed by Nest acquiring Dropcam and Amazon’s acquisition of Blink in December 2017 followed by its acquisition of Ring in February 2018, and the subsequent launch of a DIY alarm product suite in July 2018 in the U.S.

The significant monetization potential of the security and safety segment is due to it being one of the only segments within the connected home market with recurring revenue potential as it is a service offering. Most remaining segments are a product market based on “apps” and pieces of equipment with one-time fees.

Several connected home market participants from different backgrounds (for example, technology, energy and electronics) addressing security and safety are competing against RHSB monitored alarm market participants, although the offerings are distinct.

We do not currently view self-monitored, self-installed, or other DIY alarm systems, as a significant and immediate barrier to the growth of our business, due to the differences in value proposition offered to the customer. These companies primarily focus on a lower cost, hardware-based, product offering without the full range of value-added services that differentiate the professionally monitored segment of the market. Whilst some of the companies likely have the ambition to automate the monitoring through machine learning, we judge that they are currently far away from a solution that can rival the effectiveness of a human-monitored solution supported by the right equipment, verification techniques and know-how, as these systems have to deal with a large proportion of false alarms. Additionally, given large quantities of relevant data are required to develop a high-quality machine-learning algorithm, we believe that Verisure is well positioned to participate in the development of such solutions in the future, in order to further improve the effectiveness and efficiency of our human-monitored service. Finally, current “low-cost” providers usually also lack other important elements of the service offering (for example, the ability to send a private security guard response or to work together with the police and fire services). Through the high quality of our products, professional installation, a reliable and professional human-monitoring service with high levels of alarm verification and a strong reputation, Verisure is able to provide these services.

Therefore, we believe the DIY segment can be a rich target for our high security home solutions in the future. We believe that the low price points for the DIY segment function as an opportunity for potential customers who are unsure about their residential security needs to test out the category. We believe these initial DIY customers have the potential to become our customers as their need for high-quality residential home security solutions develops. The DIY market provides solutions that do not withstand real security incidents, a trade-off for low prices. As a result, we believe there is an upselling opportunity with these initial DIY customers who will likely eventually seek higher-quality solutions with better service offerings and a higher level of customer interaction.

Large technology companies have well-known brand names and significant technological capabilities and drive towards innovation. However, for the time-being, many of these companies tend to have different focus areas, such as collecting and connecting data (in the case of Google), providing platforms and interfaces (in the case of Apple, with HomeKit and Siri, which is now opened for third party integration) or selling hardware (in the case of Amazon with its Echo, Blink and Ring offerings) as a path to retail purchases.

For the above reasons, we do not believe that connected home market participants represent a significant immediate barrier to our business growth, where we seek to deliver peace of mind and protection through a technology-enabled human services business, professional grade installation, professional monitoring, response and call-outs.

Instead, we believe that, because of the connected smart home market, new opportunities are opening up for alarm companies. The addition of new types of connected interactive services has enhanced the value proposition for residential security, expanding the market while creating incremental revenue for the industry. With large technology firms now enabling their products for third party integration, our strategy is to offer interoperability as long as it does not jeopardize core security. The majority of sensors and control panels sold today can be accessed and remotely controlled with a mobile device, which can improve our proposition and reduce costs. As an example, we are offering integration with certain leading thermostat products in many of our geographies, without impairing our core-security offering.

We believe we are well-positioned to take advantage of this market development through our proprietary product and service platform and eco-system that enables integration with other system and product providers to create an attractive, high quality and relevant customer experience without jeopardizing our customers’ security and privacy.

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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 approximately 2.8 million customers (as of September 30, 2018) and design, sell and install alarms with network connectivity across 15 countries in Europe and Latin America. Our management estimates, based on third party data, that as of September 30, 2018, 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 79.1% of our revenue in the nine months ended September 30, 2018). Our management also estimates that, on a weighted-average basis, across our geographies and based on our number of customers at the end of 2017, we benefit from a 3.2 times relative size advantage. 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 September 2018. As of September 30, 2018, residential households comprised 78% of our customers, while small businesses accounted for the remaining 22%. 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 82.7% of our total revenue before IFRS 15 adjustment for the quarter ended September 30, 2018, annualized) provide us with a high-margin, stable source of recurring cash flow. For the quarter ended September 30, 2018, annualized, we generated revenue of €1,616.3 million and Adjusted *Pro Forma* EBITDA of €661.5 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 approximately 2.8 million customers 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 14 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 LTM attrition rate of 6.2% as of September 30, 2018. 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 quarter ended September 30, 2018, annualized, our Portfolio Services segment generated revenue of €1,346.1 million (representing 82.7% of our total revenue before IFRS 15 adjustment) and Adjusted EBITDA of €907.0 million (representing a 67.4% Adjusted EBITDA margin).
- **Customer Acquisition.** Our Customer Acquisition segment sells to, and installs our 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 sales, marketing and installation investment activities to grow our customer base, or, alternatively, reduce our investment in such activities to maximize our cash on hand, over the short to medium term.

Additionally, we classify certain none-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.

Our Operating Geographies

We have monitoring operations in eleven European countries (Spain, Sweden, France, Norway, Portugal, Finland, Denmark, Belgium, the Netherlands, Italy and the United Kingdom) and three Latin American countries (Chile, Brazil and Peru) and are building monitoring operations in Germany. Residential households accounted for 78% of our customers, while small businesses accounted for 22% as of September 30, 2018.



Since we first began operations, we have pursued a primarily organic growth strategy when expanding into new geographies, including Peru, Italy, the United Kingdom and, later this year, Germany, 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, and we are currently opening operations in Germany. 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 and management sold, on a see-through basis, approximately 9.4% of its stake in the Group to Eiffel. 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 September 30, 2018, the broad management team owned an approximate 10% 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

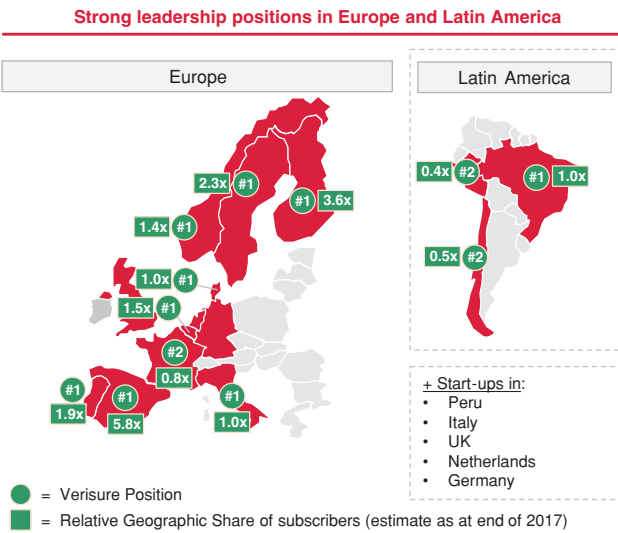
We have identified several strengths that we believe have enabled our success historically and are key factors in our efforts to deliver future profitable growth.

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 15 countries across Europe and South 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 3.2 times with respect to residential and small business subscribers across our footprint.



Strong and Growing Leadership Positions in Europe and Latin America



Source: Company information

(1) RGS of residential and small business subscribers.

We estimate, based on available industry data, that we are approximately 5 times larger than our next largest competitor in Europe based on estimated subscriber count as of December 2017. We believe our leading position in these geographies and across Europe 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 2017, 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 of customers (compared to our nearest competitors) of 5.8 times, 2.3 times, 1.4 times, 1.9 times, 1.0 times, 3.6 times, 1.5 times, 1.0 times and 1.0 times, respectively. We also believe our position is further strengthened by high brand awareness in our largest geographies, and we will use our position and expertise to drive future growth into new geographies.

As the largest monitored alarm service provider in most of our geographies, 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 over 2,900 employees, as of September 2018, is approximately three times larger than our closest competitor, which we believe has allowed us to acquire new customers faster than our competitors and gain market segment share as a result. Our salesforce, in addition to having the advantage of being larger in size than 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.

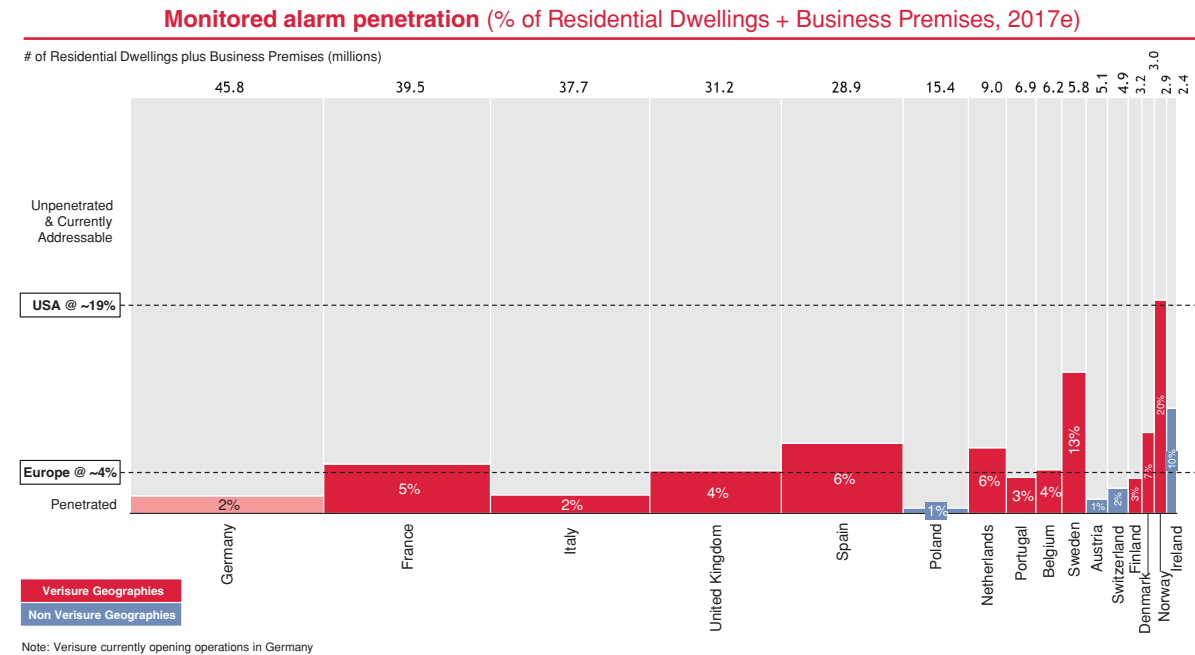
We are the driving force behind the growth of the residential monitored alarm segment in the regions in which we operate. In 2017, we estimate that we represented approximately 58% of the net subscriber growth in the regions in which we operate. We have been able to grow our subscriber base every year since 2000, from approximately 170,000 to approximately 2.8 million as of September 30, 2018, 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 2017, we grew the number of our customers at a CAGR of 6.0% compared to an estimated 1.0% 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 3% 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 2017 geographies, grew from 18% in 2008 to 28% in 2017, 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 2017 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 are now opening operations. Within Europe, 4 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 there is 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 go-to-market (“GTM”) model, our European operations have shown strong growth. From December 2011 to September 30, 2018, we grew our subscriber base in Europe from approximately 1.4 million to 2.7 million.

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

- 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 economic downturns.

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- 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, or security products, such as standalone fire detectors.
- 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 faced with difficulties to industrialize the marketing and sales process in order to operate at a higher scale and are limited in their ability to access 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 salesforce. 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 in which we are operating 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 fourteen monitoring centers and our sizeable sales force.

We believe that we are well-positioned to benefit from these market dynamics owing to our established competitive position, the strength of brand and reputation, our scale and density of operations, our differentiated GTM model with experienced face-to-face salespeople, our technology and 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 approximately 2.8 million customers as of September 30, 2018. 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 78% of our total customers as of September 30, 2018, have an experienced subscription life of, on average, 15 years.

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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, and France since September 2018). 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 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 LTM attrition rate of 6.2% as of September 30, 2018, which we define as the number of terminated subscriptions to our monitoring service in the last 12 months, divided by the average number of subscribers over the last 12 months. 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 continued decrease in our attrition rates, and consequently, allowed for better revenue growth and greater cash flow generation.



Source: Company information—peer customer attrition rates as per latest disclosures

Premium pricing at initial sale

In order to ensure subscriber loyalty, we charge higher upfront fees than our competitors (in 2017, our upfront revenue was approximately €530 per customer). We believe the “sunk cost” of the installation fee is a driving 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

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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 (between €0 and €100) are typically associated with higher levels of attrition. We believe that our high upfront fees give us a long-term competitive edge over our competitors, who often provide services with zero or low upfront fee.

Our prices are typically at a premium of between 20% and 30% above 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 “high security” professional service, including installation, maintenance, monitoring and response, and 24/7 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 have developed the leading home security app in Europe: number one by number of installations and number one in customer feedback. This app allows our customers to set, monitor and control various alarm functions and settings. More than 1 million customers have installed our mobile app in Europe with more than 500,000 customers using our app monthly. Furthermore users of the app use it on an average 26 times per month and show an approximately 30-40% lower attrition rate than non-app users.

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 and France), in both 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.

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 our founders still serving in leadership or advisory roles. 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 co-founder, Luis Gil, is still involved in critical roles that support our plans for further growth, expansion and innovation. Our Group Chief Executive Officer, Austin Lally, has led the development of our strategic roadmap with our management team, co-founder and Sponsor, leveraging his experience of over 25 years in building and growing leading consumer businesses in Europe, the United States and Asia.

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. For example, most local sales branches run a full profit and loss account (Customer Acquisition: average revenue per customer (ARPU), recurring monthly cost per customer (RMC), New Installations and cash acquisition cost per new subscriber (CPA)) and track individual salesforce KPIs (including team member consolidation, productivity and commissions) as well as conversion performance. Our strong culture and strategic alignment across geographies, including sharing of best practices, is another source of competitive differentiation.

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High level of employee engagement

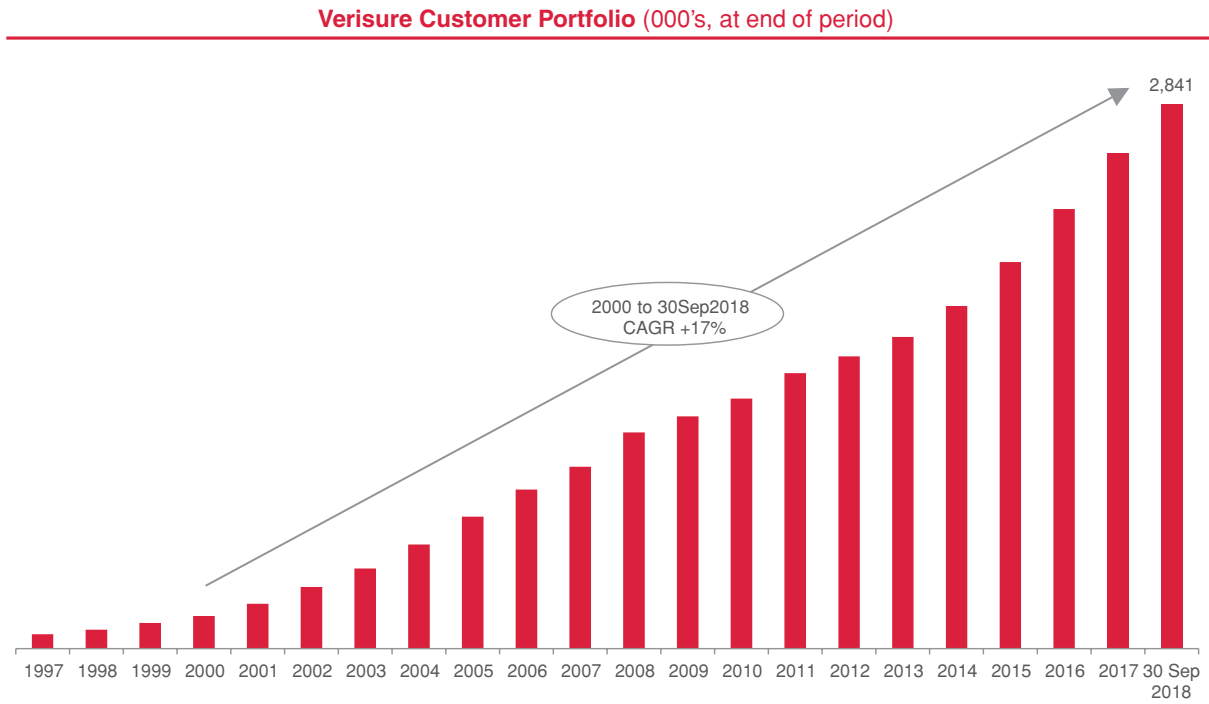
We have a high level of employee engagement, evidenced by our engagement and employee net promoter (“eNPS”) model launched in 2016 with the participation of approximately 90% of our employees. In the last two years, our level of company engagement has remained very high, at around 80 points out of a 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 96. Additionally, our managers who participate in incentive plans have demonstrated an engagement averaging 87.

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 2.8 million customers by September 30, 2018. Additionally, from 2000 to September 30, 2018, 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

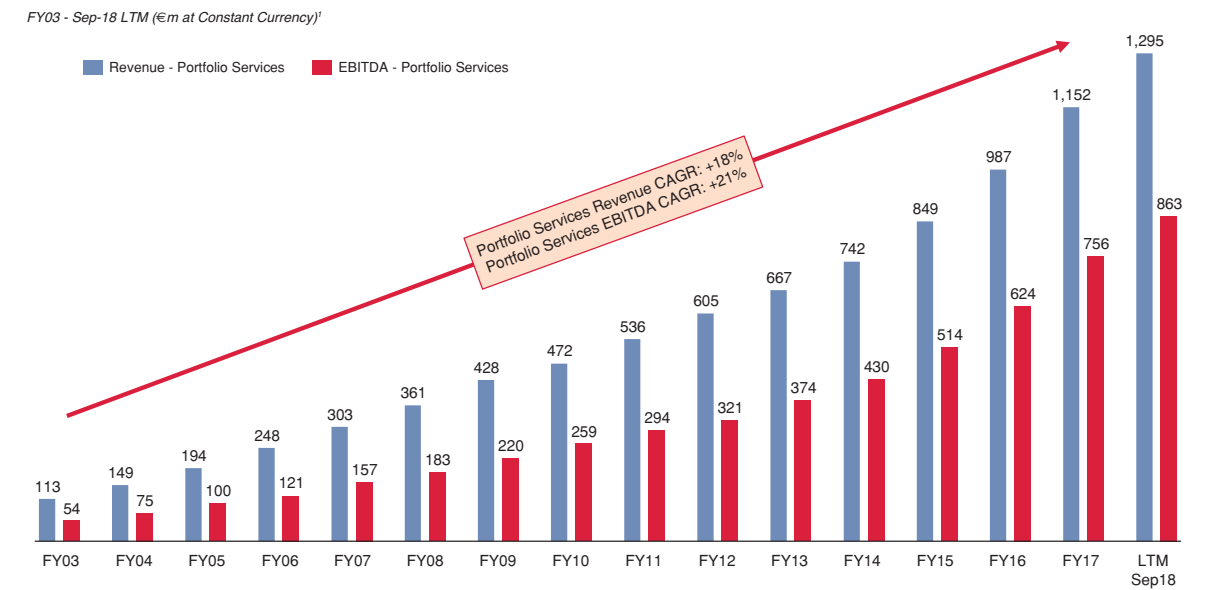


Source: Company information

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 last twelve months ended September 30, 2018, on a constant currency basis, our Portfolio Services revenue increased from €113 million to €1,295 million, which is a CAGR of approximately 18%. Over the same time frame, our Portfolio Services EBITDA increased from €54 million to €863 million, which is a CAGR of approximately 21%.

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



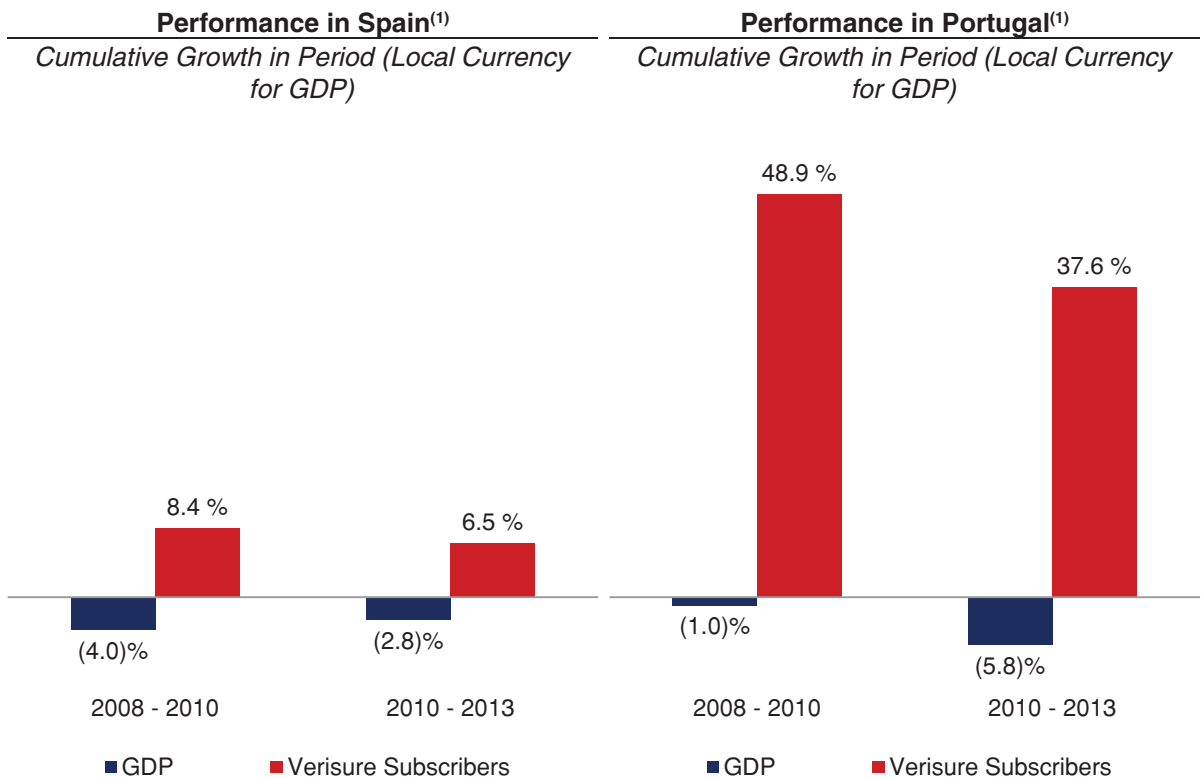
Source: Company information

(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/GDP 0.88; EUR/CLP 760.0; EUR/BRL 4.0; EUR/PEN 3.75.

Additionally, we have implemented a continuous cost improvement culture along with building the necessary structural capabilities to support such a culture, including the creation of a central procurement team, the implementation of KPI-budgeting processes and a centralized product and service excellence program. As part of our push towards a stronger culture of cost-savings, we implemented the Funding Our Growth (“FOG”) initiative in late 2014, which we are continuing to operate. The FOG program has achieved cumulative savings of €261 million between January 2015 and June 2018. We have continued the FOG program and expect to achieve further significant cost savings. We have achieved incremental cost savings for the period from July 1, 2017 to June 30, 2018 of €33.3 million, which represents amounts in excess of what is already reflected in our Adjusted EBITDA for the six months ended June 30, 2018, annualized.

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 economic downturn were among the most severe in Europe, we continued to expand our operations. For example, between 2008 and 2010 we were able to grow our customers in Spain and Portugal by 8% and 49%, respectively despite GDP contracting by 4% and 1%, respectively. In Spain, from 2010 to 2013, during a period of continued economic uncertainty, we were able to grow our customers by 7%, while GDP fell 3%. Likewise, in Portugal during the same period, we were able to grow our customers by 38%, while GDP fell by 6%.



Between 2007 and 2017, our subscribers in Spain and Portugal grew at a CAGR of 6.4% and 14.3%, 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.

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 approximately 2.8 million customers as of September 30, 2018, generates substantial cash flow through our subscription-based revenues, with Adjusted EBITDA from Portfolio Services of €658.3 million for the nine months ended September 30, 2018 (representing a 67.1% Adjusted EBITDA margin) and Adjusted EBITDA from Portfolio Services of €907.0 million for the three months ended September 30, 2018, annualized (representing a 67.4% 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 3.5% of revenue for the nine months ended September 30, 2018). 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. 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 nine months ended September 30, 2018, we invested 38.9% of our Adjusted EBITDA from the Portfolio Services segment to acquire new customers and used the remaining 61.1% of Adjusted EBITDA from the segment primarily to replace cancelled customers, service our debt, for capital expenditures and other general corporate purposes. 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. 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.



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.

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 fourteen 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 close proximity to the main monitoring center. 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.

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 nine months ended September 30, 2018, our average cash acquisition cost (including related capital expenditure) per new customer net of installation fees (CPA), was €1,183, representing a 3.7 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 now 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 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.

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



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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.

We predominantly use the partner model in Sweden and, partly, in Norway, Finland and Denmark (although in Denmark, technical maintenance and customer support is performed by subcontractors). In Spain, Portugal, France and Chile, we primarily use our own employees to sell to new customers.

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.

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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, including anti-jamming 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 our core services in the context of the “connected home.” For instance, through alliances with companies like ASSA ABLOY we are able 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 implementing 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: Portfolio Operations, Indirect Spend and Direct Spend. The program is closely monitored and savings are reported quarterly at the board and management level, with both 2017 and



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overall program to date results exceeding expected level. We expect that our incremental cost savings for the period from October 1, 2018 to September 30, 2019 will be approximately €24.1 million, which represents amounts in excess of what is already reflected in our Adjusted EBITDA for the six months ended September 30, 2017, annualized.

- **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.

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 two separate brands: SECURITAS DIRECT and VERISURE, as follows:

- in recently opened geographies (Chile, Brazil, Peru, Italy, the United Kingdom and Germany), exclusively 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; and
- in Spain and Portugal, where the SECURITAS DIRECT brand recognition is strong, predominantly under the SECURITAS DIRECT brand.

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 licence 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.

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Regulation

Our operations are subject to a variety of laws, regulations and licensing requirements in the counties in which we operate. Thus, most regulations we encounter are country or municipality specific regulations. We do, however, encounter country or local regulations that apply specifically to the alarm industry in all the countries in which we operate.

Sales and Marketing

Some jurisdictions regulate the method of retail sales by restricting door-to-door sales, cold-calls or direct mailing. With the exception of Swedish legislation regulating the sending of unsolicited sales emails, we do not currently encounter these regulations in our largest countries, such as Spain, 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. Additionally, other countries, such as Spain and Sweden, may in the future seek to introduce these sorts of regulations. 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 length of a contract that a customer may sign.

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 enacted a ministerial order requiring that alarms be verified either through video, audio or personal verification steps. Otherwise, emergency personnel will not respond unless three sequential alarms are triggered within 30 minutes. 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 will require security alarm providers to 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. In France, for example, 70 hours of basic training is required for each monitoring center employee.

Equipment and Installation

The equipment we install has, in general, not been formally regulated. However, certain of our countries, including Norway, have a voluntary certification process for security products that allows our customers to save on their insurance premiums. In order to install our alarm systems, we generally must be a registered installer in each of our countries. We currently have all required registrations in each of our countries. Some markets impose regulations on the maintenance of our products. France and Spain requires 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.

Data Privacy

As private information from our customers is collected in the course of our operations, we are subject to regulations covering data privacy, including the broad EU data protection provisions of GDPR. For example, the Group stores personal data primarily on servers located within the European Economic Area. Data protection in the Group is subject to a robust governance structure. Data protection matters are initially dealt with by a local Data Privacy Officer along with the GDPR Program Team (which includes external experts) and the Group’s Privacy Counsel who each report regularly to the Group Deputy General Counsel, and in turn, reports are provided to the Audit Committee. The Group ensures that any engaged third party services providers processing data outside the European Economic Area are subject to appropriate data protection obligations, such as participation in the EU-US Privacy Shield. The Group’s GDPR compliance program is comprehensive and contains detailed and clear processes to ensure the Group’s full compliance with GDPR. See *“Risk Factors—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.”*

Employees and Pension Obligations

As of December 31, 2017, we had a total of 13,434 full-time-equivalent employees, of which approximately 39% were located in Spain and 15% in France. After Spain and France, the highest concentrations of employees were in Sweden, Italy, Brazil, Denmark and Portugal, each with approximately 3 to 7% of our employees. In Sweden and, to a much lesser extent, Norway, Finland and Denmark, we work closely with partners to sell and install our products instead of using our own employees.

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, the United Kingdom, 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. 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.

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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:

Location	Approximate Area (square meters)	Use of Facility
Versoix, Geneva, Switzerland	1,400	Global Headquarters
Madrid, Spain	13,700	Monitoring center and R&D center
Paris, France	5,300	Monitoring center
Linköping, Sweden	4,600	Monitoring center
Malmö, Sweden	3,800	R&D center
Oslo and Trondheim, Norway	3,700	Monitoring centers
Rome, Italy	3,200	Monitoring center
Köge, Denmark	2,300	Monitoring center
Lisbon, Portugal	2,000	Monitoring center
São Paulo, Brazil	2,000	Monitoring center
London, United Kingdom	1,100	Monitoring center
Helsinki, Finland	1,100	Monitoring center
Santiago, Chile	1,100	Monitoring center
Ratingen, Germany	1,000	Monitoring center (under construction)
Brussels, Belgium	1,000	Monitoring center
Lima, Peru	450	Monitoring 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. We currently believe that our likely liability with respect to proceedings currently pending is not material to our financial position.

In June 2017, the Norwegian Competition Authority began an investigation into the Norwegian security systems industry, including our Norwegian business. We understand that this investigation is still in its evidence gathering stages, and we are cooperating fully with the investigation.

The Spanish tax authorities are currently conducting an audit of the financial years 2012-2015. The audit is of a general nature and is expected to continue into 2019.

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MANAGEMENT

Management of the Senior Notes Issuer

The Senior Notes Issuer is a public limited liability company incorporated under the laws of Sweden and is directly wholly owned by Topholding, which is ultimately controlled by H&F through its shareholding and ability to appoint board members. Topholding exercises primary governance and strategic functions for the Group.

The Senior Notes 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 Senior Notes 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 Senior Notes Issuer and to legally represent the Senior Notes Issuer in its dealings with third parties. Austin Lally is the managing director of the Senior Notes Issuer. The managing director does not have any additional voting rights.

The following table sets forth information regarding the Senior Notes Issuer’s key management members and directors. The Senior Notes 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	53	Group Chief Executive Officer, Director
Vincent Litrico	48	Group Chief Financial Officer
Luis Gil	57	President of Expansion, Acquisitions and Business Development
Antonio Anguita	52	President of Iberia & Latin America
Olivier Allender	49	General Manager France and Belgium
Mattias Ringqvist	46	General Manager Sweden, Finland and Denmark
Marta Panzano Barbero . .	41	Group Chief Human Resources Officer
Nina Cronstedt	48	Group Chief Legal Officer
Hector Martinez	44	Group Chief Marketing Officer
Andrew Wells	42	Group Chief Product & Services Officer
Matthias Hansen	52	Group Chief Information Officer
Fredrik Östman	52	Director, Deputy CEO
Cecilia Hultén	54	Group Financial Controller, Director, Chairman
Adrien Motte	31	Director
Stefan Goetz	47	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. Austin was also the vice president responsible for Gillette marketing globally. Most recently, 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. He is currently a member of the Adam Smith Business School Strategic Advisory Board.

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

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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. Currently, he leads the French & Belgian business. Prior to joining the company he was the Commercial Director at Cofidis France from 2007 to 2012. He has also acted as General Manager for CBB-Paris, a subsidiary of the L'Oréal Group, in the United States and Japan and has held various senior positions in the direct marketing industry in France and Germany.

Mattias Ringqvist joined the Company as Managing Director for the Swedish Consumer business in 2013. Since then, he has been promoted to General Manager for Sweden, Finland and Denmark. Prior to joining the Company, Mr. Ringqvist was the head of the consumer division at Telenor Denmark and the head of the mobile consumer business at Telenor Sweden between 2009-2013. Before that he spent 13 years at McKinsey & Co in Scandinavia and the United States, and was promoted to partner in 2004. Mr. Ringqvist holds a Master of Science degree in Industrial Engineering and Management from Chalmers University of Technology and has participated in the INSEAD Executive Management Course.

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. Prior to that role, she was the General Counsel Strategic Business Units and COE's for Nestlé, responsible for among other data privacy and legal aspects of marketing and sales; prior to that Nina worked for Philip Morris International where she held positions of increasing responsibility. Ms. Cronstedt holds a Masters of Law from Stockholm University and 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.

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Cecilia Hultén has served as Group Financial Controller 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. Mr. Motte is also on the Board of Directors of SimpliSafe, Inc.

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. Mr. Goetz is also Chairman of the Board of Directors of SimpliSafe, Inc. and is Chairman of the Board of Directors of Nets A/S.

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 Audit Committee held two meetings so far during 2018, which were attended by the CFO, the CLO, the CEO and the company’s external auditors. 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 and Adrien Motte.

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, reviewing and determining, 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 is also formulating 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 and Adrien Motte.

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, we intend to have an executive compensation package that 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 intend 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 intend 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. We expect that our executives will be 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.

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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 Issuers 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. Following the completion of the sale of a minority stake to GIC on July 18, 2017, H&F indirectly holds approximately 80.4% of the outstanding share capital of Dream Luxco, which indirectly holds all the outstanding equity interests in the Senior Notes Issuer. Members of our management team indirectly hold approximately 10% of our outstanding equity interests. The directors of the Issuers 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.

Management of the Senior Secured Notes Issuer

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

The Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes Issuer and to legally represent the Senior Secured Notes Issuer in its dealings with third parties. Austin Lally is the managing director of the Senior Secured Notes Issuer. The managing director does not have any additional voting rights.

The following table sets forth information regarding Senior Secured Notes Issuer’s key management members and directors. The Senior Secured Notes 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	53	Group Chief Executive Officer, Director
Vincent Litrico	48	Group Chief Financial Officer
Luis Gil	57	President of Expansion, Acquisitions and Business Development
Antonio Anguita	52	President of Iberia & Latin America
Olivier Allender	49	General Manager France and Belgium
Mattias Ringqvist	46	General Manager Sweden, Finland and Denmark
Marta Panzano Barbero . .	41	Group Chief Human Resources Officer
Nina Cronstedt	48	Group Chief Legal Officer
Hector Martinez	44	Group Chief Marketing Officer
Andrew Wells	42	Group Chief Product & Services Officer
Matthias Hansen	52	Group Chief Information Officer
Fredrik Östman	52	Director, Deputy CEO
Cecilia Hultén	54	Group Financial Controller, Director, Chairman
Adrien Motte	31	Director
Stefan Goetz	47	Director

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PRINCIPAL SHAREHOLDERS

In August 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. As of the date of this offering memorandum, H&F and Eiffel directly hold 80.4% and 9.4%, respectively, of the equity interests in Dream Luxco. Members of our management team indirectly hold approximately 10% of our outstanding equity interests. See “*Management—Executive Compensation—Equity Ownership Plans and Incentive Awards.*” The directors of the Issuers 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.

In connection with the acquisition of Eiffel’s minority stake, the Sponsor entered into a shareholder deed with Eiffel relating to Shield Luxco 1.5 S.à r.l. (“Shield 1.5”) dated July 18, 2017 (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. The Shareholder Deed provides certain restrictions on transfers of the shares in Shield 1.5. Pursuant to the Shareholder Deed, Eiffel receives certain pre-emptive rights as well as tag-along rights entitling Eiffel to participate in a transfer of securities by the Sponsor, other than certain specified transfers. The Shareholder Deed also includes a drag-along right entitling the Sponsor to require Eiffel to transfer all of its securities upon a transfer of all of the Sponsor’s securities at any time following the second anniversary of the Shareholder Deed, 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 Senior Secured Notes Indenture and the Senior Notes 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 Notes

On November 24, 2017, the Senior Notes Issuer issued €980,000,000 aggregate principal amount of euro-denominated 5¾% Senior Notes due 2023 and SEK 1,650,000,000 Floating Rate Senior Notes due 2023 (together, the “Existing Senior Notes”) pursuant to the Senior Notes Indenture.

The Existing Senior Notes are secured by second-priority security interests in the Senior Notes Collateral. The Existing Senior Notes benefit from subordinated guarantees granted by the Senior Note Guarantors.

The Senior Notes will be issued as additional euro notes under the Senior Notes Indenture, will be a part of the same series as the Existing Euro Senior Notes for all purposes under the Senior Notes Indenture, and will be subject to the same terms as the Existing Senior Notes under the Senior Notes Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise specified below with respect to the SEK-denominated 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 (iii) 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.

Optional Redemption of SEK-denominated Existing Senior Notes

The SEK-denominated Existing Senior Notes are not redeemable until December 1, 2019.

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:

Year	Redemption Price
2019	102.000%
2020	101.000%
2021 and thereafter	100.000%

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Amended and Restated Senior Facilities Agreement

“**Euro B1E Term Loan Facility**”: The €2,380 million term loan facility established under the Existing Senior Facilities Agreement.

“**Euro B1F Term Loan Facility**”: The € million term loan facility established under the Amended and Restated Senior Facilities Agreement.

“**Group**”: means the Senior Secured Notes 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.

“**Senior Term Loans**”: means Loans outstanding under the Euro B1E Term Loan Facility and the Euro B1F Term Loan Facility.

The following summary assumes that the Amendment and Restatement Agreement providing for the Euro B1F Term Loan Facility has been entered into.

Overview and Structure

The Amended and Restated Senior Facilities Agreement provides for (i) the Euro B1E Term Loan Facility in a principal amount of €2,380 million comprising (A) a principal amount of €1,690 million which was drawn on the Sixth Effective Date, and (B) a principal amount of €690 million which was drawn on the Seventh Effective Date, (ii) the Euro B1F Term Loan Facility in a principal amount of € to be drawn on the Issue Date and (ii) a Revolving Credit Facility in a principal amount of €300 million.

The Revolving Credit Facility may be utilized by the Senior Secured Notes Issuer (and certain wholly-owned restricted subsidiaries of the Senior Secured Notes 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 Senior Secured Notes Issuer may add one or more facilities either as new facilities or tranches under the Amended and Restated Senior Facilities Agreement or under separate agreements up to an aggregate amount which does not exceed the sum of €200 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 Amended and Restated 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 Amended and Restated 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 from the date of the Amended and Restated Senior Facilities Agreement 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 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. We are currently in discussions with the current lenders under the Revolving Credit Facility and certain other lenders regarding a potential extension to the maturity thereof. The extended maturity date will be prior to the maturity date of the Senior Term Loans.

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.

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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) % 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 Amended and Restated 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 from (and including) the 2015 Completion Date for 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 Senior Secured Notes Issuer is also required to pay customary agency fees to the Senior Agent and the Security Agent in connection with the Amended and Restated Senior Facilities Agreement and/or the Intercreditor Agreement, arrangement fees to the arrangers, and fronting fees to the issuing bank under the Amended and Restated 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 Senior Secured Notes Issuer. The original borrowers under the Revolving Credit Facility are the Senior Secured Notes Issuer, Securitas Direct, ESML SD Iberia Holding S.A.U and Securitas España, S.A.U. but the Amended and Restated Senior Facilities Agreement includes a mechanism to enable any of the Senior Secured Notes 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 Issuers, 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., Securitas Direct S.A.S. and Verisure International AB (together with any members of the Group that accede to the Amended and Restated Senior Facilities Agreement as additional guarantors, the “Guarantors”).

If any of the Senior Secured Notes Issuer’s restricted subsidiaries (i) is or becomes a material company under the Amended and Restated 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 Amended and Restated 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 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 Senior Secured Notes 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 Senior Secured Notes Issuer for the quarter ending June 2015 under the Amended and Restated 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 Amended and Restated 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

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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 Amended and Restated Senior Facilities Agreement are and will be secured on a first-priority basis by: (i) the share capital of the Senior Secured Notes Issuer; (ii) the Senior Notes Issuer’s receivables owing from the Senior Secured Note Issuer under the Senior Notes Proceeds Loans; (iii) the share capital of Securitas Direct and certain intercompany loans made available by the Senior Secured Notes Issuer to Securitas Direct; (iv) convertible preferred equity certificates issued by Securitas Direct to the Senior Secured Notes 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 Amended and Restated 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 Amended and Restated 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 Senior 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 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 Amended and Restated 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). In addition, certain baskets and thresholds have been updated to follow the relevant provisions that apply to the Notes.

Additional Covenants

The additional covenants include, among others: (i) provision of a compliance certificate with each set of the Senior Secured Notes 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 33⅓% of the total commitments under the Revolving Credit Facility on the 2015 Completion Date (the “Revolving Test

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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 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 Amended and Restated Senior Facilities Agreement also requires compliance with a leverage ratio (consolidated net leverage to portfolio services adjusted EBITDA), which ratio is set at 6.50:1 for the quarter ended September 30, 2018 and steps down in equivalent increments to 5.00:1 for the quarter ending December 31, 2019 and thereafter.

The Amended and Restated Senior Facilities Agreement contains an equity cure provision enabling the shareholders of the Senior Secured Notes Issuer to make shareholder injections by way of debt and/or equity to the Senior Secured Notes Issuer to (i) increase the consolidated adjusted EBITDA under the Amended and Restated 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 Amended and Restated Senior Facilities Agreement, each lender under the Amended and Restated 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 Amended and Restated 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 the Completion Date which (subject to certain exceptions) shall be subject to a prepayment fee in accordance with the terms of the Amended and Restated 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 Amended and Restated Senior Facilities Agreement provides for events of default, the occurrence and continuance of which would allow, unless otherwise indicated below, the majority (being 66⅔%) 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 Amended and Restated 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 66⅔%) 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;

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(viii) insolvency and insolvency proceedings; and (ix) cross default in respect of interest payments on the Notes.

Governing Law

The Amended and Restated 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 Amended and Restated 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 Amended and Restated 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 Issuers 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 for the Existing Senior Secured Notes, the Senior Notes Trustee, the lenders under our Senior Credit Facilities and the facility agent under our Senior Credit Facilities (“Senior Agent”), and to which the Senior Secured Notes Trustee will accede on the Issue Date. 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 a 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 Existing Senior Secured Notes, the Senior Secured Notes, certain hedging obligations (the creditors of such hedging obligations, the “Hedge Counterparties”) and any holders of the Senior Notes, the Existing Senior Notes and any further debt instruments of the Senior Notes Issuer which are permitted to rank *pari passu* with the 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 Existing Senior Secured Notes (and together with liabilities owed under any high yield notes, exchange notes, securities or other debt instruments (not being the Existing Senior Secured Notes) or any facility agreement (not being the Senior Credit Facilities) which are permitted to rank *pari passu* to the Existing Senior Secured 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 for the Existing Senior Secured Notes 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

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“Hedging Liabilities”) and amounts due to the Senior Secured Notes Trustee(s), to the 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 Senior Secured Notes Issuer to the Senior Notes Issuer (including any liabilities owed to the Senior Notes Issuer from the Senior Secured Notes 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.

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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 Senior Secured 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 Note 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 Senior Secured Notes 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

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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 66⅔% 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 Senior Secured Notes, the aggregate outstanding principal amount of the Senior Secured 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 Existing Senior Secured 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.

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“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 Senior Secured Notes, the principal amount of outstanding Senior Secured 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 Senior Secured Notes or the Senior 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 Existing Senior Secured Notes Indenture and any other indenture for additional senior secured debt securities (the “Senior Secured 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

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“—*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 Senior Secured Notes 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 Indentures 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 Senior Secured 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.

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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 Senior Secured Notes 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 or the Senior Secured Notes 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.

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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

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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

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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 Trustee in respect of the Senior Notes 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 Unsecured Note finance documents or the senior secured 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 Trustee with respect to the Senior Notes 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 Senior Secured Notes or the Senior 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 Unsecured Note 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.

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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 Note 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 Note Guarantor as the Enforcement Action taken by the Senior Secured Creditors against such Senior Note 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 Note 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.

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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;

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- (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”;
- (i) 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;
- (i) 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

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(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.

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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.

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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 commented 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

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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;

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- (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, and the relevant 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.

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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,

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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 Intercreditor 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 Trustee in respect of the Senior Secured Notes from claiming and being paid the amounts due to it in respect of the Senior Secured Notes or the Senior Notes Trustee from claiming and being paid the amounts due 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

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- 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 Indentures); 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 Unsecured Note 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 Note Indenture) towards the discharge of obligations under the Senior Notes; and
- (vii) the balance, if any, in payment to the relevant Debtor.

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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 Senior Secured 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 Senior Secured 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 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 Note 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

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“—*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 Senior Secured 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 Senior Secured Notes until or after the termination date in respect of Facility B (under and as defined in the Existing Senior Facilities Agreement (as defined in the Intercreditor 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 Existing Senior Facilities Agreement (as defined in the Intercreditor 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

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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 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 September 30, 2018, we had €49.8 million in facilities borrowed by our operating companies, which we intend to leave in place *pro forma* for the Transactions.

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DESCRIPTION OF SENIOR NOTES

Verisure Midholding AB (publ) (the “Senior Notes Issuer”) will issue an additional €100.0 million in aggregate principal amount of 5¾% Senior Notes due 2023 (the “Additional Senior Notes”) under an indenture (the “Senior Notes Indenture”) dated as of November 24, 2017, between, *inter alios*, itself, the Senior Secured Notes Issuer (as defined below), ESML SD Iberia Holding S.A.U., Securitas Direct España S.A.U., Securitas Direct AB, Securitas Direct Sverige AB, Verisure Sverige AB, Securitas Direct Portugal, Unipessoal Lda., Verisure Holding AS, Verisure AS, Securitas Direct SAS and Verisure International AB (collectively, the “Initial Guarantors”), Wilmington Trust, National Association, as trustee (the “Trustee”), and Wilmington Trust (London) Limited, as security agent (the “Security Agent”), pursuant to which the Senior Notes Issuer issued €980.0 million in aggregate principal amount of euro-denominated 5¾% Senior Notes due 2023 (the “Existing Euro Senior Notes”) and SEK 1,650.0 million in aggregate principal amount of Floating Rate Notes due 2023 (the “Existing SEK Senior Notes”, and, together with the Existing Euro Senior Notes, the “Existing Senior Notes”) on November 24, 2017 (the “Original Issue Date”). Definitions of certain capitalized terms used in this “Description of Senior Notes” are set forth under the heading “Certain Definitions” below.

The Additional Senior Notes will constitute “Additional Notes” (as defined in the Senior Notes Indenture), and the Additional Senior Notes will be part of the same series as the Existing Euro Senior Notes and will become fully fungible with the Existing Euro Senior Notes following termination of certain U.S. selling restrictions. In addition, the Additional Senior Notes, the Existing Senior Notes and any Further Additional Senior Notes (as defined below) issued under the Senior Notes Indenture will constitute a single class of debt securities for all purposes under the Senior Notes Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase except as otherwise provided in the Senior Notes Indenture.

Additionally, on the Issue Date, Verisure Holding AB (publ) (the “Senior Secured Notes Issuer”) intends to issue € million in aggregate principal amount of % Senior Secured Notes due 2023 (the “2023 Senior Secured Notes”) under an indenture (the “2023 Senior Secured Notes Indenture”) to be dated as of the Issue Date between, *inter alios*, itself, the Senior Notes Issuer, ESML SD Iberia Holding S.A.U., Securitas Direct España S.A.U., Securitas Direct AB, Securitas Direct Sverige AB, Verisure Sverige AB, Securitas Direct Portugal, Unipessoal Lda., Verisure Holding AS, Verisure AS, Securitas Direct SAS and Verisure International AB, Wilmington Trust, National Association, as trustee, and Wilmington Trust (London) Limited, as security agent.

This offering of Senior Notes is being undertaken in connection with: (i) the redemption of the Issuer’s Existing Senior Secured Notes, including paying the redemption premium in connection therewith; (ii) the Incurrence by the Issuer of additional incremental indebtedness under the Additional Senior Term Loan; (iii) the Incurrence by the Senior Secured Notes Issuer of 2023 Senior Secured Notes under the 2023 Senior Notes Indenture; (iv) the repayment of drawings under the revolving credit facility under the Senior Credit Facilities; (v) the making of a distribution to shareholders of the Issuer; and (vi) the payment of fees and expenses in connection with the transactions described above. See “Use of Proceeds.”

The Senior Notes Indenture is unlimited in aggregate principal amount, of which €100.0 million aggregate principal amount of Additional Senior Notes will be issued on the Issue Date. After the Issue Date, we may issue an unlimited principal amount of further additional Senior Notes, in each series, having identical terms and conditions as the Existing Senior Notes (the “Further Additional Senior Notes”). We will only be permitted to issue Further Additional Senior Notes in compliance with the covenants contained in the Senior Notes Indenture, including the covenant restricting the Incurrence of Indebtedness (as described below under “—Certain Covenants—Limitation on Indebtedness”). The Existing Euro Senior Notes, the Additional Senior Notes and, if issued, any Further Additional Senior Notes actually issued from time to time with the same terms and conditions as the Existing Euro Senior Notes will be treated as a single class for all purposes under the Senior Notes Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase, other than as set forth in “—Amendments and Waivers”. Unless the context otherwise requires, in this “Description of Senior Notes,” (i) references to the “Senior Notes” include the Existing Senior Notes, the Additional Senior Notes and any Further Additional Senior Notes that are actually issued from time to time; (ii) references to the “Euro Senior Notes” refer to the Existing Euro Senior Notes, the Additional Senior Notes and any Further Additional Senior Notes actually issued from time to time with the same terms and conditions as the Existing Euro Senior Notes; and (iii) references to the “SEK Senior Notes” refer to the

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Existing SEK Senior Notes and any Further Additional Senior Notes issued from time to time with the same terms and conditions as the Existing SEK Senior Notes.

This “*Description of Senior Notes*” is intended to be an overview of the material provisions of the Senior Notes, the Guarantees and the Senior Notes Indenture. Since this description of the terms of the Senior Notes is only a summary, you should refer to the Senior Notes, the Guarantees and the Senior Notes Indenture for complete descriptions of the obligations of the Senior Notes Issuer 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 Senior Notes 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 Senior Note will be treated as the owner of it for all purposes. Only Holders will have rights under the Senior Notes Indenture. The Senior 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 Senior Notes Indenture does not incorporate or include any of the provisions of the U.S. Trust Indenture Act of 1939, as amended.

General

The Senior Notes

The Senior Notes:

- are or will be general senior obligations of the Senior Notes Issuer;
- rank or will 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 Senior Notes (including the obligations of the Senior Notes Issuer under the 2023 Senior Secured Notes, the Senior Credit Facilities and certain Hedging Obligations, if any);
- rank or will 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 Senior Notes;
- are or will be secured as set forth below under “—*Security*”;
- are or will be guaranteed by the Guarantors as described under “—*The Guarantees*”;
- are or will be 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 Senior Notes, or that is secured on a first-priority basis over property and assets that secure the Senior Notes on a second-priority basis (including the Senior Notes Issuer’s obligations under the 2023 Senior Secured Notes, the Senior Credit Facilities and certain Hedging Obligations, if any) to the extent of the value of the property and assets securing such Indebtedness or obligation;
- are or will be structurally subordinated to any existing or future Indebtedness of Subsidiaries of the Senior Notes Issuer that do not guarantee the Senior Notes; and
- are or will 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*”).

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The Guarantees

The Senior Notes are or will be guaranteed, as of the Issue Date, by the Initial Guarantors, each of which is an obligor under the Senior Facilities Agreement and the 2023 Senior Secured Notes Indenture. Each Guarantee of the Senior Notes will, at the time a Guarantor grants such Guarantee:

- be a general senior subordinated obligation of the relevant Guarantor;
- be subordinated in right of payment to that Guarantor’s obligations in respect of any existing and future Senior Indebtedness, including that Guarantor’s obligations under the 2023 Senior Secured Notes, the Senior Credit Facilities and certain Hedging Obligations, if any;
- rank *pari passu* in right of payment with any existing and future senior subordinated Indebtedness of that Guarantor;
- 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 Senior Notes;
- 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, or that is secured on a first-priority basis over property and assets that secure such Guarantee on a second-priority basis (including such Guarantor’s obligations under the 2023 Senior Secured Notes, the Senior Credit Facilities and certain Hedging Obligations, if any) 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 Senior 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 Limitation 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 Senior Notes and the 2023 Senior Secured 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 Senior Notes, or a Guarantor may have effectively no obligation under its Guarantee.

All of the operations of the Senior Notes Issuer are conducted through its Subsidiaries and, therefore, the Senior Notes Issuer will depend on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Senior Notes. Not all Subsidiaries of the Senior Notes Issuer will guarantee the Senior Notes. The subsidiaries of the Senior Notes Issuer that do not, and will not, as of the Issue Date, guarantee the Senior Notes accounted for 5.4% of our EBITDA for the nine months ended September 30, 2018.

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 Senior Notes Issuer and the Guarantors, including Holders of the Senior Notes. The Senior Notes and each Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Restricted Subsidiaries of the Senior Notes Issuer (other than the Guarantors) and minority stockholders of non-Guarantor Restricted Subsidiaries (if any). As of September 30, 2017, after giving *pro forma* effect

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to the Transactions, the Senior Notes Issuer and its consolidated Subsidiaries would have had €4,683.0 million of Indebtedness (as well as €290.3 million of availability under the revolving credit facility and related ancillary facilities under the Senior Credit Facilities after taking into account outstanding letters of credit), and its non-Guarantor Subsidiaries would have had no material Indebtedness. Although the Senior Notes Indenture limits the Incurrence of Indebtedness of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Senior Notes Indenture does not impose any limitation on the Incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness under the Senior Notes Indenture. See “—*Certain Covenants—Limitation on Indebtedness.*”

Subordination of the Guarantees

The Guarantees will be senior subordinated indebtedness, which means that, pursuant to the terms of the Intercreditor Agreement and the Senior Notes Indenture, the Guarantees will rank behind, and will be expressly subordinated to, all the existing and future Senior Indebtedness of the Guarantors, including any obligations under the 2023 Senior Secured Notes, the Senior Credit Facilities and any other Indebtedness ranking *pari passu* therewith incurred after the Issue Date. The ability to take enforcement action against the Guarantors is subject to significant restrictions imposed by the Intercreditor Agreement, and potentially any Additional Intercreditor Agreements entered into after the Issue Date. In addition, the Guarantees and the Collateral securing the Senior Notes and Guarantees will be subject to release under certain circumstances, including, but not limited to, the sale of the Senior Secured Notes Issuer pursuant to an enforcement of security over shares of the Senior Secured Notes Issuer taken by the Security Agent acting at the direction of an instructing group of senior secured creditors. Because of the foregoing subordination provisions, it is likely that holders of Senior Indebtedness and other creditors (including trade creditors) of the Guarantors would recover disproportionately more than the holders of the Senior Notes recover in any insolvency or similar proceeding relating to such entity. In any such case, there may be insufficient assets, or no assets, remaining to pay the principal of or interest on the Senior Notes after the repayment in full of all Senior Indebtedness. See “*Risk Factors—Risks Related to Our Financing Arrangements and the Senior Notes—Your right to receive payments under the Guarantees will be contractually subordinated to our existing and future senior indebtedness, and the Senior Notes are subject to restrictions on payment and enforcement.*”

Principal, Maturity and Interest

The Senior Notes Issuer will issue €100.0 million in aggregate principal amount of Additional Senior Notes on the Issue Date. The Senior Notes will mature on December 1, 2023. The Additional Senior Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000.

Interest

Interest on the Euro Senior Notes will accrue at the rate of 5.750% per annum and 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 semi-annually in arrears on December 1 and June 1 of each year, commencing on June 1, 2018, with the first payment of interest in respect of the Additional Senior Notes taking place on December 1, 2018;
- be payable to the holder of record of the Senior 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 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.

If the due date for any payment in respect of any Euro Senior 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.

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The rights of Holders to receive the payments of interest on such Senior Notes will be subject to applicable procedures of Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, S.A. (“Clearstream”).

Methods of Receiving Payments on the Senior 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 Senior Notes.”

Paying Agent and Registrar for the Senior Notes

The Senior Notes Issuer will maintain one or more Paying Agents for the Senior 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 Senior Notes 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 Senior Notes Issuer.

The Senior Notes Issuer may change any Paying Agents, Registrar or Transfer Agent for the Senior Notes without prior notice to the Holders thereof. However, for so long as the Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Senior Notes Issuer will publish notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Such notice of the change in a Paying Agent, Registrar or Transfer Agent may also be published on the official website of the Luxembourg Stock Exchange (www.bourse.lu), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange. The Senior Notes Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Senior Notes.

Releases of the Guarantees

The Guarantee of a Guarantor will terminate:

- 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 Senior Notes Issuer or a Restricted Subsidiary) otherwise permitted by the Senior Notes Indenture;
- upon the designation in accordance with the Senior Notes Indenture of the Guarantor as an Unrestricted Subsidiary;
- upon payment in full of principal, interest and all other obligations under the Senior Notes Documents or upon defeasance or discharge of the Senior Notes and the Senior Notes 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”;

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- 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 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 Existing Senior Notes and the Additional Senior Notes are or will be issued in the form of registered notes in global form without interest coupons, as follows:

- Each series of Existing Senior Notes and Additional Senior Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act are (with respect to the Existing Senior Notes) and will initially be (with respect to the Additional Senior Notes offered hereby) represented by one or more global notes in registered form without interest coupons attached (the “Original 144A Global Notes” and “New 144A Global Notes,” respectively, and, together, the “144A Global Notes”).
- Each series of Existing Senior Notes and Additional Senior Notes sold to non-U.S. persons outside the United States pursuant to Regulation S under the Securities Act are (with respect to the Existing Senior Notes) and will initially be (with respect to the Additional Senior Notes offered hereby) represented by one or more global notes in registered form without interest coupons attached (the “Existing Regulation S Global Notes” and “New Regulation S Global Notes,” respectively, and, together, the “Regulation S Global Notes,” and, together with the 144A Global Notes, the “Global Notes”).

The New 144A Global Notes and the New Regulation S 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 Senior Notes 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 Additional Senior Notes, ownership of Regulation S Book-Entry Interests in the Additional Senior Notes 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. During this 40-day distribution compliance period, the New Regulation S Global Notes will have a temporary ISIN and Common Code. After the 40-day distribution compliance period ends, the ISIN and Common Code for any Book-Entry Interest in the New Regulation S Global Notes will automatically convert into the same ISIN and Common Code as the Existing Regulation S Global Notes. 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 Senior Notes 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

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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 principal amount or SEK 1,250,000, as applicable, and integral multiples of €1,000 or SEK 10,000 in excess thereof, as applicable, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Senior Notes 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 Senior Notes Indenture or as otherwise determined by the Senior Notes 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 Euro Senior 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 Senior Notes Indenture requires 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 Senior Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of the Senior Notes;
- (2) for a period of 15 days immediately prior to the date fixed for selection of Senior 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 Senior Notes Issuer, the Trustee, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the Holder of a Senior Note as the owner of it for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

As of the Issue Date, all of the Senior Notes Issuer’s Subsidiaries will be Restricted Subsidiaries. However, in the circumstances described below under “—*Certain Definitions—Unrestricted Subsidiary*,” the Senior Notes Issuer will be permitted to designate Restricted Subsidiaries (other than the Senior Secured Notes Issuer) as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Senior Notes Indenture.

Security

General

The Senior Notes and the Guarantees are or will be secured by second-priority security interests in (i) all of the issued shares of Capital Stock in the Senior Secured Notes Issuer, and (ii) the Senior Notes Issuer’s receivables owing from the Senior Secured Notes Issuer under the Senior Notes Proceeds Loans. The security interests in the Collateral that is created by the Security Documents and secures

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obligations under the Senior Notes or the Guarantees and the Senior Notes Indenture are herein referred to as “Security Interests.”

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 of the 2023 Senior Secured Notes, the lenders under the Senior Credit Facilities and the counterparties under certain Hedging Obligations, if any, and (ii) on a second-priority basis, the Holders. Holders of the 2023 Senior Secured Notes, lenders under the Senior Credit Facilities and counterparties under certain Hedging Obligations, together with liabilities in respect of any other Indebtedness permitted to be secured by the Collateral on a first-priority basis, would receive priority over the Senior 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 the 2023 Senior Secured Notes Indenture, the Senior Credit Facilities, any Hedging Obligations and any other Indebtedness secured by the Collateral on a first-priority basis have been discharged in full, be applied *pro rata* in repayment of all obligations under the Senior Notes and any other Indebtedness that is secured by the Collateral on a *pari passu* basis with the Senior Notes. 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 Senior Notes. No appraisals of the Collateral have been made in connection with the 2017 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 holders of the 2023 Senior Secured Notes, the lenders under the Senior Credit Facilities, counterparties under certain Hedging Obligations, if any, secured by the Collateral, the Trustee, the Security Agent 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 provide, among other things, that:

- (1) the obligations under the 2023 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 Collateral (subject to certain exceptions).

See “*Description of Certain Indebtedness—Intercreditor Agreement*,” “*Description of Certain Indebtedness—Senior Facilities Agreement*” and “*Description of Senior Secured Notes*.” In addition, in connection with the Incurrence of certain Indebtedness that is permitted by the Senior Notes Indenture to be secured on the Collateral, the Senior Notes Issuer may enter into Additional Intercreditor Agreements in compliance with the Senior Notes 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*.”

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Security Documents

Under the Security Documents entered into, confirmed or extended on the Issue Date, the Senior Notes Issuer has granted or will grant security over the Collateral to secure the payment when due of the Senior Notes Issuer’s and each of the Guarantor’s payment obligations under the Senior Notes, the Guarantees and the Senior Notes 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, the counterparties under certain Hedging Obligations, if any, and the holders of the 2023 Senior Secured Notes in relation to the Security Interests in favor of such parties.

The Senior Notes Indenture provides that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Senior Notes and the Senior Notes Indenture, as applicable, will be secured by the Security Interests in the Collateral until all obligations under the Senior Notes, the Guarantees and the Senior Notes Indenture have been discharged. However, the Security Interests with respect to the Senior 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 provide or will provide that the rights with respect to the Senior Notes and the Senior Notes 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 Senior Notes Indenture.

In the event that the Senior Notes 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 Senior Notes Indenture, the 2023 Senior Secured Notes Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Senior Secured Notes Issuer, the Senior Notes 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 any Guarantors, including the Senior Secured Notes Issuer, that is part of the Collateral).

Enforcement of Security Interest

The Senior Notes 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 upon enforcement by the lenders under the Senior Facilities Agreement, counterparties under certain Hedging Obligations and Holders of the 2023 Senior Secured Notes. In general, 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 subject to certain standstill provisions, payment blockage and other 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 Senior Notes 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

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Indebtedness under the 2023 Senior Secured Notes Indenture). As a result, the Holders of the Senior Notes will not be able to instruct the Security Agent, force a sale of Collateral or otherwise independently pursue the remedies under the relevant Security Documents, so long as any amounts under any senior secured debt (including, for this purpose, both drawn and undrawn uncanceled commitments under our Senior Facilities Agreement, Hedging Obligations and Indebtedness under the 2023 Senior Secured Notes) remain outstanding, other than in limited circumstances. 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 Senior Notes Indenture provides that each Holder of the Senior Notes, by accepting such Senior 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 “—*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 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 “—*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 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 “—*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 to (a) a Person that is not the Senior Notes 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 Senior Notes 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 to a Restricted Subsidiary unless the relevant property and assets remain subject to, or otherwise become subject to, a Lien in favor of the Senior Notes following such sale or disposal;
- (2) in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Senior Notes 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 Senior Notes Documents or legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Notes and the Senior Notes Indenture, as provided in “—*Defeasance*” and “—*Satisfaction and Discharge*”;
- (5) if the Senior Notes Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Notes 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*”; or
- (7) as otherwise permitted in accordance with the Senior Notes 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.

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The Security Agent and the Trustee will take all necessary action required to effectuate any release of Collateral securing the Senior Notes and the Guarantees, in accordance with the provisions of the Senior Notes 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 Additional Senior Notes offered hereby are not redeemable until December 1, 2019.

On and after December 1, 2019, the Senior Notes Issuer may redeem all or, from time to time, part of the Euro 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 (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 December 1 of the years indicated below:

Year	Redemption Price
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 Senior Notes up to 40% of the original principal amount of the Euro Senior Notes (including the principal amount of the Additional Senior Notes offered hereby and any Further Additional Senior Notes denominated in euro), upon not less than 10 nor more than 60 days’ notice, with funds in an aggregate amount (the “Redemption 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 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 Euro Senior Notes (including the original principal amount of the Additional Senior Notes offered hereby and any Further Additional 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 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 Euro 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).

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Optional Redemption upon Certain Tender Offers

In connection with any tender offer for, or other offer to purchase, the Senior Notes or a series of the Senior Notes, if Holders of not less than 90% of the aggregate principal amount of the then outstanding Senior Notes or series of Senior Notes validly tender and do not validly withdraw such Senior Notes or series of Senior Notes in such tender offer and the Senior Notes Issuer, or any third party making such tender offer in lieu of the Senior Notes Issuer, purchases all of the Senior Notes or series of Senior Notes validly tendered and not validly withdrawn by such Holders, the Senior Notes 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 Senior Notes (in the case of a tender offer for, or other offer to purchase, all Senior Notes) or the relevant series of Senior Notes (in the case of a tender offer for, or other offer to purchase, such series of Senior 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 Senior 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 Senior Notes Issuer effects an optional redemption of the Senior Notes, it will, for so long as the Senior Notes are listed on the 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 Senior 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 Senior Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Senior Notes will be subject to redemption by the Senior Notes Issuer.

In connection with any redemption of Senior Notes (including with the proceeds from an Equity Offering), any such redemption may, at the Senior Notes Issuer's discretion, be subject to one or more conditions precedent.

Sinking Fund

The Senior Notes Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Senior Notes.

Redemption at Maturity

On December 1, 2023, the Senior Notes Issuer will redeem the Senior 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 Euro Senior Notes or the SEK Senior Notes, as the case may be, are to be redeemed at any time, the Registrar will select Euro Senior Notes or SEK Senior Notes, as the case may be, 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 Euro Senior Note of €100,000 in aggregate principal amount or less shall be redeemed and no SEK Senior Note of SEK 1,250,000 in aggregate principal amount or less shall be redeemed in part and only Euro Senior Notes in integral multiples of €1,000 will be redeemed and only SEK Senior Notes in integral multiples of SEK 10,000, as applicable, will be redeemed. The Registrar will not be liable for any selections made by it in accordance with this paragraph.

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For so long as the Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Senior Notes Issuer shall publish notice of redemption in accordance with the prevailing rules of the Luxembourg Stock Exchange 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. Such notice of redemption may also be delivered in accordance with the rules and procedures of Euroclear or Clearstream, as applicable, in lieu of the aforesaid mailing.

If the Senior Notes are to be redeemed in part only, the notice of redemption that relates to such Senior 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 Senior Notes called for redemption.

Redemption for Taxation Reasons

The Senior Notes Issuer may redeem any series of Senior 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 such series of Senior 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 Senior Notes 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 relevant series of Senior 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 Senior Notes 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 Senior Notes 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 Original 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 Senior Notes pursuant to the foregoing, the Senior Notes 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 Senior Notes 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.

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Withholding Taxes

All payments made by the Senior Notes Issuer or any of the Guarantors or a successor of the Senior Notes Issuer or Guarantor (a “Payor”) on the Senior 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 Senior 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 of the Paying Agent with respect to any Senior 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 or the Trustee, as the case may be, after such withholding, deduction or imposition (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 Senior 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 Senior Note or the receipt of any payment or the exercise or enforcement of rights under such Senior Note or the Senior Notes 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 Senior 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 Senior 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 that are required to be deducted or withheld on a payment to an individual pursuant to European Council Directive 2003/48/EC, European Council Directive 2014/48/EU or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income or any law implementing, or introduced in order to conform to, such directive;
- (6) any Taxes imposed in connection with a Senior Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Senior Note to, or otherwise accepting payment from, another paying agent in a member state of the European Union;

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- (7) 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
- (8) 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 Senior 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 Senior 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 (8) 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 Senior Notes then outstanding and (y) the amount of such withholding Taxes paid per €1,000 or SEK 10,000 (as applicable) principal amount of the Senior Notes.

If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on any Senior 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 Senior Notes Indenture, the Senior Notes or this "*Description of Senior Notes*" there is mentioned, in any context:

- (1) the payment of principal,
 - (2) purchase prices in connection with a purchase of Senior Notes,
 - (3) interest, or
 - (4) any other amount payable on or with respect to any of the Senior 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 Senior Notes, the Guarantees, the Senior Notes 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 Senior Notes after the Original 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 Senior Notes 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.

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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 Senior Notes Issuer to repurchase all or any part (equal to €100,000 or integral multiples of €1,000 in excess thereof, the case of the Euro Senior Notes, and SEK 1,250,000 or integral multiples of SEK 10,000 in excess thereof); *provided that* Euro Senior Notes of €100,000 or less may only be redeemed in whole and not in part and SEK Senior Notes of SEK 1,250,000 or less may only be redeemed in whole and not in part) of such Holder’s Senior Notes at a purchase price in cash equal to 101% of the principal amount of the Senior 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 Senior Notes Issuer shall not be obliged to repurchase any series of Senior 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 Senior Notes of such series as described under “—*Optional Redemption*” or all conditions to such redemption have been satisfied or waived.

Unless the Senior Notes Issuer has unconditionally exercised its right to redeem all of a series of Senior 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 Senior Notes Issuer will mail a notice (the “Change of Control Offer”) to each Holder of any such Senior Notes, 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 Senior Notes Issuer to purchase all or any part of such Holder’s Senior Notes at a purchase price in cash equal to 101% of the principal amount of such Senior 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 Senior 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 Senior 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 Senior Notes Issuer, consistent with the Senior Notes Indenture, that a Holder must follow in order to have its Senior Notes repurchased; and
- (6) if such notice is mailed 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 Senior Notes Issuer will, to the extent lawful:

- (1) accept for payment all Senior 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 Senior Notes so tendered;
- (3) deliver or cause to be delivered to the Trustee an Officer’s Certificate stating the aggregate principal amount of Senior Notes or portions of the Senior Notes being purchased by the Senior Notes 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 Senior Notes or portions thereof that have been tendered to and purchased by the Senior Notes 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 Senior Notes Issuer.

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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 Senior 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 Senior Notes surrendered, if any; *provided that* each such new Euro Senior Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof and each new SEK Senior Note will be in a principal amount that is at least SEK 1,250,000 and integral multiples of SEK 10,000 in excess thereof.

For so long as the Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of such exchange so require, the Senior Notes Issuer will publish notices relating to the Change of Control Offer as soon as reasonably practicable after the Change of Control Payment Date in a newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, 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 Senior Notes Indenture does not contain provisions that permit the Holders to require that the Senior Notes Issuer repurchase or redeem the Senior Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Senior Notes Issuer to repurchase such Holder's Senior Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Senior Notes Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Senior Notes Issuer will not be required to make a Change of Control Offer or repurchase any Senior 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 Senior Notes Indenture applicable to a Change of Control Offer made by the Senior Notes Issuer and purchases all Senior Notes validly tendered and not withdrawn under such Change of Control Offer or (2) a notice of redemption has been given pursuant to the Senior Notes 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 Senior Notes 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 Senior Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Senior Notes Indenture, the Senior Notes 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 Senior Notes Indenture by virtue of such compliance.

The Senior Notes Issuer's ability to repurchase Senior 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 Senior Notes Indenture would also require the Senior Secured Notes Issuer to make an offer to holders thereof to repurchase any 2023 Senior Secured Notes at a purchase price in cash equal to 101% of the principal amount thereof. Future Indebtedness of the Senior Notes 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 Senior Notes Issuer to repurchase the Senior 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 Senior Notes Issuer. Finally, the Senior Notes Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Senior Notes 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.*"

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The definition of “Change of Control” includes a disposition of all or substantially all of the property and assets of the Senior Notes 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 “substantially all” of the property or assets of the Senior Notes 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 Senior Notes Issuer to make an offer to repurchase the Senior Notes as described above.

The provisions of the Senior Notes Indenture relating to the Senior Notes Issuer’s obligation to make an offer to repurchase the Senior 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 Senior Notes.

Certain Covenants

Limitation on Indebtedness

The Senior Notes Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Senior Notes 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 Senior Notes 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) €2,380.0 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 Senior Notes Issuer or any Restricted Subsidiary of Indebtedness of the Senior Notes 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 Senior Notes or a Guarantee, then the guarantee must be subordinated to the Senior 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 Senior Notes Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Senior Notes Indenture;
- (3) Indebtedness of the Senior Notes Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Senior Notes Issuer or any Restricted Subsidiary; *provided, however*, that:
 - (a) if the Senior Notes Issuer or a Guarantor is the obligor on any such Indebtedness and the creditor is neither the Senior Notes Issuer nor a Restricted Subsidiary that is a Guarantor, such Indebtedness is unsecured and, if the aggregate principal amount of such Indebtedness of the Senior Notes 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 Senior Notes Issuer and the Restricted Subsidiaries and (ii) only to the extent legally permitted (the Senior Notes Issuer and the Restricted

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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 Senior Notes, in the case of the Senior Notes Issuer, or the applicable Guarantee, in the case of a Guarantor, pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement;

- (b) 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 Senior Notes Issuer or a Restricted Subsidiary of the Senior Notes Issuer; and
- (c) any sale or other transfer of any such Indebtedness to a Person other than the Senior Notes Issuer or a Restricted Subsidiary of the Senior Notes Issuer,

shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Senior Notes Issuer or such Restricted Subsidiary, as the case may be;

- (4) (a) Indebtedness represented by the Senior Notes (other than any Further Additional Senior Notes) and the related Guarantees, (b) the Existing Senior Secured Notes and the related guarantees, in each case, outstanding on the Original Issue Date, (c) any Indebtedness (other than Indebtedness Incurred under the Senior Credit Facilities or described in clauses (3), (4)(a) and (4)(b) of this paragraph) outstanding on the Original Issue Date after giving *pro forma* effect to the 2017 Transactions on such date, (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 Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 (5) or (y) the Fixed Charge Coverage Ratio of the Senior Notes 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 Senior Notes Issuer or a

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- 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Senior Notes Issuer, in each case, subsequent to the Original 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 Senior Notes 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

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Senior Notes 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 2017 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 Senior Notes 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 Original Issue Date under the Senior Credit Facilities shall be deemed initially Incurred on the Original 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 Senior Notes 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 Senior Notes 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

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continue). For purposes of calculating the availability under any basket 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.

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 Senior Notes 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 Senior Notes 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) 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; (b) the euro equivalent of the principal amount of any such Indebtedness outstanding on the Original Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Original Issue Date; and (c) 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 Senior Notes 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.

Limitation on Layering

The Senior Notes Issuer will not incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any Senior Indebtedness of the Senior Notes Issuer unless such Indebtedness is also contractually subordinated in right of payment to the Senior Notes on substantially identical terms and no Guarantor will incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any Senior Indebtedness of such Guarantor unless such Indebtedness is *pari passu* with such Guarantor’s Guarantee or is also contractually subordinated in right of payment to, such Guarantor’s Guarantee on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Senior Notes 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 Senior Notes 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 Senior Notes Issuer’s or any Restricted Subsidiary’s Capital Stock (including any payment in connection

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with any merger or consolidation involving the Senior Notes Issuer or any of its Restricted Subsidiaries) except:

- (a) dividends or distributions payable in Capital Stock of the Senior Notes Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Senior Notes Issuer or in Subordinated Shareholder Funding; and
 - (b) dividends or distributions payable to the Senior Notes 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 Senior Notes 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 Senior Notes Issuer or any direct or indirect Parent of the Senior Notes Issuer held by Persons other than the Senior Notes Issuer or a Restricted Subsidiary of the Senior Notes Issuer (other than in exchange for Capital Stock of the Senior Notes 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 Senior Notes 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 Senior Notes 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 Original Completion Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5), (10), (11), (12) and (18) 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 Original Completion 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 Senior Notes 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 Original Completion Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Senior Notes Issuer subsequent to the Original Completion Date (other than (x) Net Cash Proceeds or property or assets or marketable

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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 Senior Notes Issuer or any Subsidiary of the Senior Notes Issuer for the benefit of its employees to the extent funded by the Senior Notes Issuer or any Restricted Subsidiary, (y) 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 and (z) Excluded Contributions);

- (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 Senior Notes Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Senior Notes Issuer or a Restricted Subsidiary of the Senior Notes Issuer or an employee stock ownership plan or trust established by the Senior Notes Issuer or any Subsidiary of the Senior Notes Issuer for the benefit of its employees to the extent funded by the Senior Notes Issuer or any Restricted Subsidiary) by the Senior Notes Issuer or any Restricted Subsidiary subsequent to the Original Completion Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Senior Notes 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 Senior Notes 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 and (y) Excluded 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 Senior Notes Issuer or any Restricted Subsidiary (other than to the Senior Notes Issuer or a Restricted Subsidiary of the Senior Notes Issuer or an employee stock ownership plan or trust established by the Senior Notes Issuer or any Subsidiary of the Senior Notes Issuer for the benefit of its employees to the extent funded by the Senior Notes 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 Original Completion 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 Senior Notes Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Senior Notes 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 Senior Notes 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 Senior Notes Issuer or a Restricted Subsidiary after the Original Completion 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 Senior Notes Issuer's option) included in the foregoing clause (iv), (v) or (vi).

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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 Senior Notes 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) of the Senior Notes Issuer; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) 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 Senior Notes Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Senior Notes 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 Senior Notes Issuer shall have first complied with the terms described under “—*Limitation on Sales of Assets and Subsidiary Stock*” and purchased all Senior Notes tendered pursuant to any offer to repurchase all the Senior 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 Senior Notes Issuer shall have first complied with the terms described under “*Change of Control*” and purchased all Senior Notes tendered pursuant to the offer to repurchase all the Senior 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 Senior Notes 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 Senior Notes 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 Senior Notes 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

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acquire, cancel or retire for value Capital Stock of the Senior Notes 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 Senior Notes 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 Original Issue Date, plus (b) the Net Cash Proceeds received by the Senior Notes Issuer or its Restricted Subsidiaries since the Original 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) of the Senior Notes 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 Senior Notes Issuer or any Restricted Subsidiary from members of management, directors or employees of any Parent, the Senior Notes Issuer or Restricted Subsidiaries in connection with a repurchase of Capital Stock of the Senior Notes Issuer or any Parent will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Senior Notes 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 Senior Notes 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 2017 Transactions or (y) fees, expenses, principal, interest or other amounts disclosed in the 2017 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 Senior Notes Issuer of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Senior Notes 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 Senior Notes 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) of the Senior Notes Issuer or contributed as Subordinated Shareholder Funding to the Senior Notes 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 Senior Notes Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Senior Notes 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);

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- (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 Senior Notes Issuer issued after the Original 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 Original 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 Senior Notes Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or, in the case of Designated Preference Shares by any Parent or Affiliate, the issuance of Designated Preference Shares) of the Senior Notes Issuer or contributed as Subordinated Shareholder Funding to the Senior Notes 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) the Transfer; and
- (18) 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 Net Leverage Ratio would not exceed (x) 7.25 to 1.0, if the date of such Restricted Payment is prior to the date falling 18 months from the Original Issue Date; *provided, further*, that Restricted Payments made pursuant to this clause (x) shall be permitted only once on or after the Original Issue Date or (y) 6.25 to 1.0 if the date of such Restricted Payment is on or after the date falling 18 months from the Original Issue Date, in each case, 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes Issuer), whether owned on the Original 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 Senior Notes and the Senior Notes Indenture (or the relevant Guarantee) are directly secured, at least equally and ratably with, or, in the case of Liens with respect to Senior Indebtedness, (at the Senior Notes Issuer’s option) junior to, 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.

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Any such Lien created in favor of the Senior 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 Senior Notes 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 Senior Notes Issuer or any Restricted Subsidiary;
- (B) make any loans or advances to the Senior Notes Issuer or any Restricted Subsidiary; or
- (C) sell, lease or transfer any of its property or assets to the Senior Notes 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 Senior Notes Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Senior Notes 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 Senior Notes Indenture, the Senior Notes, the Existing Senior Secured Notes and the Existing Senior Secured Notes Indenture), the Intercreditor Agreement, the Security Documents and the security documents relating to the Senior Credit Facilities and the Existing Senior Secured Notes), (b) any other agreement or instrument, in each case, in effect at or entered into on the Original Issue Date, or (c) any other agreement or instrument with respect to the Senior Notes Issuer and its Subsidiaries, in each case, in effect at or entered into on the Original 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 Senior Notes Issuer or any Restricted Subsidiary or was designated as a Restricted Subsidiary, or on which such agreement or instrument is assumed by the Senior Notes 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 Senior Notes Issuer or was merged, consolidated or otherwise combined with or into the Senior Notes 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 Senior Notes 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);

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- (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 Senior Notes Indenture or securing Indebtedness of the Senior Notes Issuer or a Restricted Subsidiary permitted under the Senior Notes 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 Senior Notes Issuer or any Restricted Subsidiary;
- (5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Senior Notes 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 Original 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 Senior 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 Original Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors) or (B) the Senior Notes 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 Senior Notes Issuer’s ability to make principal or interest payments on the Senior 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*.”

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Limitation on Sales of Assets and Subsidiary Stock

The Senior Notes Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

- (1) the consideration the Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes Issuer or a Restricted Subsidiary), as a result of which neither the Senior Notes 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 Senior Notes 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 Senior Notes Issuer or any Guarantor received from Persons who are not the Senior Notes Issuer or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Senior Notes Issuer or the applicable Guarantor and (ii) is not Subordinated Indebtedness of the Senior Notes Issuer or such Guarantor;
 - (vii) any Designated Non-Cash Consideration received by the Senior Notes 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 Senior Notes Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Available Cash of the Asset Disposition, within 395 days (or 575 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 Senior Notes Issuer or such Restricted Subsidiary to:

- (1) (i) prepay, repay, purchase or redeem any Senior Indebtedness of the Senior Notes Issuer or a Restricted Subsidiary or any Refinancing Indebtedness in respect thereof; (ii) prepay, repay, purchase or redeem (x) any Indebtedness of a Restricted Subsidiary of the Senior Notes Issuer that is not a Guarantor or (y) any Indebtedness of the Senior Notes Issuer or a Restricted Subsidiary that is secured on assets which do not constitute Collateral; or (iii) prepay, repay, purchase or redeem any *Pari Passu* Indebtedness (other than Indebtedness owed to the Senior Notes Issuer or any Restricted Subsidiary) at a price of no more than 100% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the date of such prepayment, repayment, purchase or redemption; *provided that*, the Senior Notes Issuer shall prepay, repay, purchase or redeem *Pari Passu* Indebtedness that is Public Debt pursuant to clause (iii) only if the Senior Notes Issuer makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Senior Notes

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in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Senior Notes equal to the proportion that (x) the total aggregate principal amount of the Senior Notes outstanding bears to (y) the sum total aggregate principal amount of Senior Notes outstanding plus the total aggregate principal amount outstanding of such *Pari Passu* Indebtedness (other than the Senior Notes);

- (2) (A) purchase the Senior Notes pursuant to an offer to all Holders of the Senior 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 Senior Notes in accordance with the redemption provisions of the Senior Notes 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 395 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 Senior Notes 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 Senior Notes Indenture.

On the 396th day after an Asset Disposition (or the 576th day if a binding commitment as described in clause (8) above has been entered into), or such earlier time as the Senior Notes Issuer elects, if the aggregate amount of Excess Proceeds exceeds €50.0 million, the Senior Notes Issuer will be required within 10 Business Days thereof to make an offer (“Asset Disposition Offer”) to all Holders and, to the extent the Senior Notes Issuer elects, to all holders of other outstanding *Pari Passu* Indebtedness, to purchase the maximum principal amount of Senior 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 Senior 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 Senior 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 Senior Notes 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 Euro Senior Notes or in minimum denominations of SEK 1,250,000 and in integral multiples of SEK 10,000 in excess thereof in the case of SEK Senior Notes.

To the extent that the aggregate amount of Senior 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 Senior Notes Issuer or the relevant Restricted Subsidiary may use any remaining Excess Proceeds for any other purpose, subject to other covenants contained in the Senior Notes Indenture. If the aggregate principal amount of the Senior 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 Senior 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 Senior 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

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a date selected by the Senior Notes 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 Senior Notes is denominated in a currency other than the currency in which the Senior Notes are denominated, the amount thereof payable in respect of such Senior Notes shall not exceed the net amount of funds in the currency in which such Senior Notes are denominated that is actually received by the Senior Notes Issuer or the relevant Restricted Subsidiary upon converting such portion of the Net Available Cash into such currency.

Any Net Available Cash payable in respect of the Senior Notes pursuant to this covenant will be allocated between the Euro Senior Notes and the SEK Senior Notes in proportion to the euro equivalent aggregate principal amount of Euro Senior Notes and SEK Senior Notes validly tendered and not withdrawn.

The Asset Disposition Offer, in so far as it relates to the Senior 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 Senior Notes Issuer will purchase the principal amount of Senior 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 Senior Notes and *Pari Passu* Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Senior Notes Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Senior Notes and *Pari Passu* Indebtedness or portions of Senior 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 Senior 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, in the case of the Euro Senior Notes, or in minimum denominations of SEK 1,250,000 and in integral multiples of SEK 10,000 in excess thereof, in the case of the SEK Senior Notes. The Senior Notes Issuer will deliver to the Trustee an Officer’s Certificate stating that such Senior Notes or portions thereof were accepted for payment by the Senior Notes Issuer in accordance with the terms of this covenant. The Senior Notes 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 Senior Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Senior Notes Issuer for purchase, and the Senior Notes Issuer will promptly issue a new Senior Note (or amend the applicable Global Note), and the Trustee (or an authenticating agent), upon delivery of an Officer’s Certificate from the Senior Notes Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Senior Note to such Holder, in a principal amount equal to any unpurchased portion of the Senior Note surrendered; *provided that* each such new Senior Note will be in a principal amount with a minimum denomination of €100,000, in the case of the Euro Senior Notes, and of SEK 1,250,000 in the case of the SEK Senior Notes. Any Senior Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Senior Notes Issuer to the Holder thereof.

The Senior Notes 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 Senior Notes pursuant to the Senior Notes Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Senior Notes Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Senior Notes Indenture by virtue of any such compliance.

Limitation on Affiliate Transactions

The Senior Notes 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 Senior

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Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes Issuer, any Restricted Subsidiary of the Senior Notes 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 2017 Transactions; (b) the entry into and performance of obligations of the Senior Notes 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 Original 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 Senior Notes Issuer or any Affiliate of the Senior Notes 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 Senior Notes Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of the

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- Senior Notes 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 Senior Notes Issuer or any Restricted Subsidiary and any Affiliate of the Senior Notes Issuer or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Senior Notes Issuer or a Restricted Subsidiary or any Affiliate of the Senior Notes 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 Senior Notes 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; and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Senior Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;
 - (11) (a) payments by the Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes are outstanding, the Senior Notes Issuer will deliver to the Trustee the following reports:

- (1) within 120 days after the end of the Senior Notes Issuer's fiscal year, 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 Senior Notes Issuer;
 - (ii) *pro forma* income statement and balance sheet information of the Senior Notes 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 Senior Notes Issuer will provide, in the case of a material acquisition, acquired company financials;
 - (iii) the audited consolidated balance sheet of the Senior Notes Issuer as at the end of the most recent fiscal

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- 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 Senior Notes 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 Senior Notes 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 Senior Notes Issuer, quarterly financial statements containing the following information: (i) the Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes Issuer announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Senior Notes Issuer and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Senior Notes Issuer or a change in auditors of the Senior Notes Issuer, a report containing a description of such event.

In addition, to the extent not satisfied by the foregoing, the Senior Notes 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 Senior Notes are not freely transferable under the Exchange Act by persons who are not "affiliates" under the Securities Act.

The Senior Notes Issuer shall also make available to Holders and prospective holders of the Senior Notes copies of all reports delivered to the Trustee on the Senior Notes Issuer's website and if and so long as the Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and to the extent that the rules and regulations of the Luxembourg Stock Exchange so require, copies of such reports delivered to the Trustee will also be made available at the specified office of the listing agent in Luxembourg.

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 Senior Notes 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 2017 Offering Memorandum. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles.

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At any time that any of the Senior Notes 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 Senior Notes 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 Senior Notes Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Senior Notes Issuer.

All reports provided pursuant to this “*Reports*” covenant shall be made in the English language.

In the event that (i) the Senior Notes 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 Senior Notes Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Senior Notes 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 Senior Notes Issuer will deliver to the Trustee such annual reports, information, documents and other reports that the Senior Notes 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 Senior Notes Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

The Senior Notes Issuer may comply with any requirement to provide reports or financial statements of the Senior Notes Issuer under this covenant by providing any financial statements or reports of the IPO Entity, in which case references to the Senior Notes 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 Senior Notes 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 Senior Notes Issuer shall be included for any period after the Original Issue Date. If and for so long as the equity securities of the Senior Notes Issuer or a Parent are listed on a recognized stock exchange and the Senior Notes 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 Senior Notes Issuer will be entitled to deliver to the Trustee such annual and quarterly reports, information, documents and other reports that the Senior Notes Issuer or a Parent is, or would be, required to file with the recognized stock exchange. Upon complying with the foregoing sentence, the Senior Notes 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 Senior Notes Issuer or a Parent to prepare and file quarterly reports with the recognized stock exchange, the Senior Notes 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 Senior Notes Issuer’s compliance with any of its covenants under the Senior Notes Indenture or documents related thereto.

Merger and Consolidation

The Senior Notes Issuer

The Senior Notes 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 Senior Notes 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

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- the Successor Company (if not the Senior Notes Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Senior Notes Issuer under the Senior Notes and the Senior Notes Indenture and (b) all obligations of the Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 (in each case, reasonably satisfactory to the Trustee), *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 Senior Notes 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 Senior Notes Issuer, which properties and assets, if held by the Senior Notes Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Senior Notes Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Senior Notes Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Senior Notes Issuer under the Senior Notes 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 Senior Notes Indenture or the Senior 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 Senior Notes 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 Senior Notes Issuer.

The Guarantors

None of the Guarantors (other than a Guarantor whose Guarantee is to be released in accordance with the terms of the Senior Notes 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

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- (3) permit any Person to merge with or into it unless
- (A) the other Person is the Senior Notes 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 Senior Notes Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee) 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 Senior Notes Issuer or a Restricted Subsidiary) otherwise permitted by the Senior Notes 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 Senior Notes Issuer, a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) any Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Senior Notes Issuer or a Guarantor; (iii) any consolidation or merger of the Senior Notes Issuer into any Guarantor; *provided that*, if the Senior Notes Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Senior Notes Issuer under the Senior Notes, the Senior Notes 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 Senior Notes Issuer*” shall apply to such transaction; and (iv) the Senior Notes 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 Senior Notes 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 Original Issue Date, the Senior 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 Senior Notes cease to have Investment Grade Status (the “Reversion Date”), the provisions of the Senior Notes Indenture summarized under the following captions will not apply to the Senior 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 Senior Notes Indenture will cease to be effective and will not be

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applicable to the Senior Notes 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 Senior Notes 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 Senior Notes 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 Original 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 Senior Notes Indenture also permits, without causing a Default or Event of Default, the Senior Notes Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Senior 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 Senior Notes no longer having an Investment Grade Status. The Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes Issuer and its Restricted Subsidiaries may Incur Permitted Collateral Liens; (2) the Collateral may be discharged or released in accordance with the Senior Notes 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 Senior Notes Issuer or any Guarantor and the assumption by such successor of the obligations under the Senior Notes Indenture, the Senior 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 Senior Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Incurrence of Permitted Collateral Liens or any action expressly permitted by the Senior Notes 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 Senior Notes Issuer delivers to the Trustee, either (i) a solvency opinion reasonably satisfactory to the Trustee 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 reasonably satisfactory to the Trustee, 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

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Senior Notes 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.

This covenant shall not apply to any impairment of any Security Interest in connection with the 2017 Transactions.

Additional Guarantees

Notwithstanding anything to the contrary in this covenant, no Restricted Subsidiary shall guarantee the Indebtedness of the Senior Notes 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 Senior Notes Indenture pursuant to which such Restricted Subsidiary will provide a Guarantee, which Guarantee shall be senior to or *pari passu* with (or, if the other Indebtedness being guaranteed by such Restricted Subsidiary is Senior Indebtedness, may be junior to) such Restricted Subsidiary’s guarantee of such other Indebtedness; *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 Senior Notes 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 Senior Notes Issuer if at the date of such release either (i) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Original Issue Date and which could not have been Incurred in compliance with the Senior Notes 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 Original Issue Date and which could not have been Incurred in compliance with the Senior Notes 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 Senior Notes Indenture provides that, at the request of the Senior Notes Issuer, in connection with the Incurrence by the Senior Notes Issuer or its Restricted Subsidiaries of any Indebtedness, the Senior Notes 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

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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 Senior Notes Indenture or the Intercreditor Agreement.

The Senior Notes Indenture also provides that, at the direction of the Senior Notes 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 Senior Notes 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 Senior Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Senior Notes (including Further Additional Senior Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Further Additional Senior 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 Senior Notes 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 Senior Notes then outstanding, except as otherwise permitted below under “—*Amendments and Waivers*,” and the Senior Notes 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 Senior Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Senior Notes Indenture also provides 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 Senior Notes thereby; *provided, however*, that such transaction would comply with the covenant described under “—*Limitation on Restricted Payments*.”

The Senior Notes Indenture also provides that each Holder, by accepting a Senior 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 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 Senior Notes Issuer will use its commercially reasonable efforts to obtain and maintain the listing of the Senior Notes on a “recognized stock exchange” as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom.

Financial Calculations

When calculating the availability or permission under any basket or ratio under the Senior Notes 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 Senior Notes 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

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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. 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 Senior Notes 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 Senior Notes Indenture (except to the extent such transaction is subsequently abandoned).

Events of Default

Each of the following is an “Event of Default” under the Senior Notes Indenture:

- (1) default in any payment of interest on any Senior Note issued under the Senior Notes 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 Senior Note issued under the Senior Notes Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;
- (3) failure by the Senior Notes Issuer or any of its Restricted Subsidiaries to comply for 60 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Senior Notes with its agreements contained in the Senior Notes 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 Senior Notes Issuer or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Senior Notes Issuer or any of its Restricted Subsidiaries) other than Indebtedness owed to the Senior Notes Issuer or a Restricted Subsidiary whether such Indebtedness or guarantee now exists, or is created after the Original 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 Senior Notes Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Senior Notes Issuer), would constitute a Significant Subsidiary (the “bankruptcy provisions”);
- (6) failure by the Senior Notes Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Senior Notes 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

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Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Notes 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 Senior Notes Indenture or the release of any such Security Interest in accordance with the terms of the Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes under the Senior Notes Indenture notify the Senior Notes Issuer of the Default and, with respect to clauses (3), (4) and (6) the Senior Notes 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 notice to the Senior Notes Issuer or the Holders of at least 25% in principal amount of the outstanding Senior Notes under the Senior Notes Indenture by written notice to the Senior Notes 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 Senior Notes under the Senior Notes 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 Senior 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 Senior 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 Senior 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 Senior Notes that became due solely because of the acceleration of the Senior 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 Senior 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 Senior Notes may not enforce the Senior Notes Indenture or the Senior Notes except as provided in the Senior Notes 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 Senior Notes under the Senior Notes 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 such Senior 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 Senior Notes Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity 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 Senior Notes Indenture or the Senior Notes unless:

- (1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

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- (2) Holders of at least 25% in principal amount of the outstanding Senior Notes have requested the Trustee to pursue the remedy;
- (3) such Holders have offered the Trustee security 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 or indemnity; and
- (5) the Holders of a majority in principal amount of the outstanding Senior 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 Senior 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 Senior Notes Indenture provides 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 Senior Notes 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. Prior to taking any action under the Senior Notes 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 Senior Notes Indenture provides that if a Default or Event of Default occurs and is continuing and the Trustee is informed of such occurrence by the Senior Notes Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Senior Notes Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Senior 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 Senior Notes 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 Senior Notes 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 Senior Notes Issuer is taking or proposes to take in respect thereof.

The Senior Notes Indenture provides 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 Senior Notes 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 Senior Notes Indenture.

The Senior Notes Indenture provides for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Senior Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity or security to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Senior Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of such Senior Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Senior 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 euro equivalent principal amount of the Senior Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Senior Notes). If any amendment, supplement or waiver that may be made with the consent of Holders of a majority in aggregate principal amount of the Senior Notes then outstanding only affects or would only affect the Holders of the Euro Senior Notes or the Exiting SEK Senior Notes, and it would not affect Holders of the

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Senior Notes generally, only the consent of the Holders of a majority of the then outstanding principal amount of Euro Senior Notes or SEK Senior Notes, as the case may be, shall be required. Without the consent of Holders holding not less than 90% of the then outstanding principal amount of the Senior Notes then outstanding (or, alternatively, the consent of each Holder affected thereby), an amendment or waiver may not, with respect to any Senior Notes held by a non-consenting Holder:

- (1) reduce the principal amount of Senior 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 Senior Note;
- (3) reduce the principal of or extend the Stated Maturity of any such Senior Note;
- (4) reduce the premium payable upon the redemption of any such Senior Note or change the time at which any such Senior Note may be redeemed, in each case, as described above under “—*Optional Redemption*;”
- (5) make any such Senior Note payable in money other than that stated in such Senior 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 Senior 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 Senior Notes;
- (7) make any change in the provision of the Senior Notes Indenture described under “—*Withholding Taxes*” that adversely affects the right of any Holder of such Senior Notes in any material respect or amends the terms of such Senior 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 Senior Notes 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 Senior Notes 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 Senior Notes (except pursuant to a rescission of acceleration of such Senior Notes by the Holders of at least a majority in aggregate principal amount of such Senior 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 Senior Notes Indenture, except in accordance with the terms of the Senior Notes 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,

provided that, if an amendment, supplement or waiver that may be made with the consent of Holders holding not less than 90% of the then outstanding aggregate principal amount of the Senior Notes only affects, or would only affect, Holders of the Euro Senior Notes or the SEK Senior Notes, and not Holders of the Senior Notes generally, then the consent of the Holders of 90% of the then outstanding principal amount of Euro Senior Notes or SEK Senior Notes, as the case may be (or, alternatively, the consent of each Holder of such Senior Note affected thereby) shall be required to make the changes referred in clauses (1) through (11) above.

Notwithstanding the foregoing, without the consent of any Holder, the Senior Notes Issuer, any Guarantor, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Senior 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 Senior Notes Issuer or any Restricted Subsidiary under any Senior 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 Senior Notes Issuer or any Restricted Subsidiary;

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- (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 Senior 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 Further Additional Senior 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 Senior Notes, to add security to or for the benefit of the Senior 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 Senior Notes when such release, termination, discharge or retaking or amendment is provided for under the Senior Notes Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (7) to conform the text of the Senior Notes Indenture, the Guarantees, the Security Documents or the Senior Notes to any provision of this “*Description of Senior Notes*” to the extent that such provision in this “*Description of Senior Notes*” was intended to be a verbatim recitation of a provision of the Senior Notes Indenture, a Guarantee, the Security Documents or the Senior Notes;
- (8) to evidence and provide for the acceptance and appointment under the Senior Notes 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 Senior 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 Original 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 Senior Notes 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.

For purposes of determining whether Holders of the requisite aggregate principal amount of the Senior Notes have taken any action under the Senior Notes Indenture, the aggregate principal amount of Senior Notes will be deemed to be the euro equivalent of the aggregate principal amount of such Senior Notes as of (i) the record date in respect of such action (if a record date has been set with respect to the taking of such action) or (ii) the date the taking of such action by Holders of the requisite aggregate principal amount of such Senior Notes has been certified to the Trustee by the Senior Notes Issuer (if no such record date has been set).

The consent of the Holders is not necessary under the Senior Notes Indenture to approve the particular form of any proposed amendment of any Senior Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Senior Notes Indenture by any Holder of Senior Notes given in connection with a tender of such Holder’s Senior Notes will not be rendered invalid by such tender.

For so long as the Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of such exchange so require, the Senior Notes Issuer will publish notice of any amendment, supplement and waiver in Luxembourg in a newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Such notice of any amendment, supplement and waiver may also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

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Acts by Holders

In determining whether the Holders of the required principal amount of the Senior Notes have concurred in any direction, waiver or consent, the Senior Notes owned by the Senior Notes Issuer or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with, the Senior Notes Issuer will be disregarded and deemed not to be outstanding.

Defeasance

The Senior Notes Issuer at any time may terminate all obligations of the Senior Notes Issuer and the Guarantors under the Senior Notes and the Senior Notes 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 Senior Notes Issuer in connection therewith and obligations concerning issuing temporary Senior Notes, registration of Senior Notes, mutilated, destroyed, lost or stolen Senior 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Senior Notes Issuer exercises its legal defeasance option, payment of the Senior Notes may not be accelerated because of an Event of Default with respect to such Senior Notes. If the Senior Notes Issuer exercises its covenant defeasance option with respect to the Senior Notes, payment of the Senior 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 Senior Notes Issuer*”), (4), (5) (other than with respect to the Senior Notes Issuer and Significant Subsidiaries), (6), (7) or (8) under “*Events of Default*” above.

In order to exercise either defeasance option, the Senior Notes Issuer must irrevocably deposit in trust (the “defeasance trust”) with the Trustee (or another entity designated by the Trustee for this purpose) money in euros or euro-denominated European Government Obligations or a combination thereof (in the case of the Euro Senior Notes) or SEK or SEK-denominated Swedish Government Obligations or a combination thereof (in the case of SEK Senior Notes) in an amount sufficient for the payment of principal, premium, if any, and interest on the Senior 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 Senior 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 Senior Notes Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Senior Notes 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;

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- (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 Senior Notes 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 Senior Notes, as expressly provided for in the Senior Notes Indenture) as to all outstanding Senior Notes when (1) either (a) all such Senior Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Senior Notes, and certain Senior Notes for which provision for payment was previously made and thereafter the funds have been released to the Senior Notes Issuer) have been delivered to the Paying Agent for cancellation; or (b) all such Senior Notes not previously delivered to the Trustee 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 Senior Notes Issuer has deposited or caused to be deposited with the Trustee (or another entity directed, selected or designated by the Senior Notes Issuer and reasonably acceptable to the Trustee for this purpose), money or euro-denominated European Government Obligations, or a combination thereof (in the case of the Euro Senior Notes) or SEK or SEK-denominated Swedish Government Obligations or a combination thereof (in the case of SEK Senior Notes), as applicable, in an amount sufficient without consideration of reinvestment, to pay and discharge the entire Indebtedness on the Senior 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 Senior Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Senior Notes Issuer has paid or caused to be paid all other sums payable under the Senior Notes Indenture; (4) the Senior Notes Issuer has delivered irrevocable instructions to the Trustee, Paying Agent or other entity directed, designated or selected by the Senior Notes Issuer and reasonably acceptable to the Trustee, as applicable, to apply the funds deposited towards the payment of such Senior Notes at Stated Maturity or on the redemption date, as the case may be, *provided that*, if requested by the Senior Notes Issuer, the Trustee may distribute any amounts deposited in trust to the Holders prior to the maturity or the redemption date, as the case may be; and (5) the Senior Notes 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 Senior Notes Indenture relating to the satisfaction and discharge of the Senior Notes 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 Senior Notes Issuer, the Trustee, Paying Agent or other entity directed, designated or selected by the Senior Notes Issuer and reasonably acceptable to the Trustee, 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 Senior Notes Issuer in writing, the Trustee 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 (i) the cash shall otherwise be distributed to Holders in accordance with the terms of any redemption notice or other applicable repayment provisions, (ii) the Senior Notes shall be marked down on the date of repayment of the Holders, (iii) 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 and (iv) 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; *provided that* the Principal Paying Agent will be advised at least two business days prior to any date elected for early repayment and such early repayment will not occur on or prior to the record date set for redemption.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Senior Notes Issuer, and Guarantor or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Senior Notes Issuer under or any Guarantor the Senior 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 Senior Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior 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.

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Concerning the Trustee and Certain Agents

Wilmington Trust, National Association is the Trustee under the Senior Notes Indenture. The Senior Notes Indenture provides 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 Senior Notes 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 Senior Notes 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 Senior Notes Indenture will not be construed as an obligation or duty.

The Senior Notes Indenture imposes certain limitations on the rights of the Trustee, should it become a creditor of the Senior Notes 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 Senior Notes Issuer and its Affiliates and Subsidiaries.

The Senior Notes Indenture sets 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 Senior Notes, or may resign at any time by giving written notice to the Senior Notes 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 Senior Notes 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 Senior Notes Indenture contains 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 Senior Notes Indenture.

Notices

For so long as any of the Senior 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 Senior Notes of the Senior Notes 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). In addition, for so long as any Senior Notes are represented by Global Notes, all notices to Holders of the Senior Notes will be delivered by or on behalf of the Senior Notes 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 Senior Notes Issuer and the Guarantors for the payment of principal, or premium, if any, on the Senior Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Senior Notes Issuer and the Guarantors for the payment of interest on the Senior Notes will be prescribed five years after the applicable due date for payment of interest.

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Currency Indemnity and Calculation of Euro-Denominated Restrictions

The euro and SEK are the sole currencies of account and payment for all sums payable by the Senior Notes Issuer and the Guarantors under or in connection with the Senior Notes and the relevant Guarantees, as the case may be, including damages. Any amount received or recovered in a currency other than euro (with respect to the Euro Senior Notes) or SEK (with respect to the SEK Senior Notes), 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 Senior Notes 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 Senior Notes Issuer or a Guarantor will only constitute a discharge to the Senior Notes Issuer or such Guarantor, as applicable, to the extent of the euro amount or SEK amount (as applicable) 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 or SEK amount is less than the euro or SEK amount (as applicable) expressed to be due to the recipient or the Trustee under any Senior Note, the Senior Notes Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Senior Notes 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 Senior Note or the Trustee to certify in a manner reasonably satisfactory to the Senior Notes 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 Senior Notes 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 Senior 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 Senior 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; *provided* that the euro equivalent principal amount of the SEK Senior Notes issued on the Original Issue Date that is outstanding at any time shall be calculated by reference to the Original Issue Date.

Enforceability of Judgments

Since substantially all of the assets of the Senior Notes Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against the Senior Notes 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 Senior Notes, may not be collectable within the United States. The Senior Notes Indenture provides that the Senior Notes Issuer and each Guarantor appoint Hellman & Friedman LLC, 390 Park Avenue, 21st 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 Senior Notes Indenture, the Senior 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 Senior Notes Indenture, the Senior Notes and the Guarantees, the Senior Notes Issuer and each Guarantor will in the Senior Notes Indenture have irrevocably submitted 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 Senior Notes Indenture, the Senior 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

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governed by the applicable local laws of the jurisdiction under which the Liens over the Collateral are granted.

Certain Definitions

“2017 Offering Memorandum” means the offering memorandum dated November 15, 2017 relating to the issuance of the Existing Senior Notes.

“2017 Transactions” means (i) the establishment of Swedish Newco as a direct subsidiary of Securitas Direct AB (publ); (ii) the offering of the Existing Senior Notes; (iii) the taking, amendment and/or confirmation of any Security Interests in connection with clauses (i) and (ii) above; (iv) the incurrence of additional incremental indebtedness under the Senior Facilities Agreement in aggregate principal amount of up to €690 million (the “2017 Additional Senior Term Loan”); (v) the redemption in full of Senior Notes Issuer’s outstanding €692 million (equivalent) private senior notes due 2023 (the “Private Senior Notes”); (vi) the contribution of the net proceeds of the 2017 Additional Senior Term Loan and the Offering of the Existing Senior Notes in excess of amounts used to redeem the Private Senior Notes, including related redemption premium, fees and expenses in respect of the 2017 Transactions, indirectly to the equity of Swedish Newco (the “2017 Equity Contribution”); (vii) the making of an intercompany loan or similar distribution, from the proceeds of the 2017 Equity Contribution, by Swedish Newco to an indirect Parent of the Senior Secured Notes Issuer (the “Distribution Loan”); (viii) any transfer of the Distribution Loan up the chain of ownership, and any final offset of such Distribution Loan through the buyback of certain shares of an indirect Parent (such transfer and offset, the “Transfer” and, together with the making of the Distribution Loan, the “Distribution”); and (ix) the obtaining of any necessary consents under the Senior Facilities Agreement and the Existing Senior Secured Notes Indenture, and entering into the related amendment agreement and supplemental indenture, respectively, in relation to clauses (i) through (viii) above.

“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 Senior Notes 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 Senior Notes 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.

“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 Original Issue Date, as applied *mutatis mutandis* with respect to the Senior Notes in good faith by the Senior Notes Issuer.

“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 Senior Notes 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 Senior Notes Issuer or by the Senior Notes Issuer or a Restricted Subsidiary to a Restricted Subsidiary;
- (2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

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- (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 Senior Notes 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 Senior Notes 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 Senior Notes Issuer or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Senior Notes 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 Senior Notes 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 Senior Notes Issuer or any Restricted Subsidiary to such Person; *provided, however*, that the Board of Directors or a member of Senior Management

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- shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to the Senior Notes 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 €15 million;
- (19) an issuance of Capital Stock by a Restricted Subsidiary to the Senior Notes 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 Senior Notes 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 Senior Notes Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Senior Notes Indenture.

“Associate” means (i) any Person engaged in a Similar Business of which the Senior Notes 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 Senior Notes Issuer or any Restricted Subsidiary of the Senior Notes Issuer.

“Board of Directors” means (1) with respect to 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 Senior Notes 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 Senior Notes Issuer or “Board of Directors” of the Senior Secured Notes Issuer, as determined by the Senior Notes Issuer.

“Bund Rate” as selected by the Senior Notes 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 December 1, 2019; *provided, however*, that if the period from the redemption date to December 1, 2019, 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 December 1, 2019, 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.

“Calculation Agent” means a financial institution appointed by the Senior Notes Issuer to calculate the interest rate payable on the SEK Senior Notes in respect of each interest period, which shall initially be Citibank N.A., London Branch.

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“*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 (as in effect on the Original Issue Date for purposes of determining whether a lease is a capitalized lease). 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 Senior Notes 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

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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 Senior Notes Issuer and its Subsidiaries on the Original Issue Date.

"Change of Control" means:

- (1) the Senior Notes 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 Original 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 Original Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Senior Notes Issuer, *provided that* for the purposes of this clause, no Change of Control shall be deemed to occur by reason of the Senior Notes 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 Senior Notes 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 Original Issue Date, the Issue Date or thereafter pursuant to any Security Document to secure the obligations under the Senior Notes Indenture, the Senior 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 Senior Notes 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 Senior Notes Indenture (whether or not successful) (including any such fees, expenses or charges related to the 2017 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;

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- (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 Senior Notes 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 Senior Notes 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 Senior Notes Issuer’s reasonable determination, the implied interest component of such discount for such period.

“*Consolidated Income Taxes*” means Taxes or other payments, including deferred Taxes, based on income, profits or capital of any of the Senior Notes 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 Senior Notes 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 Senior Notes Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Senior Notes Issuer or a Subsidiary of the Senior Notes 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 Senior Notes Issuer;
- (7) the consolidated interest expense that was capitalized during such period; and
- (8) interest actually paid by the Senior Notes 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 and (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 Senior Notes or other similar tax gross-up on any Indebtedness (including, without limitation, under any Credit

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Facility), which is included in interest expenses under IFRS and (iv) 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 Senior Notes Issuer and its Restricted Subsidiaries (excluding Hedging Obligations).

“*Consolidated Net Income*” means, for any period, the net income (loss) of the Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes, the Senior Notes Indenture, the Senior Secured Notes, the Senior Secured Notes Indenture and the Senior Facilities Agreement, (c) contractual restrictions in effect on the Original 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 Original 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 2017 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

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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 Senior Notes 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 Senior Notes Issuer or any Restricted Subsidiary owing to the Senior Notes 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 2017 Transactions or any acquisition of, or merger or consolidation with, another Person or business or resulting from any reorganization or restructuring involving the Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes 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.

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In addition, for purposes of calculating the Consolidated Net Leverage Ratio:

- (1) acquisitions and Investments that have been made by the Senior Notes 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 Senior Notes 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.

“*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 Senior Notes 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 Senior Notes Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness

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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 Senior Notes 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 Senior Notes Issuer or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Senior Notes Issuer or a Subsidiary of the Senior Notes Issuer or an employee stock ownership plan or trust established by the Senior Notes Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Senior Notes Issuer or such Subsidiary) and (b) that is designated as “Designated Preference Shares” pursuant to an Officer’s Certificate of the Senior Notes 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 Senior Notes or (b) the date on which there are no Senior 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 Senior Notes 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 Senior Notes 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.

“*Euro Applicable Premium*” means, with respect to any Euro Senior Note the greater of:

- (1) 1% of the principal amount of such Euro Senior 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 Euro Senior Note at December 1, 2019 (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 Euro

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Senior Note to and including December 1, 2019 (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 Euro Senior Note, as calculated by the Senior Notes Issuer or on behalf of the Senior Notes Issuer by such Person as the Senior Notes Issuer shall designate.

“*Equity Offering*” means (x) a sale of Capital Stock of the Senior Notes Issuer or a Restricted Subsidiary (other than to the Senior Notes 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 Senior Notes 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) of the Senior Notes 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 Senior Notes Issuer or the Calculation Agent, 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 Senior Notes 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 Original 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 Senior Notes Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Senior Notes Issuer after the Original 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 Senior Notes Issuer or any Subsidiary of the Senior Notes Issuer for the benefit of its employees to the extent funded by the Senior Notes Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Senior Notes Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer’s Certificate of the Senior Notes Issuer.

“*Existing Senior Secured Notes*” means the €630 million aggregate principal amount of 6% Senior Secured Notes due 2022 issued by the Senior Secured Notes Issuer under the Existing Senior Secured Notes Indenture, which are expected to be redeemed in full in connection with the Transactions.

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“Existing Senior Secured Notes Indenture” means the indenture pursuant to which the Senior Secured Notes Issuer issued the Existing Senior Secured Notes, dated October 21, 2015, as the same may be amended from time to time.

“fair market value” wherever such term is used in this “Description of Senior Notes” or the Senior Notes 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 Senior Notes” or the Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes 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

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- 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 Senior Notes 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 Senior Notes Issuer responsible for accounting or financial reporting to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

“*Further Additional Senior Notes*” means the additional Senior Notes having identical terms and conditions as the Senior Notes and issued under the Senior Notes Indenture.

“*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 Senior Notes Issuer under the Senior Notes and the Senior Notes Indenture.

“*Guarantor*” means the Initial Guarantors and any Restricted Subsidiary that Guarantees the Senior 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 Senior 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 Senior Notes Issuer or its Restricted Subsidiaries are, or may be, required to comply. All ratios and calculations based on IFRS contained in the Senior Notes Indenture shall be computed in accordance with IFRS as in effect on the Original Issue Date.

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“*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 as in effect on the Original Issue Date, (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 Original 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 Senior Notes 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 Senior Notes Issuer or any Restricted Subsidiary has guaranteed or for which any of them is otherwise liable and which is otherwise included.

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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 Senior Notes 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 Senior Notes Issuer.

"Initial Investors" means:

- (1) 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 partnerships' respective Affiliates or direct or indirect Subsidiaries or entities, in respect of which, such 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 Senior Notes Issuer or any Parent or any successor of the Senior Notes 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 Senior Notes Issuer, the Senior Secured Notes Issuer and the Security Agent and to which the Trustee acceded on the Original Issue Date, 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 Senior Notes Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a

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Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior 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.

“*Issue Date*” means November , 2018.

“*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 Senior Notes 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 Senior Notes Issuer, its Subsidiaries or any Parent with (in the case of this sub-clause (b)) the approval of the Board of Directors;

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- (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 Senior Notes 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 Senior Notes Issuer, any Restricted Subsidiary or any Parent.

“*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 Rule 15c3-1(2)(vi)(F) under 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 Senior Notes 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 Senior Notes 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.

“*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 Senior Notes 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.

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“*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 Senior Notes Issuer or its Subsidiaries.

“*Original Completion Date*” means October 21, 2015.

“*Original Issue Date*” means November 24, 2017.

“*Parent*” means any Person of which the Senior Notes Issuer at any time is or becomes a Subsidiary after the Original Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

“*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 Senior Notes Indenture or any other agreement or instrument relating to Indebtedness of the Senior Notes 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 Senior Notes 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 Senior Notes Issuer and its Subsidiaries;
- (4) fees and expenses payable by any Parent in connection with the 2017 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 Senior Notes Issuer or any of its Restricted Subsidiaries, (b) costs and expenses with respect to any litigation or other dispute relating to the 2017 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 Senior Notes or any of its Subsidiaries;
- (6) other fees, expenses and costs relating directly or indirectly to activities of the Senior Notes Issuer and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the 2017 Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Senior Notes 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 Senior Notes 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 Senior Notes 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

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Parent shall cause the amount of such expenses to be repaid to the Senior Notes 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 (a) with respect to the Senior Notes Issuer, any Indebtedness that ranks equally in right of payment with the Senior Notes and (b) with respect to the Guarantors, any Indebtedness that ranks equally in right of payment with the Guarantees.

“*Paying Agent*” means any Person authorized by the Senior Notes Issuer to pay the principal of (and premium and Additional Amounts, if any) or interest on any Senior Note on behalf of the Senior Notes 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 Senior Notes (excluding any Further Additional Senior Notes), (b) Indebtedness that is permitted to be Incurred under the first paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*” or 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), (d) and (e) of such clause), (5), (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*” or (c) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (a) or (b); *provided that*, in the case of clauses (a), (b) and (c) 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; and
- (3) Liens Incurred in the ordinary course of business of the Senior Notes 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 or business) 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

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“Permitted Investment” means (in each case, by the Senior Notes Issuer or any of its Restricted Subsidiaries):

- (1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Senior Notes 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 Senior Notes 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 Senior Notes 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 Original 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 Original Issue Date or (b) as otherwise permitted under the Senior Notes 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 Senior Notes 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);

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- (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;
- (16) Investments in loans under the Senior Credit Facilities, the Senior Notes and any Further Additional Senior Notes and any other Indebtedness of the Senior Notes Issuer and/or its Restricted Subsidiaries; and
- (17) the Distribution Loan.

“*Permitted Liens*” means, with respect to any Person:

- (1) (a) Liens on assets or property of the Senior Notes Issuer or a Restricted Subsidiary securing any Senior Indebtedness; and (b) 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 Senior Notes Issuer or any Restricted Subsidiary in the ordinary course of its business and (b) securing obligations in respect of letters of credit, bank guaranties, 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 Senior Notes 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 Senior Notes Issuer and its Restricted Subsidiaries;
- (7) Liens on assets or property of the Senior Notes Issuer or any Restricted Subsidiary securing Hedging Obligations permitted under the Senior Notes 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 Senior Notes 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

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- 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 Senior Notes 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 Senior Notes 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 Original 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 Senior Notes 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 Senior Notes 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 Senior Notes Issuer or a Guarantor securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Senior Notes Issuer or another Restricted Subsidiary, or Liens in favor of the Senior Notes 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 Senior Notes 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 Senior Notes Issuer or any Restricted Subsidiary of the Senior Notes 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

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- 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 Senior Notes 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 Senior 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 Senior 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 Senior 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 Senior Notes 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 this Agreement 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.

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“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 Senior Notes Issuer or any of its Restricted Subsidiaries pursuant to which the Senior Notes Issuer or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary or (b) any other Person, or may grant a security interest in, any receivables (whether now existing or arising in the future) of the Senior Notes 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 Senior Notes Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Senior Notes Issuer in which the Senior Notes Issuer or any Subsidiary of the Senior Notes Issuer makes an Investment and to which the Senior Notes Issuer or any Subsidiary of the Senior Notes Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Senior Notes 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 Senior Notes 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 Senior Notes Issuer or any Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (c) subjects any property or asset of the Senior Notes 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 Senior Notes Issuer nor any Restricted Subsidiary of the Senior Notes Issuer has any material contract, agreement, arrangement or understanding (except in connection with a Qualified Receivables Financing) other than on terms which the Senior Notes Issuer reasonably believes to be no less favorable to the Senior Notes Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Senior Notes Issuer; and

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- (3) to which neither the Senior Notes Issuer nor any Restricted Subsidiary of the Senior Notes 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 Senior Notes 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 Senior Notes Indenture or Incurred in compliance with the Senior Notes Indenture (including Indebtedness of the Senior Notes Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Senior Notes 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 Senior 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 Senior Notes, such Refinancing Indebtedness is subordinated to the Senior 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 Senior Notes Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or Indebtedness of a Restricted Subsidiary that is not the Senior Notes Issuer or a Guarantor that refinances Indebtedness of the Senior Notes 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.

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“*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 Senior Notes Issuer or any of the Senior Notes Issuer’s Subsidiaries);
 - (b) issuing or holding Subordinated Shareholder Funding;
 - (c) being a holding company parent, directly or indirectly, of the Senior Notes Issuer or any of the Senior Notes Issuer’s Subsidiaries;
 - (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Senior Notes Issuer or any of the Senior Notes Issuer’s Subsidiaries; or
 - (e) having made any payment with respect to any of the items for which the Senior Notes 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 Senior Notes 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 Senior Notes Issuer and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes 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 Senior Notes Indenture.

“*Security Interest*” means the interest in the Collateral that is created by the Security Documents and secures obligations under the Senior Notes or the Guarantees and the Senior Notes Indenture.

“*SEK*” means the lawful currency of the Kingdom of Sweden.

“*Senior Credit Facilities*” means the credit facilities made available under the Senior Facilities Agreement.

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“*Senior Facilities Agreement*” means the senior facilities agreement dated October 10, 2015, between, among others, the Senior Secured Notes Issuer as an original borrower and the lenders named therein, as the same may be amended from time to time.

“*Senior Indebtedness*” means, whether outstanding on the Original Issue Date or thereafter Incurred, all amounts payable by, under or in respect of all other Indebtedness of the Senior Notes Issuer (only with respect to a guarantee by the Senior Notes Issuer of Senior Indebtedness of a Guarantor) or any Guarantor, including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Senior Notes Issuer or such Guarantor at the rate specified in the documentation with respect thereto whether or not a claim for post filing interest is allowed in such proceeding) and fees relating thereto; *provided, however*, that Senior Indebtedness will not include:

- (a) any Indebtedness Incurred in violation of the Senior Notes Indenture;
- (b) any obligation of the Senior Notes Issuer or any Guarantor to any Restricted Subsidiary;
- (c) any liability for taxes owed or owing by the Senior Notes Issuer or any Guarantor;
- (d) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities);
- (e) any Indebtedness of the Senior Notes Issuer or any Guarantor that is expressly subordinated or junior in right of payment to any other Indebtedness of the Senior Notes Issuer or such Guarantor;
- (f) any Indebtedness of any Guarantor that is *pari passu* in right of payment with the Guarantee of such Guarantor; or
- (g) any Capital Stock.

“*Senior Management*” means the officers, directors, and other members of senior management of the Senior Notes Issuer or the Senior Secured Notes Issuer.

“*Senior Notes Proceeds Loans*” means (1) the loans made under one or more promissory notes issued on October 21, 2015 by the Senior Secured Notes Issuer, as issuer, to the Senior Notes Issuer as creditor, as amended, accreted or partially repaid or replaced from time to time and (2) the loan made under one or more promissory notes to be issued on or about the Issue Date by the Senior Secured Notes Issuer, as issuer, to the Senior Notes Issuer, as creditor, as amended, accreted or partially repaid from time to time; *provided* that such loans shall be subordinated to the Senior Secured Notes and the guarantees of the Senior Secured Notes in accordance with the Intercreditor Agreement and any Additional Intercreditor Agreement.

“*Senior Secured Notes Issuer*” means Verisure Holding AB (publ) and all successors thereto.

“*Significant Subsidiary*” means any Restricted Subsidiary that meets any of the following conditions:

- (1) the Senior Notes Issuer’s and its Restricted Subsidiaries’ investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Senior Notes Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;
- (2) the Senior Notes 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 Senior Notes Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or
- (3) the Senior Notes Issuer’s and its Restricted Subsidiaries’ proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Senior Notes 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 Senior Notes Issuer or any of its Subsidiaries or any Associates on the Original Issue Date, (b) the home and business security business and (c) 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.

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“*Standard Securitization Undertakings*” means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Senior Notes Issuer or any Subsidiary of the Senior Notes Issuer which the Senior Notes 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, in the case of the Senior Notes Issuer, any Indebtedness of the Senior Notes Issuer which is expressly subordinated in right of payment to the Senior Notes pursuant to a written agreement and, in the case of a Guarantor, any Indebtedness of such Guarantor which is expressly subordinated in right of payment to the Guarantee of such Guarantor pursuant to a written agreement.

“*Subordinated Shareholder Funding*” means, collectively, any funds provided to the Senior Notes 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 Senior Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Senior Notes 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 Senior 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 Senior 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 Senior 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 Senior 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 Senior 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 Senior Notes 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 Senior 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 Original Issue Date with respect to the “Investor Liabilities” (as defined therein).

“*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

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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 Original Issue Date).

“*Swedish Government Obligations*” means any security that is a direct obligation of, or obligation guaranteed by, the Kingdom of Sweden, and the payment for which Sweden pledges its full faith and credit, in either case, such security is not callable or redeemable at the option of the issuer thereof.

“*Swedish Newco*” means Verisure International AB, a subsidiary of Securitas Direct AB, organized under the laws of Sweden.

“*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 Senior Notes 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 Senior Notes 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,

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- in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose longterm 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 Senior Notes 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 Senior Notes 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 Senior Notes Issuer and its Restricted Subsidiaries as shown on the most recent consolidated balance sheet of the Senior Notes Issuer prepared on the basis of IFRS.

“Uniform Commercial Code” means the New York Uniform Commercial Code.

“Unrestricted Subsidiary” means:

- (1) any Subsidiary of the Senior Notes Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors in the manner provided below); and

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(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors may designate any Subsidiary of the Senior Notes 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) to be 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 Senior Notes Issuer or any other Subsidiary of the Senior Notes 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 Senior Notes 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 Senior Notes 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.

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DESCRIPTION OF SENIOR SECURED NOTES

Verisure Holding AB (publ) (the “Issuer”) will issue € million in aggregate principal amount of % Senior Secured Notes due 2023 (the “Senior Secured Notes”) under an indenture, to be dated as of , 2018 (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, Securitas Direct Sverige AB, Verisure Sverige AB, Securitas Direct Portugal, Unipessoal Lda., Verisure Holding AS, Verisure AS, Securitas Direct SAS and Verisure International AB (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 Senior Secured Notes” are set forth under the heading “—Certain Definitions” below.

This offering of Senior Secured Notes is being undertaken in connection with: (i) the redemption of the Issuer’s Existing Senior Secured Notes, including paying the redemption premium in connection therewith; (ii) the Incurrence by the Issuer of additional incremental indebtedness under the Additional Senior Term Loan; (iii) the Incurrence by the Senior Notes Issuer of additional Senior Notes under the Senior Notes Indenture; (iv) the repayment of drawings under the revolving credit facility under the Senior Credit Facilities; (v) the making of a distribution to shareholders of the Issuer; and (vi) the payment of fees and expenses in connection with the transactions described above. See “Use of Proceeds.”

For purposes of this “Description of Senior Secured 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 € million aggregate principal amount of Senior Secured Notes will be issued on the Issue Date. After the Issue Date, we may issue an unlimited principal amount of additional Senior Secured Notes having identical terms and conditions as the Senior Secured Notes (the “Additional Senior Secured Notes”). We will only be permitted to issue Additional Senior Secured 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 Senior Secured Notes issued on the Issue Date and, if issued, any Additional Senior Secured 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 Senior Secured Notes,” references to the “Senior Secured Notes” include the Senior Secured Notes issued on the Issue Date and any Additional Senior Secured Notes that are actually issued from time to time.

This “Description of Senior Secured Notes” is intended to be an overview of the material provisions of the Senior Secured Notes and the Indenture (including the Guarantees contained therein). Since this description of the terms of the Senior Secured Notes is only a summary, you should refer to the Senior Secured 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 Senior Secured Note will be treated as the owner of it for all purposes. Only Holders will have rights under the Indenture. The Senior Secured 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.

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General

The Senior Secured Notes

The Senior Secured 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 Senior Secured Notes (including the obligations of the Issuer under the Senior Credit Facilities 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured Notes will be guaranteed, as of the Issue Date, by the Initial Guarantors, each of which is an obligor under the Senior Facilities Agreement and the Senior Notes Indenture.

Each Guarantee of the Senior Secured 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 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 Senior Secured 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 Senior Secured 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

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granting of guarantees and security in favor of obligations under the Senior Credit Facilities, the Senior Notes and the Senior Secured 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 Senior Secured 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 Senior Secured Notes. Not all Subsidiaries of the Issuer will guarantee the Senior Secured Notes. The subsidiaries of the Issuer that will not guarantee the Senior Secured Notes accounted for 5.4% of our EBITDA for the nine months ended September 30, 2018.

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 Senior Secured Notes. The Senior Secured 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 September 30, 2018, after giving *pro forma* effect to the Transactions, the Issuer and its consolidated Subsidiaries would have had €4,683.0 million of Indebtedness (as well as €290.3 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 € million in aggregate principal amount of Senior Secured Notes on the Issue Date. The Senior Secured Notes will mature on , 2023. The Senior Secured Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest

Interest on the Senior Secured Notes will accrue at the rate of % per annum and 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 semi-annually in arrears on and , commencing on , 2019;
- be payable to the holder of record of 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 Senior Secured Notes on the Business Day immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

The rights of Holders to receive the payments of interest on the Senior Secured 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 Senior Secured 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.

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Methods of Receiving Payments on the Senior Secured 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 Senior Secured Notes.*”

Paying Agent and Registrar for the Senior Secured Notes

The Issuer will maintain one or more Paying Agents for the Senior Secured 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 or Transfer Agent for the Senior Secured 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), 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 Senior Secured 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 Senior Secured Notes Documents or upon defeasance or discharge of the Senior Secured 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

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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 Senior Secured Notes will be issued in the form of registered notes in global form without interest coupons, as follows:

- Senior Secured 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”).
- Senior Secured 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 depository 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 Senior Secured 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 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.”

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Subject to the restrictions on transfer referred to above, the Senior Secured 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 Senior Secured Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of the Senior Secured Notes;
- (2) for a period of 15 days immediately prior to the date fixed for selection of Senior Secured 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 Senior Secured Note as the owner of it for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

Immediately after the issuance of the Senior Secured 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 Senior Secured 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 10 Business Days after the Issue Date (the “Post-Closing Date”), the Senior Secured 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 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”).

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, 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 or will be secured on a lower-priority basis for the benefit of the holders of the Senior Notes: (i) all of the issued shares of Capital

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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 Senior Secured Notes, the Guarantees and the Indenture will also constitute “Collateral.” In particular, the Indenture and the Intercreditor Agreement 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured Notes and the Guarantees, and such security may not be sufficient to satisfy the obligations under the Senior Secured Notes and the Guarantees*.”

Priority

The relative priority among the lenders under the Senior Credit Facilities, counterparties under certain Hedging Obligations, if any, secured by the Collateral, the Trustee, the Security Agent, the Holders of the Senior Secured 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 provides, among other things, that:

- (1) the obligations under the 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*,” “*Description of Certain Indebtedness—Senior Facilities Agreement*” and “*Description of Senior Notes*.” 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*.”

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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 Senior Secured 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, 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 Senior Secured Notes and the Indenture, as applicable, will be secured by the Security Interests in the Collateral until all obligations under the Senior Secured Notes, the Guarantees and the Indenture have been discharged. However, the Security Interests with respect to the Senior Secured 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 Senior Secured 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 upon enforcement by the lenders under the Senior Facilities Agreement, counterparties under certain Hedging Obligations and holders of the Senior Notes. In general, 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 subject to certain standstill provisions, payment blockage and other 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

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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 Senior Secured Notes). The Holders of the Senior Secured Notes will not have separate rights to enforce the Collateral. As a result, the Holders of the Senior Secured 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 Senior Secured 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 Senior Secured Notes, by accepting such Senior Secured 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 Senior Secured 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 Senior Secured 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;

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- (3) as described under “—*Amendments and Waivers*”;
- (4) upon payment in full of principal, interest and all other obligations under the Senior Secured Notes Documents or legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Secured 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 Senior Secured 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 Senior Secured Notes are not redeemable until , 2020.

On and after , 2020, the Issuer may redeem all or, from time to time, part of the 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 (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 of the years indicated below:

Year	Redemption Price
2020	%
2021	%
2022 and thereafter	100.000%

Prior to , 2020, the Issuer may on any one or more occasions redeem up to 40% of the original principal amount of the Senior Secured Notes (including the principal amount of any Additional Senior Secured Notes), upon not less than 10 nor more than 60 days’ notice, with funds in an aggregate amount (the “Redemption Amount”) not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price of % of the principal amount thereof, plus accrued and unpaid

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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 Senior Secured Notes (including the original principal amount of any Additional 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 , 2020, the Issuer may redeem during each twelve-month period commencing with the Issue Date up to 10% of the original principal amount of the 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 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 , 2020, the Issuer may redeem all or, from time to time, a part of the 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).

Optional Redemption upon Certain Tender Offers

In connection with any tender offer for, or other offer to purchase, the Senior Secured Notes, if Holders of not less than 90% of the aggregate principal amount of the then outstanding Senior Secured Notes validly tender and do not validly withdraw such Senior Secured Notes or series of Senior Secured 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 Senior Secured Notes validly tendered and not validly withdrawn by such Holders, 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 Senior Secured 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 Senior Secured 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 Senior Secured Notes, it will, for so long as the Senior Secured 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 Senior Secured 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 Senior Secured Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Senior Secured Notes will be subject to redemption by the Issuer.

In connection with any redemption of Senior Secured 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 Senior Secured Notes.

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Redemption at Maturity

On , 2023, the Issuer will redeem the Senior Secured 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 Senior Secured Notes are to be redeemed at any time, the Registrar will select Seior Secured 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 Senior Secured Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Senior Secured 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 Senior Secured Notes are to be redeemed in part only, the notice of redemption that relates to such Senior Secured 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, Senior Secured Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Senior Secured Notes or portions of Senior Secured Notes called for redemption.

Redemption for Taxation Reasons

The Issuer may redeem any Senior Secured 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 Senior Secured 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 such Senior Secured 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

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(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 Senior Secured 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 Senior Secured 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 Senior Secured 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 of the Paying Agent with respect to any Senior Secured 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, deduction or imposition (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 Senior Secured 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 Senior Secured Note or the receipt of any payment or the exercise or enforcement of rights under such Senior Secured 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 Senior Secured 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 Senior Secured Notes or any Guarantee;

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- (4) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or other governmental charge;
- (5) any Taxes imposed in connection with a Senior Secured Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Senior Secured Note to, or otherwise accepting payment from, another paying agent in a member state of the European Union;
- (6) 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
- (7) 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 Senior Secured 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 Senior Secured 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 (7) 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 Senior Secured Notes then outstanding and (y) the amount of such withholding Taxes paid per €1,000 principal amount of the Senior Secured Notes.

If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on any Senior Secured 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 Senior Secured Notes or this "*Description of Senior Secured Notes*" there is mentioned, in any context:

- (1) the payment of principal,
- (2) purchase prices in connection with a purchase of Senior Secured Notes,
- (3) interest, or
- (4) any other amount payable on or with respect to any of the Senior Secured 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 Senior Secured 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 Senior Secured 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.

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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 Senior Secured Notes of €100,000 or less may only be redeemed in whole and not in part) of such Holder’s Senior Secured Notes at a purchase price in cash equal to 101% of the principal amount of the Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured Notes at a purchase price in cash equal to 101% of the principal amount of such Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured Notes so tendered;
- (3) deliver or cause to be delivered to the Trustee an Officer’s Certificate stating the aggregate principal amount of Senior Secured Notes or portions of the Senior Secured 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 Senior Secured Notes or portions thereof that have been tendered to and purchased by the Issuer; and

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(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 Senior Secured 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 Senior Secured Notes surrendered, if any; *provided* that each such new Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Notes Issuer to make an offer to holders thereof to repurchase any Senior Notes 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 Senior Secured 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

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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 Senior Secured Notes as described above.

The provisions of the Indenture relating to the Issuer’s obligation to make an offer to repurchase the Senior Secured 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 Senior Secured 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) € 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 Senior Secured Notes or a Guarantee, then the guarantee must be subordinated to the Senior Secured 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 Senior Secured 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;

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- (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 Senior Secured Notes (other than any Additional Senior Secured 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,
- (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

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- 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),

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(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).

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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

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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 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 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 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 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 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

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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 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 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 Senior

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Secured Notes tendered pursuant to any offer to repurchase all the Senior Secured 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 Senior Secured Notes tendered pursuant to the offer to repurchase all the Senior Secured 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 Issue Date, plus (b) the Net Cash Proceeds received by the Issuer or its Restricted Subsidiaries since the 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;

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- (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" (other than for the avoidance of doubt, amounts payable on the Senior Notes or any guarantee thereof) 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 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 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);

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- (18) dividends and distributions as contemplated by and pursuant to the Transactions; 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 Senior Secured 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 Senior Secured 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 Indenture, the Senior Secured Notes, the Senior Notes and the Senior Notes Indenture), the Intercreditor Agreement, the Security Documents and the security documents relating to the Senior Credit Facilities 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

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- 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;

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- (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 Senior Secured 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 Senior Secured 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;

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(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 Senior Secured 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 Senior Secured Notes pursuant to an offer to all Holders of the Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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,

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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 Senior Secured Notes.

To the extent that the aggregate amount of Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured Notes is denominated in a currency other than the currency in which the Senior Secured Notes are denominated, the amount thereof payable in respect of such Senior Secured Notes shall not exceed the net amount of funds in the currency in which such Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured Notes and *Pari Passu* Indebtedness or portions of Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured Note to such Holder, in a principal amount equal to any unpurchased portion of the Senior Secured Note surrendered; *provided* that each such new Senior Secured Note will be in a principal amount with a minimum denomination of €100,000. Any Senior Secured 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 Senior Secured 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.

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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

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- 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 Senior Secured 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, 2018, 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;

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- (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, 2019, 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 Senior Secured 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 Senior Secured 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.

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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 Senior Secured 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;

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- (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 Senior Secured 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

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- (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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in

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anticipation of the Senior Secured 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 Senior Secured 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

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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 Senior Secured Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Senior Secured Notes (including Additional Senior Secured Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Senior Secured 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 Senior Secured 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

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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 Senior Secured 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 Senior Secured 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 Senior Secured Notes on the Securities Official List of the Luxembourg Stock Exchange for so long as the Senior Secured 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 Senior Secured 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).

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Events of Default

Each of the following is an “Event of Default” under the Indenture:

- (1) default in any payment of interest on any Senior Secured 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 Senior Secured 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 Senior Secured 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.

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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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured Notes that became due solely because of the acceleration of the Senior Secured 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 Senior Secured 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 Senior Secured Notes may not enforce the Indenture or the Senior Secured 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 Senior Secured 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 Senior Secured 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 to the Trustee indemnity 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 Senior Secured 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 Senior Secured Notes have requested the Trustee to pursue the remedy;
- (3) such Holders have offered the Trustee security 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 or indemnity; and
- (5) the Holders of a majority in principal amount of the outstanding Senior Secured 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 Senior Secured 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.

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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. 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 Senior Secured 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 provides for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Senior Secured Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity or security to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Senior Secured Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Senior Secured Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Senior Secured 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 Senior Secured Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Senior Secured Notes). Without the consent of Holders holding not less than 90% of the then outstanding principal amount of the Senior Secured Notes then outstanding (or, alternatively, the consent of each Holder affected thereby), an amendment or waiver may not, with respect to any Senior Secured Notes held by a non-consenting Holder:

- (1) reduce the principal amount of Senior Secured 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 Senior Secured Note;
- (3) reduce the principal of or extend the Stated Maturity of any such Senior Secured Note;
- (4) reduce the premium payable upon the redemption of any such Senior Secured Note or change the time at which any such Senior Secured Note may be redeemed, in each case, as described above under "*—Optional Redemption*";
- (5) make any such Senior Secured Note payable in money other than that stated in such Senior Secured Note;

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- (6) impair the right of any Holder to receive payment of principal of, and interest or Additional Amounts, if any, on, such Holder's Senior Secured 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 Senior Secured 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 Senior Secured Notes in any material respect or amends the terms of such Senior Secured 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 Senior Secured Notes (except pursuant to a rescission of acceleration of such Senior Secured Notes by the Holders of at least a majority in aggregate principal amount of such Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured Notes, to add security to or for the benefit of the Senior Secured 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 Senior Secured 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 Senior Secured Notes to any provision of this "*Description of Senior Secured Notes*" to the extent that such provision in this "*Description of Senior Secured Notes*" was intended to be a verbatim recitation of a provision of the Indenture, a Guarantee, the Security Documents or the Senior Secured 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 Senior Secured Notes Document;

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- (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 Senior Secured 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 Senior Secured Notes given in connection with a tender of such Holder’s Senior Secured Notes will not be rendered invalid by such tender.

Acts by Holders

In determining whether the Holders of the required principal amount of the Senior Secured Notes have concurred in any direction, waiver or consent, the Senior Secured 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 Senior Secured 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 Senior Secured Notes, registration of Senior Secured Notes, mutilated, destroyed, lost or stolen Senior Secured 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 Senior Secured Notes may not be accelerated because of an Event of Default with respect to such Senior Secured Notes. If the Issuer exercises its covenant defeasance option with respect to the Senior Secured Notes, payment of the Senior Secured 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 Senior Secured Notes to redemption or

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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 Senior Secured 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 Senior Secured Notes, as expressly provided for in the Indenture) as to all outstanding Senior Secured Notes when (1) either (a) all such Senior Secured Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Senior Secured Notes, and certain Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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

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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 depositary 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 Senior Secured 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 Senior Secured Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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). In addition, for so long as any Senior Secured Notes are represented by Global Notes, all notices to Holders of the Senior Secured Notes will be delivered by or on behalf of the

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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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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, 21st 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 Senior Secured Notes and the Guarantees brought in any U.S. Federal or New York State court located in the City of New York.

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Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Senior Secured 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 Senior Secured 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 Senior Secured Notes*” means the additional Senior Secured Notes having identical terms and conditions as the Senior Secured 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 Senior Secured Notes in good faith by the Issuer.

“*Applicable Premium*” means, with respect to any Senior Secured Note the greater of:

- (1) 1% of the principal amount of such Senior Secured 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 Senior Secured Note at , 2020 (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 Senior Secured Note to and including , 2020 (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 Senior Secured 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,

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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

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- 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 _____, 2020; *provided, however*, that if the period from the redemption date to _____, 2020, 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 _____, 2020, 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.

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“*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 (as in effect on the Issue Date for purposes of determining whether a lease is a capitalized lease). 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

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(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 Senior Secured 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;

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- (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 Senior Secured Notes or

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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 Senior Secured Notes, the 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;

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- (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.

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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.

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“*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 Senior Secured Notes or (b) the date on which there are no Senior Secured 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

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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 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 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.

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“fair market value” wherever such term is used in this “Description of Senior Secured 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 Senior Secured 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

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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 Senior Secured Notes and the Indenture.

“*Guarantor*” means the Initial Guarantors and any Restricted Subsidiary that Guarantees the Senior Secured 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 Senior Secured 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 Issue Date.

“*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.

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“*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 as in effect on the Issue Date, (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 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

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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) 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 partnerships' respective Affiliates or direct or indirect Subsidiaries or entities, in respect of which, such 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 and the Security Agent and to which the Trustee will accede on the Issue Date, 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

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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 Senior Secured 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 , 2018.

“*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

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(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 Rule 15c3-1(2)(vi)(F) under 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.

“*Offering Memorandum*” means the offering memorandum dated November , 2018 relating to the issuance of the Senior Secured 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,

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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 Senior Secured 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;

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- (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 Senior Secured 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 Senior Secured Notes (excluding any Additional Senior Secured 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 Senior Secured 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), (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 Senior Secured 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 Senior Secured 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.

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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

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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 Senior Secured Notes and any Additional Senior Secured 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 guaranties, 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;

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- (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;

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- (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 Senior Secured 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 Senior Secured 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 Senior Secured 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 this Agreement 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.

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“*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.

“*Purchaser*” means H&F Project Luxco 1 S.à r.l., a private limited company (*société à responsabilité limitée*) organized under the laws of the Grand Duchy of Luxembourg under registered number B 185670, whose registered address is at 4, rue Charles VI, L-1327, the Grand Duchy of Luxembourg.

“*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

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- 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 Senior Secured 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 Senior Secured Notes, such Refinancing Indebtedness is subordinated to the Senior Secured 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;

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- (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.

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“*Security Interest*” means the interest in the Collateral that is created by the Security Documents and secures obligations under the Senior Secured 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 senior notes due 2023 to be issued on the 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 to be issued on or about the 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 shall be subordinated to the Senior Secured 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), (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 Senior Secured Notes or any Guarantee).

“*Senior Secured Notes Documents*” means the Senior Secured Notes (including Additional Senior Secured Notes), the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

“*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.

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“*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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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 Senior Secured 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

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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 longterm 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;

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- (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.

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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) to be 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.

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BOOK-ENTRY, DELIVERY AND FORM

General

The Senior Notes sold pursuant to Regulation S will initially be issued with temporary ISINs and common codes that differ from the ISINs and common codes assigned to the Existing Euro Senior Notes sold pursuant to Regulation S. 40 days after the later of the Issue Date and the earliest day permitted under the U.S. federal securities laws, we expect that the Senior Notes sold pursuant to Regulation S will have the same ISINs and common codes as, will constitute a single series of debt securities with, and will become fully fungible with, the Existing Euro Senior Notes.

Each series of the Notes sold to QIBs in reliance on Rule 144A will initially be represented by a global note in registered form without interest coupons attached (a “Rule 144A Global Note”). Each series of the Notes sold outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S will initially be represented by a global note in registered form without interest coupons attached (a “Regulation S Global Note” and, together with the Rule 144A Global Note, the “Global Notes”). The Global Notes will be deposited, on the closing date, with, or on behalf of, a common depositary and registered in the name of the nominee of the common depositary 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 depositary 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 relevant 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 a series of Notes under the relevant Indenture, respectively.

Neither we, the Trustees, 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 a series of 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.

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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 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 Senior Notes—Withholding Taxes” and “Description of Senior Secured Notes—Withholding Taxes.” If any such deduction or withholding is required to be made, then, to the extent described under “Description of Senior Notes—Withholding Taxes” and “Description of Senior Secured 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, or deduction (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 each Indenture, we, the relevant 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 its nominee)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of us, the Trustees, 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 a series of Notes, Euroclear and Clearstream, at the request of the holders of the relevant series of 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 relevant Indenture.

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The Global Notes 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*.”

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 relevant 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).

Prior to 40 days after the date of original 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. 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 relevant 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.

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 Senior Notes—Transfer and Exchange*” and “*Description of Senior Secured Notes—Transfer and Exchange*”, and, if required, only if the transferor first delivers to the relevant Trustee a written certificate (in the form provided in the relevant 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 one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Definitive Registered Notes

Under the terms of each 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 Issuers 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 Indentures, unless that legend is not required by such Indenture or applicable law.

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To the extent permitted by law, we, the Trustees, 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 Issuers, 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 Trustees, 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 pledges 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 Senior Notes are expected to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market thereof, and the Senior Secured Notes are expected to be listed on the Securities 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 Trustees 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.

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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 Notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States.

U.S. investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used.

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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.

U.S. Federal Income Taxation

The following is a discussion of certain U.S. federal income tax considerations of 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 based upon the United States 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. This discussion is limited to consequences relevant to a U.S. holder (as defined below), except for the discussion on Additional Notes (as defined below) and on FATCA (as defined under “—*Foreign Account Tax Compliance Act*”). This discussion does not address the impact of the U.S. federal Medicare tax on net investment income or 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. 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 or to holders subject to special rules, such as financial institutions, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt organizations, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities (or investors in such entities), holders who are tendering Existing Senior Secured Notes in the substantially simultaneous redemption transaction, persons liable for alternative minimum tax, 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, and persons holding the Notes as part of a “straddle,” “hedge,” “conversion transaction” or other integrated transaction. In addition, this discussion is limited to persons who purchase the Notes for cash at original issuance and at the price indicated on the cover page of this offering memorandum and who hold the Notes as capital assets within the meaning of section 1221 of the Code.

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 created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a 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 tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A holder that is a partnership, and partners in such partnerships, should consult their tax advisors regarding the tax consequences of the purchase, ownership and disposition of the Notes.

It is expected, and this discussion assumes, that the Senior Notes will be issued without original issue discount (OID) for U.S. federal income tax purposes.

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

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of the U.S. federal income tax considerations discussed below, as well as the application of U.S. federal estate and gift tax laws, the U.S. federal Medicare tax on net investment income, and state, local, non-U.S. or other tax laws.

Pre-Issuance Accrued Interest on Senior Notes

A portion of the purchase price paid for a Senior Note will be allocable to unpaid stated interest that has accrued prior to the date the Senior Note is purchased (the “pre-issuance accrued interest”). As a result, a portion of the first interest payment on a Senior Note equal to the amount of such pre-issuance accrued interest may be treated as a nontaxable return of such pre-issuance accrued interest (except that a U.S. holder generally would be required to recognize exchange gain or loss, as discussed below, in an amount equal to the difference, if any, between the U.S. dollar value of the pre-issuance accrued interest at the time of purchase and at the time the payment of such pre-issuance accrued interest is received, as determined at the spot rate in effect on each such date). Amounts treated as a return of pre-issuance accrued interest should reduce a U.S. holder’s adjusted tax basis in the Senior Note by a corresponding amount (in the same manner as would a payment of principal).

Amortizable Bond Premium on Senior Notes

If a U.S. holder purchases a Senior Note for an amount (not including any amount paid for pre-issuance accrued interest, as discussed above) in excess of its principal amount, such U.S. holder will be considered to have purchased the Senior Note with “amortizable bond premium” in an amount equal to the excess.

Subject to certain exceptions and the limitation discussed in the following paragraph, a U.S. holder may elect to amortize any amortizable bond premium as an offset to stated interest over the remaining term of a Senior Note on a constant yield method. A U.S. holder making this election must generally use any amortizable bond premium allocable to an accrual period to offset stated interest required to be included in income with respect to the Senior Note in such accrual period. U.S. holders are urged to consult their own tax advisors regarding the availability of the deduction for amortizable bond premium. A U.S. holder that elects to amortize bond premium with respect to a Senior Note must reduce its adjusted tax basis in the Senior Note by the U.S. dollar amount of the premium amortized. An election to amortize bond premium applies to all taxable debt obligations then owned and thereafter acquired by such U.S. holder and such election may be revoked only with the consent of the IRS. Amortizable bond premium will be computed in foreign currency. A U.S. holder making the election to amortize bond premium may recognize exchange gain or loss each period equal to the difference between the U.S. dollar value of bond premium with respect to such period determined on the date the interest attributable to such period is received and the U.S. dollar value of such amortized bond premium determined on the date of the acquisition of the Senior Notes.

The Senior Notes are subject to call provisions at our option at various times. As a result, a U.S. holder may be required to calculate the amount of amortizable bond premium based on the amount payable on an applicable call date if the use of the call price and the call date results in a smaller amortizable bond premium for the period ending on the call date. The foregoing rule may eliminate, reduce or defer any amortization deductions.

Payments of Interest

Except as noted above with respect to pre-issuance accrued interest payments on Senior Notes, payments of interest on a Note (including additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld for, or on account of, any tax) generally will be includible in the gross income of a U.S. holder as ordinary interest income at the time the interest is received or accrued, in accordance with the U.S. holder’s method of accounting for U.S. federal income tax purposes. Interest generally will be income from sources outside the United States and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income.

A U.S. holder that uses the cash method of accounting for U.S. federal income tax purposes will recognize interest income equal to the U.S. dollar value of the interest payment, based on the spot rate on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. A cash basis U.S. holder will not realize foreign currency exchange gain or loss on the receipt of interest income but may recognize exchange gain or loss attributable to the actual disposal of the foreign currency received.

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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, may determine the amount recognized with respect to such interest in accordance with either of two methods. Under the first method, such holder will recognize income for each taxable year equal to the U.S. dollar value of the foreign currency accrued for such year determined by translating such amount into U.S. dollars at the average spot rate in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the U.S. holder's taxable year). Alternatively, an accrual basis U.S. holder may make an election (which must be applied consistently to all debt instruments held by the electing U.S. holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and cannot be changed without the consent of the IRS) to translate accrued interest income at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year in the case of a partial accrual period), or at the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. A U.S. holder of Notes that uses the accrual method of accounting for U.S. federal income tax purposes will recognize foreign currency gain or loss, on the date such interest is received, equal to the difference if any between the U.S. dollar value of such payment, determined at the spot rate on the date the payment is received, and the U.S. dollar value of the interest income previously included in respect of such payment. This exchange gain or loss will be treated as ordinary income or loss, generally will be treated as U.S.-source and generally will not be treated as an adjustment to interest income or expense.

Any non-U.S. withholding tax paid 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). The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their tax advisors regarding the availability of foreign tax credits.

Original Issue Discount on the Senior Secured Notes

The Senior Secured Notes may be issued with OID for U.S. federal income tax purposes. In such event, U.S. holders of Senior Secured Notes generally will be required to include such OID in gross income (as ordinary income) on an annual basis under a constant yield accrual method regardless of their regular method of accounting for U.S. federal income tax purposes. As a result, U.S. holders of Senior Secured Notes will generally include any OID in income in advance of the receipt of cash attributable to such income.

The Senior Secured Notes will be treated as issued with OID if the stated principal amount exceeds the issue price (the first price at which a substantial amount of the Senior Secured Notes is sold for money, not including sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) by an amount equal to or more than a statutorily defined de minimis amount (generally, 0.0025 multiplied by the stated principal amount and the number of complete years to maturity from the issue date).

In the event that the Senior Secured Notes are issued with OID, the amount of OID includible in income by a U.S. holder is the sum of the "daily portions" of OID with respect to the note for each day during the taxable year or portion thereof in which such U.S. holder holds the note. A daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID that accrued in such period. The accrual period of a Senior Secured Note may be of any length and may vary in length over the term of the Senior Secured Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period is the excess of (i) the product of the Senior Secured Note's "adjusted issue price" at the beginning of such accrual period and its "yield to maturity," determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period, over (ii) the amount of stated interest allocable to such accrual period. The adjusted issue price of a Senior Secured Note at the start of any accrual period generally is equal to its issue price, increased by the accrued OID for each prior accrual period. The yield to maturity of a Senior Secured Note is the discount rate that, when used in computing the present value of all principal and interest payments to be made under the Senior Secured Note, produces an amount equal to the issue price of the Senior Secured Note.

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OID generally will be income from sources outside the United States and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income.

Sale, Exchange, Retirement or Other Taxable Disposition of Notes

A U.S. holder’s adjusted tax basis in a Note generally will equal the cost of the Note to the U.S. holder. The cost of a Note purchased with foreign currency will be the U.S. dollar value of the foreign currency purchase price on the date of purchase, calculated at the exchange rate in effect on that date. If the Note is traded on an established securities market, a cash basis taxpayer (and if it elects, an accrual basis taxpayer) will determine the U.S. dollar value of the cost of the Note at the spot rate on the settlement date of the purchase. A U.S. holder’s adjusted basis in a Senior Note generally will be decreased by (1) any amount attributable to pre-issuance accrued interest received by such U.S. holder and (2) any amortizable bond premium previously amortized by such U.S. holder with respect to the Senior Note. A U.S. holder’s adjusted basis in a Senior Secured Note generally will be increased by any OID previously accrued by such U.S. holder with respect to such Senior Secured Note.

Upon the sale, exchange, retirement or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued and unpaid interest, which, unless in the case of a Senior Note, it represents pre-issuance accrued interest, will be taxable as ordinary interest income in accordance with the U.S. holder’s method of tax accounting as described above) and the U.S. holder’s adjusted tax basis in the Note. The amount realized on the sale, exchange, retirement or other taxable disposition of a Note for an amount of foreign currency will generally be the U.S. dollar value of that amount based on the spot rate on the date of taxable disposition. If the Note is traded on an established securities market, a cash basis taxpayer (and, if it elects, an accrual basis taxpayer) will determine the U.S. dollar value of the amount realized on the settlement date of the disposition. If an accrual method taxpayer makes the election described above, such election must be applied consistently to all debt instruments from year to year 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 exchange gain or loss to the extent that there are exchange rate fluctuations between the sale date and the settlement date, and such gain or loss generally will constitute ordinary income or loss.

Gain or loss recognized by a U.S. holder upon the sale, exchange, retirement or other taxable disposition of a Note that is attributable to changes in currency exchange rates will be ordinary income or loss and, with respect to the principal thereof, will generally be equal to the difference between the U.S. dollar value of the U.S. holder’s purchase price of the Note in foreign currency (with respect to a Senior Note, decreased by any amortizable bond premium amortized by the U.S. holder and the amount of any pre-issuance accrued interest to the extent that payment of such interest is treated as a nontaxable return of such pre-issuance accrued interest), determined on the date of the sale, exchange, retirement or other taxable disposition, and the U.S. dollar value of the U.S. holder’s purchase price of the Note in foreign currency (with respect to a Senior Note, decreased by any amortizable bond premium amortized by the U.S. holder and the amount of any pre-issuance accrued interest to the extent that payment of such interest is treated as a nontaxable return of such pre-issuance accrued interest), determined on the date the U.S. holder acquired the Note. The exchange gain or loss with respect to principal and with respect to accrued and unpaid interest (which will be treated as discussed above under “—Payments of Interest”) will be recognized only to the extent of the total gain or loss realized by the U.S. holder on the sale, exchange, retirement or other taxable disposition of the Note, and will be treated as ordinary income generally from sources within the United States for U.S. foreign tax credit limitation purposes.

Any gain or loss recognized by a U.S. holder in excess of foreign currency gain or loss recognized on the sale, exchange, retirement or other taxable disposition of a Note will generally be U.S. source capital gain or loss and will be long-term capital gain or loss if the U.S. holder has held the Note for more than one year at the time of the sale, exchange, retirement or other taxable disposition. In the case of an individual U.S. holder, any such gain may be eligible for preferential U.S. federal income tax rates if the U.S. holder satisfies certain prescribed minimum holding periods. 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.

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Additional Notes

The Issuers may, in the future, issue further additional notes (“Additional Notes”) as described under “Description of Senior Notes” and “Description of Senior Secured 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 case, the Additional Notes may be considered to have OID (or may have a larger amount of OID) which may adversely affect the market value of the applicable series of original Notes if the Additional Notes are not otherwise distinguishable from the original Notes.

Tax Return Disclosure Requirements

Treasury Regulations issued under the Code meant to require the reporting of certain tax shelter transactions cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury Regulations, certain transactions are required to be reported to the IRS, including, in certain circumstances, a receipt of interest on a Note or a sale, exchange, retirement or other taxable disposition of a Note or foreign currency received in respect of a Note to the extent that any such sale, exchange, retirement or other taxable disposition or receipt results in a tax loss in excess of an applicable threshold amount. U.S. holders should consult their tax advisors to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Information Reporting and Backup Withholding

In general, payments of interest (including the accrual of OID, if any) and the proceeds from sales or other dispositions (including retirements or redemptions) of Notes held by a U.S. holder may be required to be reported to the IRS unless the U.S. holder is an exempt recipient and, when required, demonstrates this fact. In addition, a U.S. holder that is not an exempt recipient may be subject to backup withholding unless it provides a taxpayer identification number and otherwise complies with applicable certification requirements.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. holder’s U.S. federal income tax liability and may entitle the holder to a refund, provided that the appropriate information is timely furnished to the IRS.

Information with Respect to Foreign Financial Assets

Certain U.S. holders who are individuals (and certain entities that have U.S. individual owners or beneficiaries) and who hold an interest in “specified foreign financial assets” (as defined in section 6038D of the Code) are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions). If a U.S. holder does not report the required information to the IRS, such U.S. 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 U.S. holder for the related tax year may not close before the date which is three years after the date on which such information is reported. U.S. holders should consult their tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the Notes.

Foreign Account Tax Compliance Act

Pursuant to sections 1471 through 1474 of the Code (provisions commonly known as “FATCA”), a “foreign financial institution” may be required to withhold U.S. tax on certain passthru payments made after December 31, 2018 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 the date on which applicable final regulations defining foreign passthru payments are filed generally would be “grandfathered” unless materially modified after such date. Accordingly, if any of the Issuers is treated as a foreign financial institution, FATCA would apply to payments on such Issuer’s 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 grandfather period, have the same CUSIP or ISIN as the applicable series of original Notes issued hereby, and are subject to withholding under FATCA, then withholding agents may treat all the notes of the applicable series, including the Notes issued hereby, as subject to withholding under FATCA. Non-U.S. governments have entered into agreements with the United States to implement FATCA in a manner that alters the rules

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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.

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 (*investeringsparkonto*) 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.

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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 and France.

European Union

Pursuant to Council Regulation (EU) 2015/848 of 20 May 2015 on insolvency proceedings (recast) (the “EU Insolvency Regulation”), that applies within the European Union (other than Denmark), 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.

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

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proceedings in the Member State in which the debtor has its COMI have not yet been commenced, 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 which is domiciled, habitually resident or has its registered office in the other Member State or whose claim arises from the operation of the establishment 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.

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 which 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.

The EU Insolvency Regulation provides for cooperation between (i) insolvency practitioners of the main insolvency proceedings and of the secondary insolvency proceedings, (ii) jurisdictions and (iii) jurisdictions and insolvency practitioners. It also provides:

- (a) 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,
- (b) that the Member States shall establish and maintain a register of insolvency proceedings; and,
- (c) that, as from 26 June 2019, the European Commission shall establish a decentralised system for the interconnection of the insolvency registers referred to under (b).

Sweden

Applicable insolvency law

The Issuers (as well as several of the Guarantors) are incorporated in Sweden. Any insolvency proceedings applicable to each 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 Issuers (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.

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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 pledgee 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.

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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

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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

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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 favour 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.

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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.

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 recognised as privileged for half

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(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

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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.

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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 (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

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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.

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).

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 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 a requirement that the credit worthiness of the purchaser is evaluated by the

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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.

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 honour 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.

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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.

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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 1 130 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.

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 (legal person, considering that it was created a new legal framework for natural persons named "*Processo Especial para Acordo de Pagamento*") in financial

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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.

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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 recent 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 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.

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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 and (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.

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.

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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 of €36 million 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.

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Trustee and Security Agent

It should be noted that Portuguese Law does not recognize the concept of parallel debt or trusteeship. Each Indenture will provide (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 note holders, duly notarized and legalized.

France

Insolvency

We conduct part of our business activity in France and, to the extent that the center of main interests of any of the Guarantors is deemed to be in France, it would be subject to French proceedings affecting creditors, including court-assisted proceedings (*mandat ad hoc* or *conciliation* proceedings) and court-administered proceedings being either safeguard (*sauvegarde*), accelerated safeguard (*sauvegarde accélérée*), accelerated financial safeguard (*sauvegarde financière accélérée*), reorganization or liquidation proceedings (*redressement* or *liquidation judiciaire*). Similarly, French Guarantors would be subject to French insolvency proceedings. 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 Guarantees granted by the French Guarantors and corresponding security interests in the Collateral.

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, commencement of proceedings pursuant to the international jurisdiction due to the debtor’s main center of interests being in France.

Under the EU Insolvency Regulation, if a debtor is located in the European Union (other than Denmark), French courts shall have jurisdiction over the main insolvency proceedings if the center of the debtor’s main interests is situated in France. In the case of a debtor or legal person, the place of the registered office shall be presumed to be the center of its main interests in the absence of proof to the contrary. In determining whether the center of main interests of a debtor is in France, French courts will take into account a broad range of factual elements.

The court that commences insolvency proceedings with respect to the member of a corporate group has jurisdiction over all the other members of this group. Accordingly, a court can supervise the insolvency proceedings of the whole group and may, for this purpose, appoint the same administrator for all proceedings in respect of members of the group.

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.

The following is a general discussion of 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.

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

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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 court.

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 insolvency 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). They are informal, confidential and are not limited in time. 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 duties of the *mandataire ad hoc* are determined by the competent court (usually the commercial court) that appoints him or her. *Mandataires ad hoc* are usually appointed in order to facilitate negotiations with creditors but cannot coerce the creditors into accepting any proposal. The agreement reached between the debtor and its creditors (if any) with the help of the *mandataire ad hoc* 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, as set forth above. The agreement reached is reported to the court but is not formally approved by it. The debtor’s auditors shall be notified of the order appointing the *mandataire ad hoc*, for information purposes.

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, at the time the *conciliation* proceedings are commenced, has not been in a state of insolvency for more than 45 days. The debtor petitions the President of the Commercial Court for the appointment of a conciliator (whose name it can suggest) in charge of assisting the debtor in negotiating an agreement with all or part of its creditors and/or trade partners that puts an end to its difficulties. *Conciliation* proceedings are confidential (save for the disclosure of the court decision commencing the proceedings to the statutory auditors, if any) and may last up to four months, with the possibility of extension but to the extent that the entire proceedings last no longer than five months. During the proceedings, (i) creditors may continue to individually claim payment of their claims but those that have accepted to take part in the proceedings usually accept not to and (ii) creditors may not request the opening of insolvency proceedings (*redressement judiciaire* or *liquidation judiciaire*) against the debtor. In addition, the debtor retains the right to petition before the President of the Commercial Court for debt rescheduling for a maximum of two years pursuant to Article 1343-5 of the French Civil Code.

With respect to grace periods under Article 1343-5 of the French Civil Code, pursuant to Article L. 611-7 of the French Commercial Code, if any creditor participating in the *conciliation* proceedings initiates

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legal actions to recover its claims during the *conciliation* proceedings, the debtor may request the judge having commenced *conciliation* proceedings to impose such grace periods on this creditor. The judge will take a decision after having heard the conciliator and may subject the duration of the grace periods to agreeing a *conciliation* agreement. 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 court or approved (*homologué*) by the court. It will become binding upon them and the creditors party thereto may not take action against the debtor in respect of claims governed by the *conciliation* agreement. The acknowledgement (*constat*) of the *conciliation* agreement by the president of the court upon all parties' request, gives the agreement the legal force of a final judgment, which means that it constitutes a judicial title that can be enforced by the parties without further recourse to a judge (*titre exécutoire*), but the *conciliation* proceedings remain confidential.

In case of acknowledgement (*constat*) or approval (*homologation*):

- the court can, at the request of the debtor, appoint the conciliator to monitor the implementation of the agreement (*mandataire à l'exécution de l'accord*) during its execution;
- interest accruing on the claims that are the subject to the conciliation agreement may not be compounded;
- a third party which 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 in the context of conciliation proceedings.

The approval (*homologation*) by the court, upon the debtor's request, which requires that (i) the debtor not be insolvent or that the conciliation agreement put 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 not impair the rights of the non-signatory creditors, will make the *conciliation* proceedings public and have the same effect as its acknowledgement (*constatation*) as described above and, in addition:

- creditors who, 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) will enjoy a priority of payment over all pre-proceedings and post-proceedings claims (other than certain pre-proceedings employment claims and procedural costs) (the "New Money Lien"), in the event of subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings; it being specified that in the event of commencement of subsequent safeguard, judicial reorganization or judicial liquidation proceedings, claims benefiting from the New Money Lien may not 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 without their holders' consent (the powers of the bondholders general meeting in this respect are the subject of debate); and
- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of the insolvency (*cessation des paiements*), 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 (see "—Insolvency test" above regarding the definition of the date of the *cessation des paiements*),
- the works council or employee representatives 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 and when the debtor is submitted to statutory auditing, the conciliation agreement is communicated to its statutory auditors.

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The court decision approving the *conciliation* agreement does not make the whole of its terms public but makes public the guarantees and priority of payment terms granted to creditors under the *conciliation* agreement as well as the amounts of the sums benefiting from the New Money Lien.

In the event of a breach of the *conciliation* agreement, any party to it can petition the court 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 executed, any individual proceedings by creditors with respect to the claims included in the agreement are suspended or prohibited. The commencement of subsequent 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 the context of which a draft plan has been negotiated and is supported by a majority of its creditors which is likely to meet the threshold requirements for creditors' consent, is a mandatory preliminary step of the accelerated safeguard proceedings or accelerated financial safeguard proceedings, as described below.

Where the debtor cannot manage to reach an agreement with its creditors, the court will terminate the proceedings. The termination of amicable proceedings entails in itself no specific legal consequences for the debtor and there is no automatic commencement of insolvency proceedings. New conciliation proceedings cannot be commenced during a 3-month period following the termination of a previous one.

It may be further noted that:

- at the request of the debtor and after the participating creditors have been consulted on the matter, the *mandataire ad hoc* or the conciliator may be appointed with a mission to organize the partial or total sale of the debtor which would be implemented, as applicable, in the context of subsequent safeguard, judicial reorganization or liquidation proceedings. To ensure transparency, the public prosecutor must be consulted on any offer formalized in such context; and
- two types of contractual provisions are deemed null and void: (i) any provision that 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 and (ii) any provision forcing 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 fees of the professional advisers whom the creditor shall have retained in connection with these proceedings.

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

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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 plan (debt forgiveness and payment terms) prior to the plan being approved by the court.

The rules governing consultation vary according to the size of the business.

Standard consultation: for 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, the court-appointed administrator notifies the proposals for the settlement of debts to the court-appointed creditors' representative, who obtains the agreement of each creditor who filed a claim, regarding the debt remissions 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, if the creditors refuse the proposals that were submitted to them, the court that approves the reorganization plan (*plan de redressement*) can order them to

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accept deferral of the payment of their claims 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 forgiveness 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: In the case of 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, 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 having granted credit or advances in favor of the debtor (including shareholder loans); 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.

If there are any outstanding debt securities in the form of obligations (such as bonds or notes), a 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, 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 a minimum of 15 days of its submission. 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 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

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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. Such creditors do not need to be consulted on the plan.

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 no plan 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 in *conciliation* proceedings may request commencement of accelerated safeguard proceedings or accelerated financial safeguard proceedings. 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) who publish consolidated accounts in accordance with Article L. 233-16 of the French Commercial Code.

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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 (*en état de cessation des paiements*) 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).

The regime applicable to standard safeguard proceedings is broadly applicable to accelerated safeguard or accelerated financial safeguard proceedings, to the extent compatible with the accelerated timing, since the total duration of accelerated safeguard proceedings is three months and the duration of accelerated financial safeguard proceedings is only one month (unless the court decides to extend it by an additional month). However, certain provisions relating to ongoing contracts and provisions relating to the recovery of assets by their owners do not apply in accelerated safeguard or accelerated financial safeguard proceedings.

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.

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.

Accelerated safeguard proceedings apply to all creditors (except employees). Accelerated financial safeguard proceedings apply only to debt owed to financial institutions and bondholders (i.e., debts towards credit institutions and bond debt) the payment of which is suspended until adoption of a plan through the accelerated financial safeguard proceedings, other debts (such as debts towards public creditors, the tax or social security administration and suppliers) continuing to be paid in the ordinary course of business in accordance with their contractual or legal terms. 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 Commercial Court approving the safeguard plan and in accordance with its terms.

As with traditional safeguard proceedings, the plan adopted in the context of accelerated financial safeguard proceedings may notably provide for rescheduling, debt cancellation and conversion of debt into equity capital in the debtor (debt-for-equity swaps requiring relevant shareholder consent).

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.

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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. The proceedings may also be initiated by the public prosecutor or a creditor.

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 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

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order the total or partial transfer of the business. Any third party can present a bid on all or part of the debtor’s business.

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).

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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.

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 terminates the proceedings.

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 and, 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 proceedings. Certain transactions undertaken 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 which is not commonly used in the ordinary course of business and 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 non-seizability (*déclaration d'insaisissabilité*) will be also be such a “void transaction.”

Transactions 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 the opening of 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*) which 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,

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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 which 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 which 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 may not initiate any individual legal action against the debtor (or a guarantor of the debtor where such guarantor is a natural person and the proceedings are safeguard, accelerated safeguard or accelerated financial safeguard 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 creditor; 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
- the context of reorganization or liquidation proceedings only, immediate cash payment will be required for services rendered pursuant to an ongoing contract (*contrats en cours*) absent consent for other terms of payment.

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 debts arose prior to the commencement of 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.

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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 which 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.

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 Trustees 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

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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 will provide 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 Indentures (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

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(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.

Each Trustee has certain assigned duties and rights under the relevant Indenture that become particularly important following defaults or events of default under the Indentures, 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 Senior Secured Notes Trustee or the Senior Notes Trustee, as applicable. To the extent that the security interests in the Collateral created to the benefit of the relevant 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 relevant 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

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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,

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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 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 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 relevant issuer with the proceeds of the Senior Notes and/or by the Issuer with the proceeds of 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.

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PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the purchase agreements (the “Purchase Agreements”) dated the date of this offering memorandum, the Issuers have agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase the Notes from the Issuers. The Senior Secured Notes Initial Purchasers are Morgan Stanley & Co. International plc, Merrill Lynch International, Goldman Sachs International, Nomura International plc, Barclays Bank PLC, Citigroup Global Markets Limited, J.P. Morgan Securities plc, and Nordea Bank Abp. The Senior Notes Initial Purchasers are Goldman Sachs International, Merrill Lynch International, Morgan Stanley & Co. International plc, Nomura International plc, Barclays Bank PLC, Citigroup Global Markets Limited, J.P. Morgan Securities plc, and Nordea Bank Abp. Sales in the United States may be made through affiliates of the Initial Purchasers. As Nordea Bank Abp is not registered with the SEC as a U.S. registered broker dealer, it will make offers and sales of the Notes solely outside of the United States.

The Purchase Agreements provide 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 Agreements also provide that the Issuers and the Guarantors will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. None of the Issuers or the Guarantors will for a period of 90 days following the time when sales of Notes were first made, without the prior written consent of the relevant Representative, offer, sell, contract to sell or otherwise dispose of any debt securities of, or guarantees by, the Issuers or any of their subsidiaries or affiliates that are substantially similar to the Notes without the prior written consent of the relevant Representative.

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 each series 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.”

In addition, with respect to the Notes initially sold pursuant to Regulation S, until 40 days after the commencement of the Offering of the Notes, an offer or sale of such Notes within the United States by a dealer that is 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 Rule 144A or pursuant to another 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 Financial Services and Markets Act 2000 (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 Issuers; 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, including the United States and the United Kingdom, 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

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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 Senior Secured Notes on the Securities Official List of the Luxembourg Stock Exchange (the “Exchange”) and to admit the Senior Notes to the Official List of the Exchange for trading on the Euro MTF Market thereof. However, we cannot assure you that the Notes will be approved for listing on the relevant 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 Relating 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.*”

In connection with the Offering, each Stabilizing Manager, or a person acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, each Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in the open markets in connection with over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the Offering size, which creates a short position for such Stabilizing Manager. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Stabilizing Managers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions. In addition, each Stabilizing Manager may bid for and purchase Notes in market-making transactions as permitted by applicable laws and regulations. These activities may stabilize or maintain the market price of the Notes above market levels that may otherwise prevail. The Stabilizing Managers are not required to engage in these activities. Such stabilizing, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Notes. See “*Risk Factors—Risks Relating 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.*”

These stabilizing transactions and covering transactions may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the Offering is made and, if commenced, may be discontinued at any time at the sole discretion of the relevant Stabilizing Manager. If these activities are commenced, they must end no later than the earlier of 30 days after the Issue Date of the Notes and 60 days after the date of the allotment of the Notes. These transactions may be effected in the over-the-counter market or otherwise.

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 Issuers, 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

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Senior Credit Facilities, in connection with which they receive certain fees and commissions, and certain of their affiliates hold Existing Senior Secured Notes and Existing Senior Notes. We intend to use a portion of the net proceeds from the Financing to redeem the Existing Senior Secured Notes and to repay drawings under the Revolving Credit Facility and, to the extent that the Initial Purchasers or their respective affiliates hold Existing Senior Secured Notes or are lenders under the Revolving Credit Facility, they will receive a portion of the proceeds of the Financing. Furthermore, certain of the Initial Purchasers or their respective affiliates are acting as advisers to the Issuers and its subsidiaries in connection with the Amended and Restated Senior Facilities Agreement and, in that connection, will receive a portion of the proceeds of the Financing. Certain of the Initial Purchasers or their respective affiliates also acted as joint bookrunners in our offering of the Existing Senior Notes, for which they received customary fees and commissions.

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 Issuers, 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 Euroclear or Clearstream business days and U.S. business days following the date of pricing of the Notes due to disparate non-business days between Euroclear and Clearstream on the one hand and the United States on the other hand (this settlement cycle is being referred to as “T+ ” outside the United States and “T+ ” in the United States). 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 U.S. 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.

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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 Issuers are offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- in the United States, to QIBs; and
- outside the United States, to non-U.S. persons in offshore transactions in accordance with Regulation S.

We use the terms “U.S. person,” “offshore transaction” and “United States” with the meanings given to them in Regulation S.

In addition, with respect to the Notes initially sold pursuant to Regulation S, until 40 days after the commencement of the Offering, an offer or sale of such Notes within the United States by a dealer that is 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 Rule 144A or pursuant to another exemption from registration under the U.S. Securities Act.

The Senior Notes sold pursuant to Regulation S under the U.S. Securities Act will initially be issued with temporary ISINs and common codes that differ from the ISINs and common codes assigned to the Existing Euro Senior Notes sold pursuant to Regulation S. 40 days after the later of the Issue Date and the earliest day permitted under the U.S. federal securities laws, we expect that the Senior Notes sold pursuant to Regulation S will have the same ISINs and common codes as, will constitute a single series of debt securities with, and will become fully fungible with, the Existing Euro Senior Notes.

You, by your acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuers and the Initial Purchasers as follows:

- (1) You understand and acknowledge that the Notes are being offered for resale in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the Notes have not been and will not be registered under the U.S. Securities Act and that (A) if in the future you decide to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (i) in the United States to a person whom you reasonably believe is a QIB in a transaction meeting the requirements of Rule 144A, and (ii) outside the United States in a transaction complying with Regulation S, and (iii) in compliance with the registration requirements of the U.S. Securities Act or pursuant to exemption therefrom or in any transaction not subject thereto, and in each case in compliance with the conditions for transfer set out in paragraph (5) below, in each case in accordance with any applicable securities laws of any state of the United States, and that (B) you will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from you of the resale restrictions referred to in (A) above.
- (2) You are either:
 - (a) a QIB, and are aware that any sale of Notes to you will be made in reliance on Rule 144A and such acquisition of Notes will be for your own account or for the account of another QIB; or
 - (b) a non-U.S. person purchasing the Notes outside the United States in an offshore transaction in accordance with Regulation S.
- (3) You acknowledge that neither we nor the Initial Purchasers, nor any person representing us or the Initial Purchaser, 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

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- 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 for which you are purchasing the Notes, and each subsequent holder of the Notes by acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date that is one year (in the case of Notes issued in reliance on Rule 144A) or 40 days (in the case of Notes issued under Regulation S) after the later of the date of the original issue of the Notes and the last date on which the issuer or any of its affiliates was the owner of such Notes (or any predecessor thereto) only (i) to the Issuers, a Guarantor or any Subsidiary thereof, (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act, an exemption from the registration requirements of the U.S. Securities Act or in any transaction not subject thereto, (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A, 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 or (iv) pursuant to offers and sales to non-U.S. persons that occur outside the United States in offshore transactions in compliance with Regulation S, or 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 any applicable local laws and regulations, and further subject to our and the Trustee's rights prior to any such offer, sale or transfer, to require that a certificate of transfer in the form appearing in the relevant Indenture is completed and delivered by the transferor to the Trustee.
- (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” (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 REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S)] [IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF [AND, IN THE CASE OF THE SENIOR NOTES, THE ORIGINAL ISSUE DATE OF THE EXISTING SENIOR NOTES] AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY)] 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

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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 THAT OCCUR TO NON-U.S. PERSONS 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 TRUSTEE'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 TRUSTEE; 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 acknowledge that until 40 days after the commencement of the offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.
- (11) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuers 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 Issuers 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 Investors in the United States,*" "*—Notice to Swedish Investors,*" "*—Notice to Spanish Investors,*" "*—Notice to Portuguese Investors,*" "*—Notice to U.K. Investors,*" "*—Notice to Swiss Investors,*" "*—Notice to Norwegian Investors,*" "*—Notice to French Investors*" and "*Plan of Distribution.*"

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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 and English law, Advokatfirman Vinge KB, as to matters of Swedish law, Uría Menéndez Abogados, S.L.P., as to matters of Spanish law, Uría Menendez-Proença de Carvalho, as to matters of Portuguese law and Latham & Watkins A.A.R.P.I., as to matters of French 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 and English law, Advokatfirman Cederquist KB, as to matters of Swedish law, Cuatrecasas, Gonçalves Pereira, S.L.P., as to matters of Spanish law, Cuatrecasas, Gonçalves Pereira, Sociedade de Advogados, RL, as to matters of Portuguese law, Arntzen de Besche, as to matters of Norwegian law and Weil, Gotshal & Manges (Paris) LLP, as to matters of French law.

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INDEPENDENT AUDITORS

The consolidated financial statements of Verisure Midholding AB (publ) as of and for the years ended December 31, 2015, 2016 and 2017, included elsewhere in this offering memorandum, have been audited by PricewaterhouseCoopers AB (“PwC”), independent auditors, as stated in the report appearing herein. The unaudited condensed consolidated interim financial statements of Verisure Midholding AB (publ) as of and for the nine months ended September 30, 2018 and 2017 included in this offering memorandum have not been audited. The unaudited condensed consolidated interim financial statements of Verisure Midholding AB (publ) as of and for the nine months ended September 30, 2018 and 2017 have been reviewed by PwC.

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 Securities Act, PwC has not filed a consent under the U.S. Securities Act.

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ENFORCEABILITY OF JUDGMENTS

Each of the Senior Secured Notes Issuer and the Senior Notes Issuer is a Swedish company. The Guarantors are entities organized or incorporated, as applicable, under the laws of Spain, Sweden, Norway, Portugal and France. All the directors and executive officers of the Issuers and the Guarantors are resident outside of the United States. All the assets of the Issuers and the Guarantors and their respective directors and officers are located outside the United States. Although the Issuers and the Guarantors have agreed, in accordance with the terms of the relevant 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 Issuers, the Guarantors or their respective directors or officers, or (b) enforce judgments of courts of the United States predicated upon the civil liability of such entities or persons under the U.S. securities laws and state securities laws 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

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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.

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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.

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, 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.

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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 conflict rules, 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 de Grande Instance*) 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

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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 French international public policy (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.

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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 have been altered by further decisions of the French Supreme Court rendered in similar cases.

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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 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 Issuers c/o Securitas 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 each 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 Senior Notes—Certain Covenants—Reports*” and “*Description of Senior Secured Notes—Certain Covenants—Reports*.”

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 Issuers’ organizational documents, the Indentures and our most recent consolidated financial statements published by us may be inspected and obtained at the office of the listing agent in Luxembourg. See “*Listing and General Information*.”

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LISTING AND GENERAL INFORMATION

Listing

Application will be made to list the Senior Secured Notes on the Securities Official List of the Luxembourg Stock Exchange (the “Exchange”) and to admit the Senior Notes to the Official List of the Exchange for trading on the Euro MTF Market thereof. Notice to holders of the Notes will be published either on the official website of the Exchange (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.

The Issuers and the Guarantors accept responsibility for the information contained in this offering memorandum. The Issuers 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 listing agent in Luxembourg during normal business hours on any weekday:

- the organizational documents of the Issuers and the Guarantors;
- the most recent audited consolidated financial statements and any interim financial statements published by the Issuers;
- the Indenture relating to the Senior Secured Notes (which includes the Senior Secured Note Guarantees and form of the Senior Secured Notes);
- the Indenture relating to the Senior Notes (which includes the Senior Note Guarantees and form of the Senior 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.

So long as the Senior Notes are listed on the Securities Official List of the Exchange, the Notes will be freely transferable and negotiable in accordance with the rules of the Exchange.

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 Existing Euro Senior Notes sold pursuant to Regulation S (the “Reg S Existing Euro Senior Notes”) and the Senior Notes sold pursuant to Regulation S (the “Reg S Senior Notes”) will initially have different ISIN numbers and common codes. Once the Reg S Senior Notes and the Reg S Existing Euro Senior Notes have become freely tradeable, the Reg S Senior Notes and the Reg S Existing Euro Senior Notes will share the same ISIN and common code as set forth below. The temporary ISIN for the Reg S Senior Notes is _____ and the temporary common code for the Reg S Senior Notes is _____. Following the expiration of the 40-day period following the Issue Date, the common code for the Reg S Senior Notes will be 172001653 and the ISIN for the Reg S Senior Notes will be XS1720016531.

The Senior Notes sold pursuant to Rule 144A bear the common code number and ISIN of 172001670 and XS1720016705, respectively.

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The Senior Secured Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Clearstream and Euroclear under common codes and , respectively. The ISIN for the Senior Secured Notes sold pursuant to Regulation S is and the ISIN for the Senior Secured Notes sold pursuant to Rule 144A is .

The Senior Secured Notes Issuer

Verisure Holding AB (publ), a public limited liability company incorporated under the laws of Sweden, was registered on May 26, 2011, with a registration number of 556854-1410. The Senior Secured Notes Issuer’s registered address is c/o Securitas Direct, Box 392, 201 23 Malmö, Sweden. The Senior Secured Notes Issuer’s main activity is the ownership and management, directly or indirectly, of real property and any other related activities. The Senior Secured Notes Issuer has a share capital of €56,104.13 million, represented by 500,000 fully paid up shares.

The Senior Secured Notes Issuer’s main investments as of the date of this offering memorandum include all of the outstanding shares in Securitas Direct AB (publ) (reg. no. 556222-9012). There are no other investments being currently made or planned other than in connection with the Transactions.

The Senior Notes Issuer

Verisure Midholding AB (publ), a public limited liability company incorporated under the laws of Sweden, was registered on May 26, 2011, with a registration number of 556854-1402. The Senior Notes Issuer’s registered address is c/o Securitas Direct, Box 392, 201 23 Malmö, Sweden. The Senior Notes Issuer’s main activity is the ownership and management, directly or indirectly, of real property and any other related activities. The Senior Notes Issuer has a share capital of €56,104.13 million, represented by 500,000 fully paid up shares.

The Senior Notes Issuer’s main investments as of the date of this offering memorandum include all of the outstanding shares in Verisure Holding AB (publ) (reg. no. 556854-1410). 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 a registration number of 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 real property and any other related activities. Verisure Midholding AB (publ) is directly wholly owned by Topholding.

Verisure Holding AB (publ), a public limited liability company incorporated under the laws of Sweden, was registered on May 26, 2011 with a registration number of 556854-1410. Verisure Holding AB (publ)’s registered address is c/o Securitas Direct, Box 392, 201 23 Malmö, Sweden. Verisure Holding AB (publ)’s main activity is the ownership and management, directly or indirectly, of real property and any other related activities. Verisure Holding AB (publ) is directly wholly owned by the Senior Notes Issuer.

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 Senior Secured Notes 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 any other related activities. Securitas Direct Sverige AB is indirectly wholly owned by the Issuers.

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.

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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 Issuers.

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 Issuers.

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 Issuers.

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 Issuers.

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 Issuers.

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, n.º 3, 2.º andar, 1495-241 Algés parish of Algés, 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 Issuers.

Securitas Direct SAS, 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, Centrale Parc—Bâtiment 1 avenue Sully Prud’Homme, 92290 Châtenay Malabry. Securitas Direct S.A.S. is an operating company whose main activity is to offer goods and services relating to alarm systems. Securitas Direct S.A.S. is indirectly wholly owned by the Issuers.

Verisure International AB, a private limited liability company incorporated under the laws of Sweden, was registered on November 8, 2017 with a registration number of 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 Issuers.

Corporate Authority

The Issuers 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.

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Litigation

Except as disclosed elsewhere in this offering memorandum, none of the Issuers 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 Issuers are not currently subject to the periodic reporting and other information requirements of the Exchange Act.

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CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
Consolidated income statements

EUR thousand	Note	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017
Revenue ⁽²⁾	2	404,065	345,759	1,180,343	1,012,218
Cost of sales	3	(215,188)	(183,293)	(630,162)	(540,633)
Gross profit ⁽²⁾		188,877	162,466	550,182	471,585
Selling expenses	3	(53,568)	(40,801)	(158,402)	(122,557)
Administrative expenses ⁽¹⁾	3	(83,854)	(77,881)	(256,464)	(235,226)
Other income ⁽²⁾	3	1,559	1,732	5,055	5,434
Operating profit ⁽²⁾		53,013	45,516	140,370	119,236
Finance income		122	55	30,832	145
Finance costs ⁽²⁾		(65,422)	(36,383)	(202,091)	(147,340)
Result before tax ⁽²⁾		(12,287)	9,188	(30,889)	(27,959)
Income tax expense ⁽²⁾		(8,853)	(9,005)	(19,152)	11,650
Result for the period ⁽²⁾		(21,139)	183	(50,041)	(16,310)
Whereof attributable to:					
—Parent company ⁽²⁾		(20,622)	354	(49,538)	(15,673)
—Non-controlling interest ⁽²⁾		(517)	(171)	(503)	(637)

(1) Whereof EUR 38.3 and 114.9 million respectively (38.2 and 114.7 regarding 2017) relates to amortisation expense resulting from the amortisation of intangible assets acquired in acquisitions.

(2) The comparatives have been changed due to change in accounting policy. Refer to note 7 for more information.

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Consolidated statements of comprehensive income

EUR thousand	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017
Result for the period	(21,139)	183	(50,041)	(16,310)
Other comprehensive income				
Items that subsequently may be reclassified to the income statement				
Currency translation differences on foreign operations	576	(3,959)	(15,133)	3,628
Other comprehensive income	576	(3,959)	(15,133)	3,628
Total comprehensive income for the period	(20,563)	(3,776)	(65,175)	(12,682)
Whereof attributable to:				
—Parent company	(20,046)	(3,605)	(64,671)	(12,045)
—Non-controlling interest	(517)	(171)	(503)	(637)

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Consolidated statements of financial position

EUR thousand	Note	Sep 2018	Sep 2017	Dec 2017
ASSETS				
Non-current assets				
Property, plant and equipment		685,455	574,995	608,223
Goodwill		868,664	868,698	869,598
Customer portfolio		1,044,414	1,090,814	1,077,129
Other intangible assets		154,333	131,349	146,230
Deferred tax assets		26,402	21,709	24,420
Derivatives	4	21,565	—	6,062
Trade and other receivables	4	306,738	266,333	1,309,739
Total non-current assets		3,107,571	2,953,898	4,041,401
Current assets				
Inventories		108,832	86,447	74,911
Trade receivables	4	123,983	106,047	123,255
Current tax assets		16,927	18,520	13,561
Derivatives	4	5,352	—	—
Prepayments and accrued income		31,450	22,039	31,405
Other current receivables	4	7,408	22,457	28,286
Cash and cash equivalents	4	10,543	8,636	14,245
Total current assets		304,494	264,146	285,663
TOTAL ASSETS		3,412,065	3,218,044	4,327,064
EQUITY AND LIABILITIES				
Equity				
Share capital		56	56	56
Other paid in capital		624,517	569,168	569,168
Other reserves		32,793	38,394	47,926
Retained earnings ⁽²⁾		(2,232,771)	(1,104,686)	(1,185,982)
Equity attributable to equity holders of the parent company		(1,575,405)	(497,068)	(568,832)
Non-controlling interest ⁽²⁾		(2,930)	(2,483)	(2,427)
Total equity		(1,578,335)	(499,551)	(571,259)
Non-current liabilities				
Long-term borrowings ⁽²⁾	4,5	4,106,581	2,966,652	4,112,790
Derivatives ⁽²⁾	4	—	—	—
Other non-current liabilities	4	84,521	15,810	41,795
Deferred tax liabilities ⁽¹⁾⁽²⁾		276,362	259,559	257,526
Other provisions		2,449	1,698	2,316
Total non-current liabilities		4,469,913	3,243,719	4,414,427
Current liabilities				
Trade payables	4	105,941	83,566	115,846
Current tax liabilities		23,193	25,934	16,747
Short-term borrowings	4,5	70,934	53,899	53,072
Derivatives	4	—	3,468	222
Accrued expenses and deferred income ⁽²⁾		290,803	274,461	265,712
Other current liabilities	4	29,616	32,547	32,297
Total current liabilities		520,487	473,875	483,896
TOTAL EQUITY AND LIABILITIES		3,412,065	3,218,044	4,327,064

(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 7 for more information.

Consolidated statement of changes in equity

EUR thousand	Attributable to equity holders of the parent company					Non-controlling interest	Total equity
	Share capital	Other paid in capital	Translation reserve	Retained earnings	Total		
Balance at January 1, 2018—As reported	56	569,168	47,926	(1,169,176)	(552,026)	(1,802)	(553,828)
Change in accounting principles, IFRS 15 ⁽¹⁾	—	—	—	(16,806)	(16,806)	(625)	(17,431)
Balance at January 1, 2018—As updated comparatives	56	569,168	47,926	(1,185,982)	(568,832)	(2,427)	(571,259)
Change in accounting principles, IFRS 9 ⁽¹⁾	—	—	—	99,226	99,226	—	99,226
Balance at January 1, 2018—Adjusted	56	569,168	47,926	(1,086,756)	(469,606)	(2,427)	(472,033)
Result for the period	—	—	—	(49,538)	(49,538)	(503)	(50,041)
Other comprehensive income	—	—	(15,133)	—	(15,133)	—	(15,133)
Total comprehensive income for the period	—	—	(15,133)	(49,538)	(64,671)	(503)	(65,174)
Shareholders contribution	—	55,349	—	—	55,349	—	55,349
Dividend	—	—	—	(1,095,493)	(1,095,493)	—	(1,095,493)
Transaction with non-controlling interest	—	—	—	(984)	(984)	—	(984)
Balance at September 30, 2018	56	624,517	32,793	(2,232,771)	(1,575,405)	(2,930)	(1,578,335)

(1) For more information regarding change in accounting principles, refer to note 7.

EUR thousand	Attributable to equity holders of the parent company					Non-controlling interest	Total equity
	Share capital	Other paid in capital	Translation reserve	Retained earnings	Total		
Balance at January 1, 2017—As reported	56	569,168	34,766	(1,090,386)	(486,396)	(1,846)	(488,242)
Change in accounting principles, Interest floors ⁽¹⁾	—	—	—	1,373	1,373	—	1,373
Balance at January 1, 2017—As updated comparatives	56	569,168	34,766	(1,089,013)	(485,023)	(1,846)	(486,869)
Result for the period	—	—	—	(15,673)	(15,673)	(637)	(16,310)
Other comprehensive income	—	—	3,628	—	3,628	—	3,628
Total comprehensive income for the period	—	—	3,628	(15,673)	(12,045)	(637)	(12,682)
Balance at September 30, 2017	56	569,168	38,394	(1,104,686)	(497,068)	(2,483)	(499,551)

(1) For more information regarding change in accounting principles, refer to note 7.

EUR thousand	Attributable to equity holders of the parent company					Non-controlling interest	Total equity
	Share capital	Other paid in capital	Translation reserve	Retained earnings	Total		
Balance at January 1, 2017—As reported	56	569,168	34,766	(1,090,386)	(486,396)	(1,846)	(488,242)
Change in accounting principles, Interest floors ⁽¹⁾	—	—	—	1,373	1,373	—	1,373
Balance at January 1, 2017—As updated comparatives	56	569,168	34,766	(1,089,013)	(485,023)	(1,846)	(486,869)
Result for the period ⁽¹⁾	—	—	—	(99,475)	(99,475)	(581)	(100,057)
Other comprehensive income	—	—	13,160	—	13,160	—	13,160
Total comprehensive income for the period	—	—	13,160	(99,475)	(86,315)	(581)	(86,897)
Group contribution	—	—	—	2,506	2,506	—	2,506
Balance at December 31, 2017	56	569,168	47,926	(1,185,982)	(568,832)	(2,427)	(571,259)

(1) For more information regarding change in accounting principles, refer to note 7.

Consolidated statements of cash flows

EUR thousand	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017
Operating activities				
Operating profit	53,013	49,424	140,370	135,566
Reversal of depreciation and amortization	84,651	76,112	245,577	222,303
Other non-cash items	15,428	11,210	44,083	35,086
Paid taxes	(9,274)	(6,499)	(25,789)	(19,151)
Cash flow from operating activities before change in working capital	143,818	130,247	404,241	373,804
Change in working capital				
Change in inventories	(12,915)	(5,148)	(35,200)	(24,669)
Change in trade receivables	(6,810)	(2,622)	(2,413)	(13,259)
Change in other receivables	(6,092)	(1,946)	(25,281)	(12,637)
Change in trade payables	(935)	(5,009)	(8,177)	(1,803)
Change in other payables	20,826	13,230	67,396	49,891
<i>Cash flow from change in working capital</i>	<i>(5,925)</i>	<i>(1,495)</i>	<i>(3,674)</i>	<i>(2,477)</i>
Cash flow from operating activities	137,893	128,752	400,567	371,327
Investing activities				
Purchase of intangible assets	(60,717)	(47,452)	(175,878)	(136,790)
Purchase of property, plant and equipment	(62,032)	(53,625)	(179,384)	(161,994)
Settlement of deferred consideration	(2,988)	—	(3,586)	(2,500)
Acquisition of non-controlling interest	—	—	(3,248)	—
Disposal of subsidiaries	—	—	—	286
Cash flow from investing activities	(125,737)	(101,077)	(362,096)	(300,998)
Financing activities				
Change in revolver credit facility	15,921	7,617	96,435	(15,335)
Paid bank and advisory fees	—	(602)	(1,793)	(4,216)
New financing	—	—	—	80,000
Call cost redemption	—	—	—	(2,100)
Net interest paid	(22,229)	(42,526)	(114,117)	(129,550)
Paid distribution	—	—	(18,000)	—
Repayment of other non-current receivables	—	—	691	—
Other financial items	(5,741)	7,926	(5,233)	3,664
Cash flow from financing activities	(12,049)	(27,585)	(42,017)	(67,537)
Cash flow for the period	107	90	(3,546)	2,792
Cash and cash equivalents at start of period	10,506	8,578	14,245	5,985
Exchange difference on translating cash and cash equivalents	(70)	(32)	(156)	(141)
Cash and cash equivalents at end of period	10,543	8,636	10,543	8,636



Notes to the consolidated financial statements

Basis of presentation and accounting periods

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The report includes both the financial statements of Verisure Midholding Group and separate financial statements for the parent company.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. The most important accounting principles under IFRS, which is the basis for the preparation of this interim report, can be found in note 1 in the annual report for 2017. The accounting policies are unchanged compared with those applied in 2017, except for changes stated in note 7 as well as the following:

Other than the segments Customer acquisition and Portfolio services stated in the accounting policy in the annual report 2017, one new segment has been identified as an operation segment. This segment is referred to as “Adjacencies” and includes revenue streams which is not part of the Group’s core business.

These consolidated financial statements should be read in conjunction with the annual report 2017.

These financial statements have not been audited by the Group auditor.

New standards and interpretations not yet adopted

IFRS 16 was issued in January 2016. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet. The adoption of IFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date. The Group is currently performing the analysis of the effect of IFRS 16.

Note 1 Critical accounting estimates and judgments

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 at the balance sheet date and the amounts of revenue and expenses recognized 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.

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 estimation uncertainty at 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

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived 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 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



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Notes to the consolidated financial statements (Continued)

Note 1 Critical accounting estimates and judgments (Continued)

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

The group prepares and approves long-term financial plans, 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 the mature markets
- a projected long-term compound annual growth rate for adjusted EBITDA in 5-10 years, estimated by management 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 our impairment evaluation and hence results. The yearly impairment test of goodwill is normally performed in the third or fourth quarter.

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 judgment in respect of certain tax positions, the resolution for 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 our 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 can be substantial differences between the tax charge in the consolidated income statement and tax payments. We also have exercised significant accounting judgment regarding net operating loss utilization.

The group also has exercised significant accounting judgment 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

The group exercises 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.

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Notes to the consolidated financial statements (Continued)

Note 1 Critical accounting estimates and judgments (Continued)

Depreciation period for alarm equipment

The charge in respect of periodic depreciation for alarm equipment is derived after determining an estimate of expected useful life of alarm equipment and the expected residual value at the end of its life. Increasing expected life of an asset or its residual value results in a reduced depreciation charge recording in the consolidated income statement.

The useful lives and residual values of our assets are determined by management at the time of acquisition and reviewed annually for appropriateness. The lives are based primarily on historical experience in regard to the lifecycle of subscribers as well as anticipation of future events which may impact their life, such as changes in technology and macroeconomic factors.

Note 2 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.

Jul-Sep 2018						
EUR thousand	Customer acquisition	Portfolio services	Adjacencies	Total Group-Excl SDI	SDI	Group Total
Revenue	65,982	336,515	4,605	407,103	(3,038)	404,065
Adjusted EBITDA	(66,010)	226,750	(84)	160,656	(7,573)	153,083
Depreciation and amortization	—	—	—	(46,379)	(38,272)	(84,651)
Retirements of assets	—	—	—	(15,419)	—	(15,419)
Operating profit	—	—	—	98,858	(45,845)	53,013
Financial items	—	—	—	(47,002)	(18,298)	(65,300)
Profit before tax	—	—	—	51,856	(64,143)	(12,287)

Jul-Sep 2017						
EUR thousand	Customer acquisition	Portfolio services	Adjacencies	Total Group-Excl SDI	SDI	Group Total
Revenue	56,127	292,953	588	349,668	(3,908)	345,759
Adjusted EBITDA	(49,847)	194,669	144	144,966	(12,132)	132,834
Depreciation and amortization	—	—	—	(37,868)	(38,244)	(76,112)
Retirements of assets	—	—	—	(11,206)	—	(11,206)
Operating profit	—	—	—	95,892	(50,376)	45,516
Financial items	—	—	—	(39,826)	3,498	(36,328)
Profit before tax	—	—	—	56,066	(46,878)	9,188

Notes to the consolidated financial statements (Continued)

Note 2 Segment reporting (Continued)

Jan-Sep 2018						
EUR thousand	Customer acquisition	Portfolio services	Adjacencies	Total Group-Excl SDI	SDI	Group Total
Revenue	202,019	981,129	13,090	1,196,237	(15,894)	1,180,343
Adjusted EBITDA	(194,191)	658,266	(1,980)	462,095	(32,074)	430,021
Depreciation and amortization	—	—	—	(130,667)	(114,910)	(245,577)
Retirements of assets	—	—	—	(44,074)	—	(44,074)
Operating profit	—	—	—	287,355	(146,984)	140,370
Financial items	—	—	—	(139,299)	(31,960)	(171,259)
Profit before tax	—	—	—	148,055	(178,944)	(30,889)

Jan-Sep 2017						
EUR thousand	Customer acquisition	Portfolio services	Adjacencies	Total Group-Excl SDI	SDI	Group Total
Revenue	169,695	857,164	1,690	1,028,548	(16,330)	1,012,218
Adjusted EBITDA	(147,041)	563,902	387	417,248	(41,069)	376,179
Depreciation and amortization	—	—	—	(107,614)	(114,689)	(222,303)
Retirements of assets	—	—	—	(34,640)	—	(34,640)
Operating profit	—	—	—	274,994	(155,758)	119,236
Financial items	—	—	—	(124,592)	(22,603)	(147,195)
Profit before tax	—	—	—	150,402	(178,361)	(27,959)

Note 3 Depreciation and amortization

EUR thousand	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017
Property, plant and equipment	24,619	20,907	68,997	60,910
Acquisition-related intangible assets	38,272	38,244	114,918	114,688
Other intangible assets	21,760	16,962	61,662	46,705
Total depreciation and amortization	84,651	76,112	245,577	222,303

Notes to the consolidated financial statements (Continued)

Note 4 Financial risk management
Financial instruments by category and valuation level

EUR thousand	Sep 2018	Sep 2017	Dec 2017
Financial assets at fair value through profit or loss⁽¹⁾			
<i>Derivatives</i>			
Currency	26,917	0	6,062
Total	26,917	0	6,062
Financial liabilities at fair value through profit or loss⁽¹⁾			
<i>Derivatives</i>			
Currency	—	3,468	222
Total	—	3,468	222
Loans and receivables			
Trade and other receivables	306,738	266,333	1,309,739
Trade receivables ⁽²⁾	123,983	106,047	123,255
Other current receivables ⁽²⁾	7,408	22,457	28,286
Cash and cash equivalent	10,543	8,636	14,245
Other financial liabilities			
Long-term borrowings ⁽³⁾	4,106,581	2,966,652	4,112,790
Other non-current liabilities	84,521	15,810	41,795
Trade payables ⁽²⁾	105,941	83,566	115,846
Short-term borrowings ⁽²⁾	70,934	53,899	53,072
Other current liabilities ⁽²⁾	29,616	32,547	32,297

(1) Part of the group’s valuation techniques using observable market data.

(2) 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.

(3) Details of borrowings are presented in note 5.

Note 5 Borrowings

EUR thousand	Sep 2018			Sep 2017			Dec 2017		
	Principal amount	Adjustment amortized costs	Carrying amount	Principal amount	Adjustment amortized costs	Carrying amount	Principal amount	Adjustment amortized costs	Carrying amount
<i>Secured</i>									
Senior Secured Notes	630,000	(11,399)	618,601	630,000	(13,266)	616,734	630,000	(13,186)	616,814
Term Loan B ⁽¹⁾⁽²⁾	2,380,000	(145,134)	2,234,866	1,690,000	(37,939)	1,652,061	2,380,000	(40,413)	2,339,587
Revolver Credit Facility	102,649	(4,561)	98,088	18,458	(5,646)	12,812	13,437	(5,855)	7,582
<i>Unsecured</i>									
Private Unsecured Notes ⁽²⁾	—	—	—	691,885	(21,173)	670,712	—	—	—
Senior Unsecured Notes	1,140,054	(10,593)	1,129,461	—	—	—	1,147,618	(12,639)	1,134,979
Liabilities to other creditors	24,702	—	24,702	12,999	—	12,999	12,630	—	12,630
Finance lease liability	863	—	863	1,333	—	1,333	1,198	—	1,198
Long-term borrowings	4,278,268	(171,687)	4,106,581	3,044,675	(78,024)	2,966,651	4,184,883	(72,093)	4,112,790
Accrued interest expenses	45,514	—	45,514	32,998	—	32,998	23,195	—	23,195
Other liabilities	25,100	—	25,100	20,374	—	20,374	29,420	—	29,420
Finance leases liability	320	—	320	527	—	527	457	—	457
Short-term borrowings	70,934	—	70,934	53,899	—	53,899	53,072	—	53,072
Total borrowings	4,349,202	(171,687)	4,177,515	3,098,574	(78,024)	3,020,550	4,237,955	(72,093)	4,165,862

(1) Of the total amount regarding adjustment amortized costs 2018, (108,389) 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 7 for more information.

Notes to the consolidated financial statements (Continued)

Note 5 Borrowings (Continued)

Net Debt Bridge

EUR thousand	Sep 2018	Sep 2017	Dec 2017
Total principal amount (as above)	4,349,202	3,098,574	4,237,955
Less accrued interest	(45,514)	(32,998)	(23,195)
Indebtness	4,303,688	3,065,576	4,214,760
Less financial receivable, non-current	—	(698)	(691)
Less cash and cash equivalents	(10,543)	(8,636)	(14,245)
Net debt	4,293,145	3,056,242	4,199,824

Note 6 Pledged assets and contingent liabilities

EUR thousand	Sep 2018	Sep 2017	Dec 2017
Pledge assets			
Endowment insurance	417	417	417
Shares in subsidiaries	1,698,595	1,758,894	1,734,614
Bank accounts	469	332	3,074
Trademark	54,583	59,853	58,333
Accounts receivables	74,867	58,211	72,589
Inventories	67,852	54,245	44,390
Motor vehicles	12	25	21
Contingent liabilities			
Guarantees	21,049	20,181	19,068

The group has pledged shares in subsidiaries, certain bank accounts, trade receivables, IP-rights, inventory assets, intra-group loans, intra-group equity certificates, rights under certain insurances, certain rights under the acquisition agreements regarding the purchase of the Securitas Direct group and certain rights under reports in relation to the acquisition of the Securitas Direct group as collateral for bank borrowings.

Note 7 Changes in accounting policy

Interest floors

During the fourth quarter 2017 the Group changed the view of interest floors as closely related embedded derivatives, following a clarification from IASB. For more information refer to the Annual report 2017, note 30 and the Interim report January-March 2018, note 7. The reporting has been changed retrospectively, and the comparatives in this report have been adjusted. The effects of this adjustment are summarized below.

IFRS 15

IFRS 15, ‘Revenue from contracts with customers’ have been 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 the Interim report January-March 2018 note 7 for information regarding the impact on the group.

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 the Interim report January-March 2018, note 7.

Notes to the consolidated financial statements (Continued)

Note 7 Changes in accounting policy (Continued)

Adjustment of comparatives

As stated above, the comparatives in this report have been changed compared to the Q3 report 2017 regarding interest floors and IFRS 15. These adjustments are summarized below.

Income statement

EUR thousand	Jul-Sep 2017— As reported	Adjustment— interest floors	Adjustment— Timing of revenue recognition	Adjustment— Classification of revenue	Jul-Sep 2017— Adjusted
Revenue	351,399	—	(3,908)	(1,732)	345,759
Cost of sales	(183,293)	—	—	—	(183,293)
Gross profit	168,106	—	(3,908)	(1,732)	162,466
Selling expenses	(40,801)	—	—	—	(40,801)
Administrative expenses .	(77,881)	—	—	—	(77,881)
Other income	—	—	—	1,732	1,732
Operating profit	49,424	—	(3,908)	—	45,516
Finance income	55	—	—	—	55
Finance costs	(39,567)	3,184	—	—	(36,383)
Result before tax	9,912	3,184	(3,908)	—	9,188
Income tax expense . . .	(9,865)	—	860	—	(9,005)
Result for the period . .	47	3,184	(3,048)	—	183

EUR thousand	Jan-Sep 2017— As reported	Adjustment— interest floors	Adjustment— Timing of revenue recognition	Adjustment— Classification of revenue	Jan-Sep 2017— Adjusted
Revenue	1,033,982	—	(16,330)	(5,434)	1,012,218
Cost of sales	(540,633)	—	—	—	(540,633)
Gross profit	493,349	—	(16,330)	(5,434)	471,585
Selling expenses	(122,557)	—	—	—	(122,557)
Administrative expenses	(235,226)	—	—	—	(235,226)
Other income	—	—	—	5,434	5,434
Operating profit	135,566	—	(16,330)	—	119,236
Finance income	145	—	—	—	145
Finance costs	(104,105)	(43,235)	—	—	(147,340)
Result before tax	31,606	(43,235)	(16,330)	—	(27,959)
Income tax expense . . .	8,057	—	3,593	—	11,650
Result for the period . .	39,663	(43,235)	(12,738)	—	(16,310)

Notes to the consolidated financial statements (Continued)

Note 7 Changes in accounting policy (Continued)

Balance sheet (showing only affected lines):

EUR thousand	30 Sep 2017— As reported	Adjustment— interest floors	Adjustment— IFRS 15	30 Sep 2017— Adjusted
Total non-current assets	2,953,898	—	—	2,953,898
Total current assets	264,146	—	—	264,146
Total assets	3,218,044	—	—	3,218,044
Retained earnings	(1,050,556)	(41,862)	(12,268)	(1,104,686)
Equity attributable to equity holders of the parent company	(442,938)	(41,862)	(12,268)	(497,068)
Non-controlling interest	(2,013)	—	(470)	(2,483)
Total equity	(444,951)	(41,862)	(12,738)	(499,551)
Liabilities to credit institutions	2,870,536	96,116	—	2,966,652
Derivatives	54,254	(54,254)	—	—
Deferred tax liabilities ⁽¹⁾	263,152	—	(3,593)	259,559
Total non-current liabilities	3,205,450	41,862	(3,593)	3,243,719
Accrued expenses and deferred income . .	258,131	—	16,330	274,461
Total current liabilities	457,545	—	16,330	473,875
Total equity and liabilities	3,218,044	—	—	3,218,044

IFRS 9

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 new standard has been adopted as of January 1, 2018. The Group has chosen to apply the reliefs in the standard and not restate prior periods. Refer to the Interim report April—June 2018 for information about the impact of IFRS 9 on the group.

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PARENT COMPANY FINANCIAL STATEMENTS
Parent company income statements

EUR thousand	Note	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017
Selling and administrative expenses		—	—	(7)	(1)
Operating profit		—	—	(7)	(1)
Interest income from group companies		10,692	14,650	31,971	43,425
Interest expense		(16,347)	(14,650)	(49,209)	(43,425)
Interest expense to group companies		(71)	—	(130)	—
Finance cost		(783)	—	(1,630)	—
Result before tax		(6,507)	—	(19,004)	(1)
Income tax expense and benefit		—	—	—	—
Result for the period		(6,507)	—	(19,004)	(1)

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Parent company statements of financial position

EUR thousand	Note	Sep 2018	Sep 2017	Dec 2017
ASSETS				
Non-current assets				
<i>Long-term investments</i>				
Investments in subsidiaries		1,189,952	594,410	1,134,604
Receivables from group companies		568,936	691,885	576,919
Total non-current assets		1,758,888	1,286,295	1,711,523
Current assets				
Other receivables from group companies		—	—	1,095,492
Accrued income interest from group companies		11,756	9,513	8,656
Cash and cash equivalents		216	99	3,257
Total current assets		11,973	9,612	1,107,405
TOTAL ASSETS		1,770,861	1,295,907	2,818,928
EQUITY AND LIABILITIES				
Equity				
Share capital		56	56	56
Other paid in capital		569,170	569,170	569,170
Retained earnings		16,515	(870)	1,075,664
Total equity		585,741	568,356	1,644,890
Non-current liabilities				
Long-term borrowings	1	1,132,639	691,885	1,137,262
Liabilities to group companies		33,190	26,153	26,153
Total non-current liabilities		1,165,829	718,038	1,163,415
Current liabilities				
Trade payables		—	—	3,992
Accrued interest expenses	1	19,291	9,513	6,626
Other current liabilities		—	—	5
Total current liabilities		19,291	9,513	10,623
TOTAL EQUITY AND LIABILITIES		1,770,861	1,295,907	2,818,928

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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
Balance at January 1, 2018	56	569,170	1,075,664	1,644,890
Result for the period	—	—	(19,004)	(19,004)
Dividend	—	—	(1,095,493)	(1,095,493)
Shareholders contribution	—	—	55,348	55,348
Balance at September 30, 2018	56	569,170	16,515	585,741

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
Balance at January 1, 2017	56	569,170	(869)	568,357
Result for the period	—	—	(1)	(1)
Balance at September 30, 2017	56	569,170	(870)	568,356

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
Balance at January 1, 2017	56	569,170	(869)	568,357
Result for the period	—	—	1,076,533	1,076,533
Balance at December 31, 2017	56	569,170	1,075,664	1,644,890

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Parent company statements of cash flows

EUR thousand	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017
Operating activities		—		—
Operating profit	—	—	(7)	— 1
Cash flow from operating activities before change in working capital	—	—	(7)	— 1
Change in working capital				
Change in trade payables	1	—	(3,999)	—
Cash flow from change in working capital . .	1	—	(3,999)	—
Cash flow from operating activities	1	—	(4,006)	— 1
Investing activities				
Cash flow from investing activities	—	—	—	—
Financing activities				
New loans from Group companies	—	—	6,906	—
Paid bank and advisory fees	—	—	1,730	—
Interest paid	—	—	(7,673)	—
Cash flow from financing activities	1	—	963	—
Cash flow for the period	1	—	(3,043)	— 1
Cash and cash equivalents at start of period	215	99	3,257	100
Exchange difference on translating cash and cash equivalents	—	—	2	—
Cash and cash equivalents at end of period	216	99	216	99

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Note 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 2017, except for the implementation of the sections regarding IFRS 15 and IFRS 9 in RFR 2. The implementation has not had an effect on the financial position of the parent company.

These financial statements should be read in conjunction with the annual report 2017.

Note 1 Borrowings

EUR thousand	Sep 2018			Sep 2017		
	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
Unsecured						
Private Unsecured Notes	—	—	—	9,513	691,885	701,398
Senior Unsecured Notes	19,291	1,132,639	1,151,930	—	—	—
Total borrowings (carrying amount)	19,291	1,132,639	1,151,930	9,513	691,885	701,398

EUR thousand	Dec 2017		
	Current liabilities	Non-current liabilities	Total
Private Unsecured Notes	—	—	—
Senior Unsecured Notes	6,626	1,137,262	1,143,888
Total borrowings (carrying amount)	6,626	1,137,262	1,143,888

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Quarterly summary

Quarterly summary presents non-IFRS financial and operating information

EUR thousand (if not otherwise stated)	Jul-Sep 2018	Apr-Jun 2018	Jan-Mar 2018	Oct-Dec 2017	Jul-Sep 2017
Portfolio services segment:					
Total subscribers (end of period), units . . .	2,840,897	2,754,103	2,665,934	2,586,123	2,502,806
Cancellation, units	41,539	41,008	43,716	39,887	36,036
Attrition rate (LTM)	6.2%	6.2%	6.3%	6.3%	6.4%
Net subscriber growth, units ⁽¹⁾	86,794	88,169	79,811	83,317	70,550
Subscriber growth rate, net	13.5%	13.2%	13.1%	12.7%	14.5%
Average monthly revenue per user (ARPU), (in EUR)	40.0	40.2	40.4	39.4	39.5
Monthly adjusted EBITDA per subscriber (EPC), (in EUR)	27.0	26.9	27.1	25.7	26.3
Portfolio Revenue	336,515	326,562	318,052	300,932	292,953
Portfolio Adjusted EBITDA	226,750	218,595	212,921	196,005	194,669
Portfolio Adjusted EBITDA margin	67.4%	66.9%	66.9%	65.1%	66.5%
Customer acquisition segment:					
New subscribers added (gross)	128,333	129,072	123,527	115,885	108,910
Cash acquisition cost per new subscriber (CPA), (in EUR)	1,209	1,171	1,170	1,184	1,162
Customer acquisition Revenue	65,982	67,783	68,253	64,784	56,127
Customer acquisition Adjusted EBITDA . . .	(66,010)	(65,984)	(62,196)	(55,779)	(49,847)
Customer acquisition Capital expenditures .	89,156	85,141	85,895	81,435	76,754
Adjacencies segment:					
Adjacencies revenue	4,605	3,580	4,904	493	588
Adjacencies adjusted EBITDA	(84)	(468)	(1,428)	77	144
Consolidated:					
Excluding SDI and IFRS 15 adjustment					
Payback period (in years)	3.7	3.6	3.6	3.8	3.7
Revenue	407,103	397,925	391,209	366,209	349,668
Adjusted EBITDA	160,656	152,143	149,297	140,305	144,966
Adjusted EBITDA margin	39.5%	38.2%	38.2%	38.3%	41.5%
Capital expenditures	122,748	117,749	114,486	130,294	101,078
Reported (including SDI and IFRS 15 adjustment)					
Revenue	404,065	392,057	384,221	360,190	345,759
Adjusted EBITDA	153,083	140,925	136,013	124,245	132,834

All amounts are before SDI, unless otherwise stated. Also comparatives have been restated. Refer to note 2 for reconciliation.

(1) Differences in reconciliation with end of period subscriber data are primarily due to acquisitions of contract portfolios.

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Malmö, November 2, 2018

Austin Lally
CEO

Stefan Götz

Adrien Motte

Cecilia Hultén
Chairman

Fredrik Östman

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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
Gross profit		668,044	534,907
Selling expenses	5,7,11	– 167,159	– 145,882
Administrative expenses	5,6,7,8,11	– 326,411	– 290,957
Operating profit		174,474	98,068
Finance income	12	9,530	423
Finance costs	12	– 264,558	– 141,293
Result before tax		– 80,554	– 42,802
Income tax expense and benefit	13	– 2,071	– 14,599
Result for the period		– 82,625	– 57,401
Whereof attributable to:			
—Parent company		– 82,669	– 56,285
—Non-controlling interest		44	– 1,116

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Consolidated statement of comprehensive income

EUR thousand	Note	2017	2016
Result for the year		– 82,625	– 57,401
Other comprehensive income			
Items that will not be reclassified to the income statement			
Re-measurements of defined benefit plans net of tax		– 651	220
Items that subsequently may be reclassified to the income statement			
Currency translation differences on foreign operations		13,811	– 14,179
Other comprehensive income		13,160	– 13,959
Total comprehensive income for the year		– 69,465	– 71,360
Whereof attributable to:			
—Parent company		– 69,509	– 70,244
—Non-controlling interest		44	– 1,116

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Consolidated statement of financial position

EUR thousand	Note	2017	2016
ASSETS			
Non-current assets			
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
Total non-current assets		4,041,401	2,900,863
Current assets			
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
Total current assets		285,663	217,497
TOTAL ASSETS		4,327,064	3,118,360
EQUITY AND LIABILITIES			
Equity			
Share capital	25	56	56
Other paid in capital		569,168	569,168
Other reserves		47,926	34,766
Retained earnings		– 1,169,176	– 1,089,014
Equity attributable to equity holders of the parent company		– 552,026	– 485,023
Non-controlling interest		– 1,802	– 1,846
Total equity		– 553,828	– 486,869
Non-current liabilities			
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
Total non-current liabilities		4,419,344	3,196,692
Current liabilities			
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
Total current liabilities		461,548	408,537
TOTAL EQUITY AND LIABILITIES		4,327,064	3,118,360

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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	
Balance at January 2017	56	569,168	34,766	− 1,089,014	− 485,023	− 1,846	− 486,869
Result for the year	—	—	—	− 82,669	− 82,669	44	− 82,625
Other comprehensive income for the year	—	—	13,160	—	13,160	—	13,160
Total comprehensive income for the year	—	—	13,160	− 82,669	− 69,509	44	− 69,465
Group contribution	—	—	—	2,506	2,506	—	2,506
Balance at December 2017	56	569,168	47,926	− 1,169,176	− 552,026	− 1,802	− 553,828

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	
Balance at January 2016	56	569,168	48,726	− 922,036	− 304,086	− 1,214	− 305,300
Result for the year	—	—	—	− 56,285	− 56,285	− 1,116	− 57,401
Other comprehensive income for the year	—	—	− 13,959	—	− 13,959	—	− 13,959
Total comprehensive income for the year	—	—	− 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
Total transactions with owners	—	—	—	− 107,209	− 107,209	—	− 107,209
Transactions with non-controlling interest	—	—	—	− 3,484	− 3,484	484	− 3,000
Balance at December 2016	56	569,168	34,766	− 1,089,014	− 485,023	− 1,846	− 486,869

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Consolidated statement of cash flows

EUR thousand	Note	2017	2016
Operating activities			
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
Cash flow from operating activities before change in working capital		486,566	398,142
Change in working capital			
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
Cash flow from change in working capital		34,074	32,239
Cash flow from operating activities		520,641	430,381
Investing activities			
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	—
Cash flow from investing activities		– 436,743	– 387,883
Financing activities	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
Cash flow from financing activities		– 75,442	– 42,992
Cash flow for the period		8,456	– 494
Cash and cash equivalents at start of period		5,985	6,356
Exchange difference on translating cash and cash equivalents . .		– 195	123
Cash and cash equivalents at end of period		14,245	5,985

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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.



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Notes to the Financial Statements (Continued)

Note 1 Accounting Policies (Continued)

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

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Notes to the Financial Statements (Continued)

Note 1 Accounting Policies (Continued)

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

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Notes to the Financial Statements (Continued)

Note 1 Accounting Policies (Continued)

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.

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Notes to the Financial Statements (Continued)

Note 1 Accounting Policies (Continued)

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.

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Notes to the Financial Statements (Continued)

Note 1 Accounting Policies (Continued)

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.

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Notes to the Financial Statements (Continued)

Note 1 Accounting Policies (Continued)

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.

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Notes to the Financial Statements (Continued)

Note 1 Accounting Policies (Continued)

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 it 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

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Notes to the Financial Statements (Continued)

Note 1 Accounting Policies (Continued)

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.

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Notes to the Financial Statements (Continued)

Note 1 Accounting Policies (Continued)

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.

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Notes to the Financial Statements (Continued)

Note 2 Critical Accounting Estimates and Judgements (Continued)

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

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Notes to the Financial Statements (Continued)

Note 2 Critical Accounting Estimates and Judgements (Continued)

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,

Notes to the Financial Statements (Continued)

Note 3 Segment Reporting (Continued)

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 ⁽¹⁾ .		—		—	–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
Result before tax		—		—	–80,554	–41,597

(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.

Notes to the Financial Statements (Continued)

Note 4 Disposal of Subsidiaries and Business Combinations (Continued)

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
Total identifiable net assets	3,327
Goodwill	2,767
Total	6,094

Net cash outflow from acquisition of subsidiaries

EUR thousand	2017
Consideration paid in cash	6,094
Less acquired cash	– 641
Net cash outflow	5,453

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
Total operating expenses	1,227,776	1,086,422

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.

Notes to the Financial Statements (Continued)

Note 6 Audit Fees

EUR thousand	2017	2016
PwC		
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
Total PwC	3,414	5,308
Other auditors		
Audit assignments	4	7
Tax consultancy	31	15
Other services	—	2
Total other auditors	34	24
Total for the Group	3,449	5,332

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
Total employee benefit expense	516,556	419,434

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
Total	9,254	7,566

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 ⁽¹⁾	49,817	40,878
Write down of long term assets	—	– 1,071
Other	423	—
Total	50,240	39,807

(1) Relates primarily to retirement of installed equipment due to cancellation of customer subscriptions.

Notes to the Financial Statements (Continued)

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
Total depreciation and amortisation	298,516	285,907

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
Total depreciation and amortisation	298,516	285,907

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
Finance income	9,530	423
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
Finance costs	– 264,558	– 141,293
Finance income and costs	– 255,028	– 140,870

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.

Notes to the Financial Statements (Continued)

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%
Total income tax benefit	– 2,071	2.6%	– 14,599	35.1%

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 ⁽¹⁾	– 33.3%	4,129	– 9.9%
Non-recognised deferred tax assets on losses carried forward, new losses as well as utilized losses	– 35,080 ⁽²⁾	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%
Income tax benefit	– 2,071	2.6%	– 14,599	35.1%

(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	—

Notes to the Financial Statements (Continued)

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
Cost at end of year	946,291	104,384	1,050,675
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
Accumulated amortisation at end of year	- 372,279	- 70,173	- 442,452
Net book value at end of year	574,012	34,211	608,223

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
Cost at end of year	813,081	86,698	899,779
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
Accumulated amortisation at end of year	- 335,504	- 62,779	- 398,283
Net book value at end of year	477,577	23,919	501,496

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

EUR thousand	2017	2016
Cost at beginning of year	872,567	861,109
Acquisition via subsidiaries	2,767	7,676
Translation differences	- 5,736	3,782
Cost at end of year	869,598	872,567

Notes to the Financial Statements (Continued)

Note 16 Goodwill (Continued)

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
Total	869,598	872,567

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.

Notes to the Financial Statements (Continued)

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
Cost at end of year	2,051,023	1,943,049
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
Accumulated amortisation at end of year	– 973,894	– 804,840
Net book value at end of year	1,077,129	1,138,209

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
Cost at end of year	310,018	254,722
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
Accumulated amortisation at end of year	– 163,788	– 128,690
Net book value at end of year	146,230	126,032

Out of the total book value, EUR 72,781 thousand (51,212) relates to internally developed intangible assets.

Notes to the Financial Statements (Continued)

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
Total deferred tax assets	71,194	66,922
Netting ⁽¹⁾	– 46,774	– 61,207
Total deferred tax assets	24,420	5,715
Deferred tax liabilities, EUR thousand	2017	2016
Temporary differences on intangible and tangible fixed assets	29,961	29,050
Acquisition-related intangible assets ⁽²⁾	175,608	234,116
Customer acquisition costs	82,429	62,133
Other temporary differences	21,218	18,487
Total deferred tax liabilities	309,216	343,786
Netting ⁽¹⁾	– 46,774	– 61,207
Total deferred tax liabilities	262,443	282,579
Deferred net tax liabilities	– 238,022	– 276,864

(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.

Notes to the Financial Statements (Continued)

Note 20 Financial Risk Management (Continued)

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
Total trade receivables	123,255	98,686

Financial instruments by category and valuation level

EUR thousand	2017	2016
Financial assets at fair value through profit or loss⁽¹⁾		
<i>Derivatives</i>		
Currency forwards	6,062	—
Financial liabilities at fair value through profit or loss⁽¹⁾		
<i>Derivatives</i>		
Interest rate swaps	—	—
Currency forwards	222	2,275
Interest floor ⁽²⁾	—	—
Total	6,284	2,275
Loans and receivables at amortised cost		
Trade and other receivables	1,309,739	256,844
Trade receivables ⁽³⁾	123,255	98,686
Other current receivables ⁽³⁾	28,286	20,972
Cash and cash equivalent	14,245	5,985
Other financial liabilities at amortised cost		
Long-term borrowings ⁽⁴⁾	4,112,790	2,791,787
Other non-current liabilities ⁽³⁾	41,795	14,715
Trade payables ⁽³⁾	115,846	86,005
Short-term borrowings ⁽³⁾	53,072	61,394
Other current liabilities ⁽³⁾	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.

Notes to the Financial Statements (Continued)

Note 20 Financial Risk Management (Continued)

- (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
Long-term borrowings (principal amount)		
EUR liabilities	4,017,265	2,413,170
SEK liabilities	167,618	570,012
Total	4,184,883	2,983,182
Short-term borrowings		
EUR liabilities	29,596	20,856
Other currencies	281	—
Total	29,877	20,856

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.

Notes to the Financial Statements (Continued)

Note 20 Financial Risk Management (Continued)

Liquidity report

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 ⁽²⁾	– 2,063	– 4,563	—	– 6,626
Other non-current liabilities	– 41,795	—	—	– 41,795
Trade payables	– 115,846	—	—	– 115,846
Short-term borrowings ⁽³⁾	– 29,877	—	—	– 29,877
Derivatives, currency forwards	– 196,950	– 267,072	—	– 464,022
Other current liabilities	– 32,297	—	—	– 32,297
Total outflow	– 594,540	– 1,042,102	– 4,206,484	– 5,843,106
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
Total inflow	348,269	1,354,228	230,511	1,933,008
Net cash flow, total⁽¹⁾	– 246,251	312,126	– 3,975,973	– 3,910,098

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 ⁽³⁾	– 20,856	—	—	– 20,856
Derivatives, currency forwards	– 175,727	—	—	– 175,727
Other current liabilities	– 34,205	—	—	– 34,205
Total outflow	– 494,617	– 675,951	– 3,123,444	– 4,294,012
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
Total inflow	296,583	28,839	228,005	553,427
Net cash flow, total⁽¹⁾	– 198,034	– 647,112	– 2,895,439	– 3,740,585

(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 (Continued)

Note 20 Financial Risk Management (Continued)

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 .	+/- 10 percentage point	Decrease/increase of approximately EUR 30 (29) million in operating result.
Interest rate	+/- 1 percentage point	Decrease of approximately EUR 16 (3) million in net finance income and costs.
Currency rate EUR/SEK	+/- 10 percentage point	Increase/decrease of approximately EUR 23 (21) million in revenue. Increase/decrease of approximately EUR 8 (7) million in operating result.
Currency rate EUR/NOK	+/- 10 percentage point	Increase/decrease of approximately EUR 12 (11) million in revenue. 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

Notes to the Financial Statements (Continued)

Note 20 Financial Risk Management (Continued)

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
Net debt	4,199,824	2,997,369
Total assets	4,327,064	3,118,360
Adjusted EBITDA	557,554	452,485
Portfolio EBITDA	760,373	629,846

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
Total	1,309,739	256,844

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
Total trade receivables	123,255	98,686

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
Total past due dates trade receivables	54,361	49,656

Notes to the Financial Statements (Continued)

Note 23 Trade Receivables (Continued)

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
Balance at end of year	41,325	33,103

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
Hedging activities						
Currency derivatives	4,449	222	4,227	—	2,275	2,275
Interest floor	1,613	—	1,613	—	—	—
Total	6,062	222	5,840	—	—	—
Classified as						
Non-current	6,062	—	6,062	—	—	—
Current	—	222	222	—	2,275	2,275
Total	6,062	222	5,840	—	2,275	2,275

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
Number of shares at end of year	500,000	500,000

Notes to the Financial Statements (Continued)

Note 26 Borrowings

EUR thousand	2017		
	Principal amount	Adjustment amortised costs	Carrying amount
Non-current liabilities			
Secured			
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
Unsecured			
Private Unsecured Notes	—	—	—
Senior Unsecure Notes	1,147,618	– 12,639	1,134,979
Liabilities to other creditors	12,630	—	12,630
Finance lease liability	1,198	—	1,198
Total non-current liabilities	4,184,883	– 72,093	4,112,790
Current liabilities			
Accrued interest expenses	23,195	—	23,195
Other liabilities	29,420	—	29,420
Finance lease liability	457	—	457
Total current liabilities	53,072	—	53,072
Total borrowings	4,237,955	– 72,093	4,165,862

EUR thousand	2016		
	Principal amount	Adjustment amortised costs	Carrying amount
Non-current liabilities			
Secured			
Senior Secured Notes	700,000	– 16,379	683,621
Term Loan B	1,540,178	– 39,233	1,500,945
Revolver Credit Facility	23,685	– 6,580	17,105
Unsecured			
Private Unsecured Notes	694,834	– 23,151	671,683
Liabilities to other creditors	22,855	—	22,855
Finance lease liability	1,630	—	1,630
Total non-current liabilities	2,983,182	– 85,343	2,897,839
Current liabilities			
Accrued interest expenses	40,538	—	40,538
Other liabilities	20,280	—	20,280
Finance lease liability	576	—	576
Total current liabilities	61,394	—	61,394
Total borrowings	3,044,576	– 85,343	2,959,233

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.

Notes to the Financial Statements (Continued)

Note 26 Borrowings (Continued)

Net Debt Bridge

EUR thousand	2017	2016
Total principal amount	4,237,955	3,044,576
Less accrued interest	– 23,195	– 40,538
Indebtness	4,214,760	3,004,038
Less financial receivable, non-current	– 691	– 684
Less cash and cash equivalents	– 14,245	– 5,985
Net debt	4,199,824	2,997,369

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:

2017	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
EUR	2,118,440	3.0	1,610,000	5.8	4.6	3,728,440
SEK	442,618	4.5	—	—	—	442,618
Total	2,561,058		1,610,000			4,171,058

2016	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
EUR	1,688,690	4.9	700,000	6.0	5.8	2,388,690
SEK	570,010	6.8	—	—	—	570,010
Total	2,258,700		700,000			2,958,700

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.

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Notes to the Financial Statements (Continued)

Note 26 Borrowings (Continued)

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
	<u>2,853,181</u>	<u>1,176,083</u>	<u>405</u>	<u>119,302</u>	<u>– 6 304</u>	<u>23,195</u>	<u>4,165,862</u>
Cash and cash equivalents	5,985	8,455	—	—	– 195	—	14,245
	<u>5,985</u>	<u>8,455</u>	<u>—</u>	<u>—</u>	<u>– 195</u>	<u>—</u>	<u>14,245</u>
Total	<u>2,847,196</u>	<u>1,167,628</u>	<u>405</u>	<u>119,302</u>	<u>– 6,109</u>	<u>23,195</u>	<u>4,151,617</u>

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
Balance at end of year	<u>2,319</u>	<u>1,558</u>

Breakdown

EUR thousand	2016	2015
Provision for staff-related costs	1,634	1,080
Other items	685	478
Total other provisions	<u>2,319</u>	<u>1,558</u>

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
Total accrued expenses and deferred income	<u>243,364</u>	<u>210,639</u>

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Notes to the Financial Statements (Continued)

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
Gross profit	534,907		534,907
Selling expenses	– 145,882		– 145,882
Administrative expenses	– 290,957		– 290,957
Operating profit	98,068		98,068
Finance income	423		423
Finance costs	– 140,088	– 1,205	– 141,293
Result before tax	– 41,597	– 1,205	– 42,802
Income tax expense and benefit	– 14,599		– 14,599
Result for the period	– 56,196	– 1,205	– 57,401
Whereof attributable to:			
—Parent company	– 55,080	– 1,205	– 56,285
—Non-controlling interest	– 1,116		– 1,116

Notes to the Financial Statements (Continued)

Note 30 Changes in Accounting Policy (Continued)

EUR thousand	2016—Before adjustment	Adjustment	2016—New comparative
ASSETS			
Non-current assets			
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
Total non-current assets	2,900,863	—	2,900,863
Current assets			
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
Total current assets	217,497	—	217,497
TOTAL ASSETS	3,118,360	—	3,118,360

EUR thousand	2016—Before adjustment	Adjustment	2016—New comparative
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
Equity attributable to equity holders of the parent company	– 486,396	1,373	– 485,023
Non-controlling interest	– 1,846		– 1,846
Total equity	– 488,242	1,373	– 486,869
Non-current liabilities			
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
Total non-current liabilities	3,198,065	– 1,373	3,196,692
Current liabilities			
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
Total current liabilities	408,537	—	408,537
TOTAL EQUITY AND LIABILITIES	3,118,360	—	3,118,360

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Notes to the Financial Statements (Continued)

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

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Notes to the Financial Statements (Continued)

Note 31 New Standards and Interpretations not yet adopted (Continued)

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
Gross profit	668,044	– 22,348	645,696
Selling expenses	– 167,159		– 167,159
Administrative expenses	– 326,411		– 326,411
Operating profit	174,474	– 22,348	152,126
Finance income	9,530		9,530
Finance costs	– 264,558		– 264,558
Result before tax	– 80,554	– 22,348	– 102,902
Income tax expense and benefit	– 2,071	5,632	3,561
Result for the period	– 82,625	– 16,716	– 99,341
Whereof attributable to:			
Parent company	– 82,669	– 16,107	– 98,776
Non-controlling interest	44	– 609	– 565

Notes to the Financial Statements (Continued)

Note 31 New Standards and Interpretations not yet adopted (Continued)

Consolidated statement of financial position

EUR thousand	2017	IFRS 15 adjustment	2017—new comparative
ASSETS			
Non-current assets			
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
Total non-current assets	4,041,401	113	4,041,514
Current assets			
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
Total current assets	285,663	—	285,663
TOTAL ASSETS	4,327,064	113	4,327,177
EQUITY AND LIABILITIES			
Equity			
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
Equity attributable to equity holders of the parent company	– 552,026	– 16,107	– 568,133
Non-controlling interest	– 1,802	– 609	– 2,411
Total equity	– 553,828	– 16,716	– 570,544
Non-current liabilities			
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
Total non-current liabilities	4,419,344	– 5,519	4,413,825
Current liabilities			
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
Total current liabilities	461,548	22,348	483,896
TOTAL EQUITY AND LIABILITIES	4,327,064	113	4,327,177

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Parent Company Financial Statement
Parent Company Income Statement

EUR thousand	Note	2017	2016
Administrative expenses		— 25	—
Operating profit		— 25	—
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	—
Result before tax		1,076,533	110,000
Income tax expense and benefit		—	—
Result for the period		1,076,534	110,000

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Parent Company Statements of Financial Position

EUR thousand	Note	2017	2016
ASSETS			
Non-current assets			
Long-term investments			
Investments in subsidiaries	2	1,134,604	594,410
Receivables from Group companies		576,919	694,834
Total non-current assets		1,711,523	1,289,244
Current assets			
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
Total current assets		1,107,405	9,495
TOTAL ASSETS		2,818,928	1,298,739
EQUITY AND LIABILITIES			
Equity			
Share capital	25	56	56
Other paid in capital		569,170	569,170
Retained earnings		1,075,664	— 869
Total equity		1,644,890	568,357
Non-current liabilities			
Long-term borrowings	1	1,137,262	694,834
Total non-current liabilities		1,137,262	694,834
Current liabilities			
Trade payables		3,992	—
Liabilities to Group companies		26,153	26,153
Accrued interest expenses	1	6,626	9,395
Other current liabilities		5	—
Total current liabilities		36,776	35,548
TOTAL EQUITY AND LIABILITIES		2,818,928	1,298,739

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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
Balance at January 2017	56	569,170	– 869	568,357
Result for the period	—	—	1,076,533	1,076,533
Total comprehensive income for the year	—	—	1,076,533	1,076,533
Balance at December 2017	56	569,170	1,075,664	1,644,890

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
Balance at January 2016	56	569,170	– 869	568,357
Result for the period	—	—	110,000	110,000
Total comprehensive income for the year	—	—	110,000	110,000
Divident to Group company	—	—	– 110,000	– 110,000
Total transactions with owners	—	—	– 110,000	– 110,000
Balance at December 2016	56	569,170	– 869	568,357

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Parent Company Statement of Cash Flows

EUR thousand	2017	2016
Operating activities		
Operating profit	— 25	—
Cash flow from operating activities before change in working capital	— 25	—
Change in working capital		
Cash flow from change in working capital	3,999	—
Cash flow from operating activities	3,974	—
Investing activities		
Cash flow from investing activities	—	—
Financing activities		
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 comapnies	120,846	—
Cash flow from financing activities	— 817	—
Cash flow for the period	3,157	—
Cash and cash equivalents at start of period	100	100
Exchange difference on translating cash and cash equivalents	—	—
Cash and cash equivalents at end of period	3,257	100

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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
Unsecured			
Senior Unsecured Notes	6,626	1,137,262	1,143,888
Total borrowings (carrying amount)	6,626	1,137,262	1,143,888

EUR thousand	2016		
	Current liabilities	Non-current liabilities	Total
Unsecured			
Private Unsecured Notes	9,395	694,834	704,229
Total borrowings (carrying amount)	9,395	694,834	704,229

Note 2 Investments in Subsidiaries

EUR thousand	2017	2016
Opening acquisition value	594,410	594,410
Capital increase	540,194	—
Closing accumulated acquisition value	1,134,604	594,410

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Notes to the Parent Company Financial Statements (Continued)

Note 2 Investments in Subsidiaries (Continued)

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
Total					1,134,604	594,410

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

EUR thousand	2017	2016
Shares in subsidiaries	1,134,604	594,410

There are no contingent liabilities in 2017 and 2016.

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April 25 2018, Malmö

Austin Lally CEO	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

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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

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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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Consolidated financial statement
Consolidated income statement

EUR thousand	Note	2016	2015
Revenue		1,184,490	1,011,820
Cost of sales	3,5,7,9,11	– 649,583	– 573,462
Gross profit		534,907	438,358
Selling expenses	5,7,11	– 145,882	– 126,129
Administrative expenses	5,6,7,8,9,11	– 290,957	– 262,983
Operating profit		98,068	48,455
Finance income	12	423	825
Finance costs	12	– 140,088	– 365,665
Result before tax		– 41,597	– 316,385
Income tax expense and benefit	13	– 14,599	4,960
Result for the period		– 56,196	– 311,425
Whereof attributable to:			
—Parent company		– 55,080	– 308,994
—Non-controlling interest		– 1,116	– 2,431

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Consolidated statement of comprehensive income

EUR thousand	Note	2016	2015
Result for the year		– 56,196	– 311,425
Other comprehensive income			
Items that will not be reclassified to the income statement			
Re-measurements of defined benefit plans net of tax		220	8
Items that subsequently may be reclassified to the income statement			
Currency translation differences on foreign operations		– 14,179	11,543
Other comprehensive income		– 13,959	11,551
Total comprehensive income for the year		– 70,155	– 299,874
Whereof attributable to:			
—Parent company		– 69,039	– 297,443
—Non-controlling interest		– 1,116	– 2, 431

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Consolidated statement of financial position

EUR thousand	Note	2016	2015
ASSETS			
Non-current assets			
Property, plant and equipment	15	501,496	408,358
Goodwill	16	872,567	861,109
Customer portfolio	17	1,138,209	1,162,071
Other intangible assets	18	126,032	124,899
Deferred tax assets	19	5,715	5,779
Trade and other receivables	20,21	256,844	252,268
Total non-current assets		2,900,863	2,814,484
Current assets			
Inventories	22	62,585	59,868
Trade receivables	20,23	98,686	89,682
Current tax assets		12,961	11,302
Derivatives	20,24	—	210
Prepayments and accrued income		16,308	12,917
Other current receivables	20	20,972	17,992
Cash and cash equivalents	20	5,985	6,356
Total current assets		217,497	198,327
TOTAL ASSETS		3,118,360	3,012,811
EQUITY AND LIABILITIES			
Equity			
Share capital	25	56	56
Other paid in capital		569,168	569,168
Other reserves		34,766	48,726
Retained earnings		— 1,090,386	— 924,614
Equity attributable to equity holders of the parent company		— 486,396	— 306,664
Non-controlling interest		— 1,846	— 1,214
Total equity		— 488,242	— 307,878
Non-current liabilities			
Long-term borrowings	20,26	2,791,787	2,592,859
Derivatives	20,24	107,426	109,975
Other non-current liabilities	20	14,715	17,102
Deferred tax liabilities	19	282,579	280,617
Other provisions	27	1,558	4,000
Total non-current liabilities		3,198,065	3,004,553
Current liabilities			
Trade payables	20	86,005	69,176
Current tax payable		14,019	12,276
Short-term borrowings	20,26	61,394	40,843
Derivatives	20,24	2,275	4,160
Accrued expenses and deferred income	28	210,639	162,635
Other current liabilities	20	34,205	27,046
Total current liabilities		408,537	316,136
TOTAL EQUITY AND LIABILITIES		3,118,360	3,012,811

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Consolidated statements of changes in equity

	Attributable to equity holders of the parent company and non-controlling interest						
EUR thousand	Share capital	Other paid in capital	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January							
2016	56	569,168	48,726	− 924,614	− 306,664	− 1,214	− 307,878
Result for the year . .	—	—	—	− 55,080	− 55,080	− 1,116	− 56,196
Other comprehensive income for the year	—	—	− 13,959	—	− 13,959	—	− 13,959
<i>Total comprehensive income for the year</i>	—	—	− 13,959	− 55,080	− 69,039	− 1,116	− 70,155
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
Balance at							
December 2016 . .	56	569,168	34,766	− 1,090,386	− 486,396	− 1,846	− 488,242

	Attributable to equity holders of the parent company and non-controlling interest						
EUR thousand	Share capital	Other paid in capital	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January							
2015	56	569,168	37,175	− 555,728	50,671	1,072	51,743
Result for the year	—	—	—	− 308,996	− 308,996	− 2,431	− 311,427
Other comprehensive income for the year .	—	—	11,551	—	11,551	145	11,696
<i>Total comprehensive income for the year</i> .	—	—	11,551	− 308,996	− 297,445	− 2,286	− 299,731
Shareholder's contribution	—	—	—	25,285	25,285	—	25,285
Group contribution . . .	—	—	—	89,668	89,668	—	89,668
Dividend	—	—	—	− 161,327	− 161,327	—	− 161,327
Other distribution to owners	—	—	—	− 13,516	− 13,516	—	− 13,516
<i>Total transaction with owners</i>	—	—	—	− 59,890	− 59,890	—	− 59,890
Balance at December							
2015	56	569,168	48,726	− 924,614	− 306,664	− 1,214	− 307,878

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Consolidated statement of cash flows

EUR thousand	Note	2016	2015
Operating activities			
Operating profit		98,070	48,455
Reversal of depreciation and amortisation	11	285,907	255,190
Other non-cash items	9	39,807	35,728
Income tax paid		-25,642	-32,013
Cash flow from operating activities before change in working capital		398,142	307,360
Change in working capital			
Change in inventories		-344	-5,135
Change in trade receivables		-9,858	-13,925
Change in other receivables		-16,013	863
Change in trade payables		13,457	6,428
Change in other payables		44,997	21,313
Cash flow from change in working capital		32,239	9,544
Cash flow from operating activities		430,381	316,904
Investing activities			
Purchase of property, plant and equipment	15	-181,391	-147,676
Purchase of intangible assets	17,18	-141,570	-107,306
Acquisition of subsidiaries	4	-58,141	-46,110
Settlement of deferred consideration		-3,781	-2,386
Acquisition of non-controlling interest		-3,000	—
Cash flow from investing activities		-387,883	-303,478
Financing activities			
Change in revolver credit facility		-20,284	-5,104
Paid bank and advisory fees, new financing		-10,480	-87,867
New financing		245,000	2,700,000
Repayment of old term debt		—	-1,508,428
Repayment of shareholder funding instrument		—	-724,157
Call cost old debt		—	-54,675
Interest received		409	876
Interest paid		-155,653	-151,662
Other financial items		-4,454	-8,868
Paid in capital from non-controlling interest		—	1,145
Received shareholders contribution		12,470	—
Paid distribution		-110,000	-161,327
Other distribution to owners		—	-13,516
Cash flow from financing activities		-42,992	-13,583
Cash flow for the period		-494	-157
Cash and cash equivalents at start of period		6,356	6,691
Exchange difference on translating cash and cash equivalents		123	-178
Cash and cash equivalents at end of period		5,985	6,356

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Notes to the 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 Ångbåtsbron 1, Box 392, 201 23 Malmö.

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

We are 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 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.





Notes to the financial statements (Continued)

Note 1 Accounting policies (Continued)

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 and 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 presented are translated at the closing rate on the 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.

On consolidation, the assets and liabilities of entities with a functional currency other than euro are expressed in euro using exchange rates prevailing at the end of reporting period date. Income and expense items and cash flows are translated at the average exchange rates for the period and exchange differences arising are recognised in 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 on 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





Notes to the financial statements (Continued)

Note 1 Accounting policies (Continued)

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, 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





Notes to the financial statements (Continued)

Note 1 Accounting policies (Continued)

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 on the acquisition date of identifiable acquired net assets, 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

The Group offers both defined contribution and defined benefit pension plans.

Defined contribution plans are post-employment benefit schemes under which the company pays fixed contributions into a separate legal entity and has 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. The pension calculations are based on actuarial assumptions.

The Group's contributions to defined contribution pension plans are charged to the income statement as they fall due.

All pension liabilities in Swedish units are classified as defined contribution plans, except for some employees covered by insurance premiums paid to Alecta. This is a defined benefit plan which covers multiple employees. For the financial year 2016, the Group did not have access to the information required to allow this plan to be reported as a defined benefit plan. The pension obligations are therefore recognised as a defined contribution plan.

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



Notes to the financial statements (Continued)

Note 1 Accounting policies (Continued)

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	5-16 years
Other machinery and equipment	3-10 years

Machinery and equipment are primarily alarm equipment installed on customers’ premises.

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

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Notes to the financial statements (Continued)

Note 1 Accounting policies (Continued)

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 four-year 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	5-16 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

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Notes to the financial statements (Continued)

Note 1 Accounting policies (Continued)

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

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Notes to the financial statements (Continued)

Note 1 Accounting policies (Continued)

The classification depends on the purpose for which the financial assets were acquired. Management determines the designation of it 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.

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Notes to the financial statements (Continued)

Note 1 Accounting policies (Continued)

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, 2016 that has had a material impact on the Group.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017, 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. The Group is yet to assess IFRS 9's full impact.

Notes to the financial statements (Continued)

Note 1 Accounting policies (Continued)

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. The company's current preliminary opinion is that the existing accounting principles concerning revenue recognition will need some adjustments and will result in somewhat postpone revenue and EBITDA. The effects to the financial statements will be further analysed and presented in the interim reports before the new standard becomes effective.

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. EU has not yet adopted the standard. 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.

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,

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Notes to the financial statements (Continued)

Note 2 Critical accounting estimates and judgements (Continued)

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 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 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 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 the Group's 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 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

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Notes to the financial statements (Continued)

Note 2 Critical accounting estimates and judgements (Continued)

therefore involves judgment 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 judgment 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 judgment 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. 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 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 macro-economic 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 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 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	2016	2015	2016	2015	2016	2015
	Customer acquisition		Portfolio services		Group	
Revenue	187,069	148,058	997,421	863,762	1,184,490	1,011,820
Segment adjusted EBITDA	– 177,361	– 160,933	629,846	521,775	452,485	360,842
Depreciation and amortisation ⁽¹⁾ . .	—	—	—	—	– 285,907	– 255,190
Retirements of assets	—	—	—	—	– 39,811	– 36,010
Items affecting comparability	—	—	—	—	– 28,699	– 21,186
Net finance items	—	—	—	—	– 139,665	– 364,841
Result before tax	—	—	—	—	– 41,597	– 316,385

(1) Whereof EUR 149.5 million (143.7) relates to amortisation expense resulting from the amortisation of intangible assets acquired in acquisitions.

Notes to the financial statements (Continued)

Note 4 Business combinations

NorAlarm AS

On July 1, 2016 the Group acquired 100% of the Norwegian company; NorAlarm AS. NorAlarm provides security services to residential customers in Norway. The purchase price amounted to NOK 92 million (approximately EUR 10.2 million). The company was consolidated in the Verisure Midholding Group as of July 1, 2016. The acquisition was strategic acquisition to strengthen our business in Norway.

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, NorAlarm has contributed EUR 2.8 million to Group revenue and EUR 0.2 million to adjusted EBITDA. The acquisition would, if it had been consolidated from January 1, 2016, have contributed to total revenue with EUR 6.5 million and to adjusted EBITDA with EUR 0.0 million.

Transaction costs of EUR 0.6 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 of NorAlarm

Recognised amounts of identifiable assets acquired and liabilities assumed

EUR thousand	2016
Cash and cash equivalents	158
Property, plant and equipment	2,379
Customer portfolio	6,293
Inventories	449
Trade and other receivables	773
Trade and other liabilities	– 1,238
Deferred tax liability	– 1,253
Total identifiable net assets	7,561
Goodwill	2,609
Total	10,170

Net cash outflow from acquisition of subsidiaries

EUR thousand	2016
Consideration paid in cash	10,170
Less acquired cash	– 158
Net cash outflow	10,012

Falck Alarm

On September 30, 2016 the Verisure Group entered into an agreement to acquire Falck Alarm’s portfolios in Denmark and Norway. The agreement is part of a sales cooperation between the Verisure Group and Falck Alarm. The acquisition of the Danish entity was executed on September 30, 2016 and the acquisition of the Norwegian entity was executed on December 1, 2016.

Falck Alarm provides security systems to residential customers in Denmark and Norway. The purchase price amounted to EUR 48.1 million. The Danish company was consolidated in the Verisure Midholding Group as of September 30, 2016 and the Norwegian entity was consolidated as of December 1, 2016.

Notes to the financial statements (Continued)

Note 4 Business combinations (Continued)

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 adjusted 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, the Danish entity has contributed EUR 3.2 million to group revenue and EUR 1.1 million to adjusted EBITDA. The acquisition would, if it had been consolidated from January 1, 2016, have contributed to total revenue with EUR 12.3 million and to adjusted EBITDA with EUR 2.6 million.

Transaction costs of EUR 0.2 million have been expensed and are included in administrative expenses.

For the reporting period, the Norwegian entity has contributed EUR 0.6 million to group revenue and EUR –0.2 million to adjusted EBITDA. The acquisition would, if it had been consolidated from September 1, 2016, have contributed to total revenue with EUR 2.3 million and to adjusted EBITDA with EUR –0.2 million.

Transaction costs of EUR 0.2 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	2016
Cash and cash equivalents	3
Property, plant and equipment	14,879
Customer portfolio and other intangible assets	48,778
Inventories	1,489
Trade and other receivables	2,608
Trade and other liabilities	– 12,461
Deferred tax liability	– 12,230
Total identifiable net assets	43,066
Goodwill	5,067
Total	48,133

Net cash outflow from acquisition of subsidiaries

EUR thousand	2016
Consideration paid in cash	48,133
Less acquired cash	– 3
Net cash outflow	48,130

Notes to the financial statements (Continued)

Note 5 Expenses by nature

EUR thousand	2016	2015
Costs of materials	38,434	34,952
Employee benefit expense	419,434	346,712
Depreciation and amortisation expense	285,907	255,190
Retirements of assets	39,811	36,010
Guarding services	23,115	22,710
Office costs	25,891	23,153
Telecommunications costs	23,292	17,530
Marketing-related costs	75,426	62,764
Integration costs	28,699	21,186
Other operating expenses	126,413	143,158
Total operating expenses	1,086,422	963,365

EUR thousand	2016	2015
Currency translation differences included in operating profit	1,555	–380
Currency translation differences included in finance income and costs are shown in note 12.		

Note 6 Audit fees

EUR thousand	2016	2015
PWC		
Audit assignments	1,016	922
Audit work apart from the audit assignment	151	72
Tax consultancy	3,773	1,053
Other services	368	441
Total PWC	5,308	2,488
Other auditors		
Audit assignments	7	36
Tax consultancy	15	—
Other services	2	22
Total other auditors	24	58
Total for the Group	5,332	2,546

Note 7 Employee benefit expense

EUR thousand	2016	2015
Wages and salaries including restructuring costs and other termination benefits	330,346	269,192
Social security costs	74,690	66,634
Pension costs	14,398	10,886
Total employee benefit expense	419,434	346,712

Note 8 Remuneration of directors and executive management

EUR thousand	2016	2015
Short-term employee benefits	6,899	7,378
Post-employment benefit	667	490
Total	7,566	7,868

Notes to the financial statements (Continued)

Note 8 Remuneration of directors and executive management (Continued)

The executive management has a 12 months notice period corresponding to an amount of EUR 4,432 thousand.

Note 9 Non-cash items

EUR thousand	2016	2015
Retirements of assets ⁽¹⁾	40,878	35,219
Write down of long term assets	– 1,071	791
Other	—	– 282
Total	39,807	35,728

(1) Relates primarily to retirement of installed equipment due to cancellation of customer subscriptions.

Note 10 Operating leases

The Group leases offices, cars and various equipment under operating leases. Operating lease payments totalled EUR 28.3 million (26.9). The nominal value of future payments due under contracted future operating leases is as follows:

EUR thousand	2016	2015
Term to maturity < 1 year	28,019	24,398
Term to maturity 1-5 years	50,820	43,191
Term to maturity > 5 years	7,385	8,161

Note 11 Depreciation and amortisation

EUR thousand	2016	2015
Property, plant and equipment	80,487	68,531
Customer portfolio	174,086	160,631
Other intangible assets	31,334	26,028
Total depreciation and amortisation	285,907	255,190

Depreciation and amortisation is reflected in the income statement as follows

EUR thousand	2016	2015
Cost of sales	105,858	87,876
Selling and administrative expenses	180,049	167,314
Total depreciation and amortisation	285,907	255,190

Notes to the financial statements (Continued)

Note 12 Finance income and costs

EUR thousand	2016	2015
Interest income on currency derivatives	279	686
Interest income on interest derivatives	—	2
Interest income, other	144	137
Finance income	423	825
Interest cost on borrowings	– 170,399	– 195,467
Interest cost, other	– 3,585	– 14,015
Interest cost on interest rate swaps	—	– 7,000
Interest cost on currency derivatives	– 37	– 62
Fair value changes in currency derivatives	2,020	– 2,191
Fair value changes in interest rate derivatives	13,857	7,203
Interest element of finance leases rentals	– 131	– 195
Net currency translation differences	45,767	– 41,932
Bank charges ⁽¹⁾	– 27,495	– 112,006
Other items	– 85	—
Finance costs	– 140,088	– 365,665
Finance income and costs	– 139,665	– 364,840

(1) Amortisation of bank arrangement and facility fees incurred in relation to the borrowings are included in bank charges. Bank charges for 2015 has increased due to the refinancing of the Group in conjunction with the H&F acquisition. Bank charges for 2015 includes call cost for old debt of EUR 54.7 million and realised arrangement fees for old debt of EUR 45.4 million.

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	2016		2015	
Current tax	– 25,489	61.3%	– 23,025	– 7.3%
Deferred tax	10,890	– 26.2%	27,985	8.9%
Total income tax benefit	– 14,599	35.1%	4,960	1.6%

The Swedish rate of corporate income tax was 22% in 2016 and in 2015.

Difference between Swedish tax rate and actual tax for the Group

EUR thousand	2016		2015	
Tax calculated at Swedish tax rate	9,151	22.0%	69,605	22.0%
Difference between tax rate in Sweden and weighted tax rates applicable to foreign subsidiaries	4,129	9.9%	– 4,959	– 1.6%
Non-recognised deferred tax assets on losses carried forward	– 3,916	– 9.4%	– 30,682	– 9.7%
Non-taxable/non-deductible income statement items, net	– 33,595	– 80.8%	– 35,671	– 11.3%
Effect of tax rates changed	2,860	6.9%	3,167	1.0%
Other	6,772	16.3%	3,500	1.2%
Income tax benefit	– 14,599	– 35.1%	4,960	1.6%

Notes to the financial statements (Continued)

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	2016	2015
Interest expense	—	63,515
Advisory fee	165	2,957
Other distribution to owners ⁽¹⁾	—	13,516
Grop contribution	2,791	89,668
Dividend	110,000	161,327

(1) Other distributions to owners relates to a payment to Bain Capital in accordance with the “Transaction Service Agreement” dated September, 2011.

Balances with Group companies

EUR thousand	2016	2015
Group contribution	228,005	237,684

Note 15 Property, plant and equipment

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
Cost at end of year	813,081	86,698	899,779
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
Accumulated amortisation at end of year	– 335,504	– 62,779	– 398,283
Net book value at end of year	477,577	23,919	501,496

EUR thousand	2015		
	Alarm equipment	Other	Total
Cost at beginning of year	602,948	73,800	676,748
Acquisition via subsidiaries	1,572	269	1,841
Investments	141,756	5,920	147,676
Disposals/retirements of assets	– 56,764	– 1,598	– 58,362
Translation differences	– 3,275	– 321	– 3,596
Cost at end of year	686,237	78,070	764,307
Amortisation at beginning of year	– 273,168	– 49,266	– 322,434
Disposals/retirements of assets	32,569	897	33,466
Amortisation charge for the year	– 61,177	– 7,354	– 68,531
Translation differences	1,416	134	1,550
Accumulated amortisation at end of year	– 300,360	– 55,589	– 355,949
Net book value at end of year	385,877	22,481	408,358

Notes to the financial statements (Continued)

Note 15 Property, plant and equipment (Continued)

EUR 684 thousand (1,416) of this year’s investment relates to finance leases. The carrying amount of finance leases at December 31 2016, was EUR 2,206 thousand (2,686) 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	5-16 years
Other machinery and equipment	3-10 years

Note 16 Goodwill

EUR thousand	2016	2015
Cost at beginning of year	861,109	841,750
Acquisition via subsidiaries	7,676	25,661
Translation differences	3,782	– 6,302
Cost at end of year	872,567	861,109

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	2016	2015
Norway	257,503	249,462
Spain	233,126	233,126
Sweden	161,810	161,513
Finland	60,231	60,231
Portugal	46,265	46,265
France	50,616	50,616
Brazil	22,014	17,924
Chile	15,713	15,713
The Netherlands	14,038	14,038
Denmark	11,251	12,221
Total	872,567	861,109

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 2016. 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 2016, the lowest rate was 8.1% in Sweden and Belgium (8.4 in Sweden) and the highest rate was 11.7% in Brazil (20.4 in Peru). The rate for 2016 was 8.2% (10.0) in Norway and 9.7% (13.1) 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

Notes to the financial statements (Continued)

Note 16 Goodwill (Continued)

from internal judgement and benchmarking. The annual growth rates are based on historical experience.

Note 17 Customer portfolio

EUR thousand	2016	2015
Cost at beginning of year	1,797,651	1,683,462
Acquisition via subsidiaries	55,071	52,850
Investments	107,890	81,603
Disposals/retirements of assets	– 20,049	– 15,278
Translation differences	2,486	– 4,986
Cost at end of year	1,943,049	1,797,651
Amortisation at beginning of year	– 635,580	– 480,642
Disposals/retirements of assets	6,055	4,562
Amortisation charge for the year	– 174,086	– 160,631
Translation differences	– 1,229	1,131
Accumulated amortisation at end of year	– 804,840	– 635,580
Net book value at end of year	1,138,209	1,162,071

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	2016	2015
Cost at beginning of year	223,223	194,301
Acquisition via subsidiaries	882	2,294
Investments	33,159	25,702
Disposals/retirements of assets	—	– 1,012
Translation differences	– 2,542	1,938
Cost at end of year	254,722	223,223
Amortisation at beginning of year	– 98,324	– 71,844
Disposals/retirements of assets	—	812
Amortisation charge for the year	– 31,332	– 26,028
Translation differences	966	– 1,264
Accumulated amortisation at end of year	– 128,690	– 98,324
Net book value at end of year	126,032	124,899

Note 19 Deferred tax

Deferred tax assets, EUR thousand	2016	2015
Difference between depreciation in accounts and according to plan	3,884	5,177
Staff-related liabilities	2,835	1,455
Risk reserves	1,387	1,373
Tax loss carry-forwards	42,640	41,750
Acquisition-related intangible assets	5,778	128
Non-deductible interest	7,961	11,671
Other temporary differences	2,437	3,796
Total deferred tax assets	66,922	65,350
Netting ⁽¹⁾	– 61,207	– 59,571
Total deferred tax assets	5,715	5,779

Notes to the financial statements (Continued)

Note 19 Deferred tax (Continued)

Deferred tax liabilities, EUR thousand	2016	2015
Difference between depreciation in accounts and according to plan	29,050	27,061
Acquisition-related intangible assets ⁽²⁾	234,116	249,600
Costumer acquisition costs	62,133	45,353
Other temporary differences	18,487	18,174
Total deferred tax liabilities	343,786	340,188
Netting ⁽¹⁾	– 61,207	– 59,571
Total deferred tax liabilities	282,579	280,617
Deferred net tax liabilities	– 276,864	– 274,838

(1) The Group has offset deferred tax assets and liabilities on the consolidated statement of financial position where a right of 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, 2016, the Group had tax loss carried forward of EUR 594.0 million (493.7). As of December 31, 2016, tax loss carry forwards for which deferred tax assets had been recognised amounted to EUR 135.6 million (132.4) and deferred tax assets related to the tax loss amounted to EUR 42.6 million (41.8). A time limitation in respect of tax loss carryforward 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 98,686 thousand (89,682).

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

Notes to the financial statements (Continued)

Note 20 Financial risk management (Continued)

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	2016	2015
Trade receivables before provision for bad debts	131,789	110,510
Provision for bad debts	— 33,103	— 20,828
Total trade receivables	98,686	89,682

Financial instruments by category and valuation level

EUR thousand	2016	2015
Financial assets at fair value through profit or loss⁽¹⁾		
<i>Derivatives</i>		
Currency forwards	—	210
Financial liabilities at fair value through profit or loss⁽¹⁾		
<i>Derivatives</i>		
Interest rate swaps	—	—
Currency forwards	2,275	4,603
Interest floor ⁽²⁾	107,426	109,532
Total	109,701	114,135
Loans and receivables at amortised cost		
Trade and other receivables	256,844	252,268
Trade receivables ⁽³⁾	98,686	89,682
Other current receivables ⁽³⁾	20,972	17,992
Cash and cash equivalent	5,985	6,356
Other financial liabilities at amortised cost		
Long-term borrowings ⁽⁴⁾	2,791,787	2,592,859
Other non-current liabilities ⁽³⁾	14,715	17,102
Trade payables ⁽³⁾	86,005	69,176
Short-term borrowings ⁽³⁾	61,394	40,843
Other current liabilities ⁽³⁾	34,205	27,046

(1) Part of the Verisure Group's external debt arrangement includes interest rate fixing terms which contain a Euribor/Libor/Stibor floor of 0.5% or 1% 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 763 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.

Notes to the financial statements (Continued)

Note 20 Financial risk management (Continued)

Interest bearing liabilities per currency

EUR thousand	2016	2015
Long-term borrowings (principal amount)		
EUR liabilities	2,413,170	2,190,304
SEK liabilities	570,012	596,064
Total	2,983,182	2,786,368
Short-term borrowings		
EUR liabilities	20,856	17,953
Other currencies	—	854
Total	20,856	18,807

Credit facilities as per December 31, 2016

Line of credit	Currency	Facility amount	Available amount	Maturity
Revolver Credit Facility (RCF)	Multicurrency (EUR)	300,000	271,829	2021
Term loan B	EUR	1,265,000	—	2022
Term loan B	SEK	2,628,640	—	2022
Bond	EUR	700,000	—	2022
Private Unsecured Notes (PUN)	EUR	400,000	—	2023
Private Unsecured Notes (PUN)	SEK	2,816,400	—	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.

Notes to the financial statements (Continued)

Note 20 Financial risk management (Continued)

Liquidity report

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 ⁽²⁾	– 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 ⁽³⁾	– 20,856	—	—	– 20,856
Derivatives, currency forwards	– 175,727	—	—	– 175,727
Other current liabilities	– 34,205	—	—	– 34,205
Total outflow	– 494,617	– 675,951	– 3,123,444	– 4,294,012
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
Total inflow	296,583	28,839	228,005	553,427
Net cash flow, total ⁽¹⁾	– 198,034	– 647,112	– 2,895,439	– 3,740,585

EUR thousand	2015			
	Less than 1 year	1-4 years	5 years or more	Total
Liabilities to credit institutions, principal amounts	—	—	– 2,767,213	– 2,767,213
Interest payments ⁽²⁾	– 171,011	– 1,050,253	– 537,221	– 1,758,485
Other non-current liabilities	– 17,102	—	—	– 17,102
Trade payables	– 69,176	—	—	– 69,176
Short-term borrowings ⁽³⁾	– 18,807	—	—	– 18,807
Derivatives, currency forwards	– 131,580	—	—	– 131,580
Other current liabilities	– 27,046	—	—	– 27,046
Total outflow	– 434,722	– 1,050,253	– 3,304,434	– 4,789,409
Other non-current receivables	—	8,104	244,164	252,268
Trade receivables	89,682	—	—	89,682
Derivatives, currency forwards	135,030	—	—	135,030
Other current receivables	17,992	—	—	17,992
Total inflow	242,704	8,104	244,164	494,972
Net cash flow, total ⁽¹⁾	– 192,018	– 1,042,149	– 3,060,270	– 4,294,437

(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 2016 and 2015, the Verisure Group’s borrowings at variable interest rate were denominated in the Swedish krona and the Euro.

At December 31, 2016, with current financing terms which partially include an interest floor of 0.5% or 1%, 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 3 million.

Notes to the financial statements (Continued)

Note 20 Financial risk management (Continued)

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. Currency swaps are only 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 .	+/- 10 percentage point	Decrease/increase of approximately EUR 29 (26) million in operating result.
Interest rate	+/- 1 percentage point	Decrease of approximately EUR 3 (3) million in net finance income and costs.
Currency rate EUR/SEK	+/- 10 percentage point	Increase/decrease of approximately EUR 21 (19) million in revenue. Increase/decrease of approximately EUR 7 (7) million in result for the period.
Currency rate EUR/NOK	+/- 10 percentage point	Increase/decrease of approximately EUR 11 (10) million in revenue. Increase/decrease of approximately EUR 4 (4) million in result for the period.

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

Notes to the financial statements (Continued)

Note 20 Financial risk management (Continued)

cannot exceed 6.2x (as per Q4 2016). This covenant ratio will decrease successively for each quarter by 0.3x until it reaches 5.0x where it will remain.

EUR thousand	2016	2015
Long-term borrowings (principal amount)	2,983,182	2,786,368
Short-term borrowings	61,394	40,843
Less accrued interest	– 40,538	– 22,036
Less cash and cash equivalents	– 5,985	– 6,356
Net debt	2,998,053	2,798,819
Total assets	3,118,360	3,012,811
Adjusted EBITDA	452,485	360,842

Details of borrowings are presented in note 26. For covenant purposes other definitions apply.

Note 21 Trade and other receivables

EUR thousand	2016	2015
Group contribution claims	228,005	237,684
Trade receivables	15,939	4,003
Other receivables	12,900	10,581
Total	256,844	252,268

Note 22 Inventories

EUR thousand	2016	2015
Materials and consumables	62,585	59,868

Impairment for provision in inventories at year end totalled EUR 1,527 thousand (3,284). The cost of materials recognised as an expense and included in “cost of sales” was EUR 38,434 thousand (34,952) at December 31, 2016.

Note 23 Trade receivables

EUR thousand	2016	2015
Trade receivables before provision for bad debts	131,789	110,510
Provision for bad debts	– 33,103	– 20,828
Total trade receivables	98,686	89,682

Due dates for trade receivables

EUR thousand	2016	2015
Past due 0-3 months	10,756	11,061
Past due 3-6 months	5,062	4,657
Past due 6-9 months	4,703	3,684
Past due 9-12 months	4,184	2,916
Past due > 12 months	24,951	13,594
Total past due dates trade receivables	49,656	35,912

Notes to the financial statements (Continued)

Note 23 Trade receivables (Continued)

Provisions for bad debts

EUR thousand	2016	2015
Balance at beginning of year	20,828	23,924
Provision for bad debt during the year	16,868	13,287
Receivables written off during the year as uncollectible	– 1,727	– 13,730
Unused amounts reversed	– 2,866	– 2,653
Balance at end of year	33,103	20,828

Customer credit losses recognised in the income statement totalled EUR 13.5 million (10.6) at December 31, 2016.

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	2016			2015		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Hedging activities						
Currency forwards	—	2,275	2,275	210	4,603	4,393
Other items						
Interest floor	—	107,426	107,426	—	109,532	109,532
Total	—	109,701	109,701	210	114,135	113,925
Classified as						
Non-current	—	107,426	107,426	—	109,975	109,975
Current	—	2,275	2,275	210	4,160	3,950
Total	—	109,701	109,701	210	114,135	113,925

Currency derivatives

As at December 31, 2016, the notional principal amount of outstanding foreign exchange contracts used to manage the Group’s cash pool was EUR 176 million (132). 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, 2016.

Note 25 Share capital

Verisure Midholding AB’s (publ) share capital totalled EUR 56,104 at December 31, 2016 and December 31, 2015, 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.

Notes to the financial statements (Continued)

Note 25 Share capital (Continued)

Change in number of shares

EUR thousand	2016	2015
Number of shares at beginning of year	500,000	500,000
Number of shares at end of year	500,000	500,000

Note 26 Borrowings

EUR thousand	2016		
	Principal amount	Adjustment amortised costs	Carrying amount
Non-current liabilities			
Secured			
Senior Secured Notes	700,000	– 16,379	683,621
Term Loan B	1,540,178	– 107,203	1,432,975
Revolver Credit Facility	23,685	– 6,580	17,105
Unsecured			
Private Unsecured Notes	694,834	– 61,233	633,601
Liabilities to other creditors	22,855	—	22,855
Finance lease liability	1,630	—	1,630
Total non-current liabilities	2,983,182	– 191,395	2,791,787
Current liabilities			
Accrued interest expenses	40,538	—	40,538
Other liabilities	20,280	—	20,280
Finance lease liability	576	—	576
Total current liabilities	61,394	—	61,394
Total borrowings	3,044,576	– 191,395	2,853,181

EUR thousand	2015		
	Principal Amount	Adjustment Amortised costs	Carrying amount
Secured			
Senior Secured Notes	700,000	– 18,102	681,898
Term Loan B	1,307,755	– 101,020	1,206,735
Revolver Credit Facility	51,149	– 7,649	43,500
Unsecured			
Private Unsecured Notes	708,309	– 66,738	641,571
Liabilities to other creditors	17,196	—	17,196
Finance lease liability	1,959	—	1,959
Total non-current liabilities	2,786,368	– 193,509	2,592,859
Current liabilities			
Accrued interest expenses	22,036	—	22,036
Other liabilities	18,215	—	18,215
Finance lease liability	592	—	592
Total current liabilities	40,843	—	40,843
Total borrowings	2,827,211	– 193,509	2,633,702

The bank arrangement and facility fees relate fully to the bank arrangement made in relation to the acquisition in 2015.

Notes to the financial statements (Continued)

Note 26 Borrowings (Continued)

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	2016	2015
Total principal amount	3,044,576	2,827,211
Less accrued interest	– 40,538	– 22,036
Indebtness	3,004,038	2,805,175
Less cash and cash equivalents	– 5,985	– 6,356
Net debt	2,998,053	2,798,819

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:

2016	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
EUR	1,688,690	4.9	700,000	6.0	5.8	2,388,690
SEK	570,010	6.8	—	—	—	570,010
Total	2,258,700		700,000			2,958,700

2015	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
EUR	1,471,150	6.0	700,000	6.0	6.8	2,171,150
SEK	596,060	6.8	—	—	—	596,060
Total	2,067,210		700,000			2,767,210

The majority of all borrowings with floating interest include a floor of 0.5% or 1% which means the applied interest fixing of Euribor and Stibor will equal 1% as long as the relevant period fixings of Euribor and Stibor are below 1%.

Obligations under finance leases

The nominal value of future payments due under contracted future finance leases is as follows:

EUR thousand	2016	2015
Term to maturity < 1 year	576	592
Term to maturity 1-5 years	1,630	1,959
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 (Continued)

Note 27 Other provisions

EUR thousand	2016	2015
Balance at beginning of year	4,000	1,149
Additional provisions	532	3,119
Utilised provisions	– 206	– 268
Reversal of provision not used	– 2,768	—
Balance at end of year	1,558	4,000

Breakdown

EUR thousand	2016	2015
Provision for staff-related costs	1,080	745
Other items	478	3,255
Total other provisions	1,558	4,000

Note 28 Accrued expenses and deferred income

EUR thousand	2016	2015
Subscription fees invoiced in advance	92,835	76,175
Staff-related costs	59,469	46,513
Marketing-related costs	6,125	5,145
Audit assignments and other services	2,258	1,112
Risk reserves	5,420	5,475
Other items	44,532	28,215
Total accrued expenses and deferred income	210,639	162,635

Note 29 Pledged assets and contingent liabilities

Pledged assets

EUR thousand	2016	2015
Endowment insurance	417	417
Shares in subsidiaries	1,873,332	1,968,024
Bank accounts	444	907
Trademark	63,333	68,333
Accounts receivables	67,886	61,577
Inventories	35,212	38,151
Motor vehicles	29	28

Contingent liabilities

EUR thousand	2016	2015
Guarantees	19,403	21,723

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.

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Parent company financial statement
Parent company income statement

EUR thousand	Note	2016	2015
Operating profit		—	—
Dividend		110,000	161,327
Group contribution		—	– 26,153
Interest income from Group companies		58,606	75,040
Interest expense		– 58,606	– 11,525
Interest expense to Group companies		—	– 63,515
Result before tax		110,000	135,174
Income tax expense and benefit		—	—
Result for the period		110,000	135,174

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Parent company statements of financial position

EUR thousand	Note	2016	2015
ASSETS			
Non-current assets			
Long-term investments			
Investments in subsidiaries	1	594,410	594,410
Receivables from Group companies		694,834	719,833
Total non-current assets		1,289,244	1,314,243
Current assets			
Other receivables from Group companies		—	12,470
Accrued interest income from Group companies		9,395	—
Cash and cash equivalents		100	100
Total current assets		9,495	12,570
TOTAL ASSETS		1,298,739	1,326,813
EQUITY AND LIABILITIES			
Equity			
Share capital	25	56	56
Other paid in capital		569,170	569,170
Retained earnings		— 869	— 869
Total equity		568,357	568,357
Non-current liabilities			
Long-term borrowings	2	694,834	708,309
Total non-current liabilities		694,834	708,309
Current liabilities			
Liabilities to Group companies		26,153	38,623
Accrued interest expenses	2	9,395	11,524
Total current liabilities		35,548	50,147
TOTAL EQUITY AND LIABILITIES		1,298,739	1,326,813

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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
Balance at January 2016	56	569,170	– 869	568,357
Result for the period	—	—	110,000	110,000
Total comprehensive income for the period	—	—	110,000	110,000
Dividend to Group company	—	—	– 110,000	– 110,000
Total transactions with owners	—	—	– 110,000	– 110,000
Balance at December 2016	56	569,170	– 869	568,357

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
Balance at January 2015	56	569,170	– 2	569,224
Result for the period	—	—	135,174	135,174
Total comprehensive income for the period	—	—	135,174	135,174
Shareholder’s contribution	—	—	25,286	25,286
Dividend to Group company	—	—	– 161,327	– 161,327
Total transactions with owners	—	—	– 136,041	– 136,041
Balance at December 2015	56	569,170	– 869	568,357

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Parent company statement of cash flows

EUR thousand	2016	2015
Operating activities		
Operating profit	—	—
Cash flow from operating activities before change in working capital	—	—
Change in working capital	—	
Cash flow from change in working capital	—	—
Cash flow from operating activities	—	—
Investing activities	—	
Cash flow from investing activities	—	—
Financing activities	—	—
Cash flow from financing activities	—	—
Cash flow for the period	—	—
Cash and cash equivalents at start of period	100	100
Exchange difference on translating cash and cash equivalents	—	—
Cash and cash equivalents at end of period	100	100

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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 2015.

Note 1 Investments in subsidiaries

EUR thousand	2016	2015
Opening acquisition value	594,410	569,124
Capital increase	—	25,286
Closing accumulated acquisition value	594,410	594,410

Subsidiary name	Reg. no	Reg. office	No. of shares	Share of share capital and voting rights	2016	2015
Verisure Holding AB	556854-1410	Stockholm	500,000	100%	594,410	594,410
Total					594,410	594,410

Note 2 Borrowings in the parent company

EUR thousand	2016		
	Current liabilities	Non-current liabilities	Total
Unsecured			
Private Unsecured Notes	9,395	694,834	704,229
Total borrowings (carrying amount)	9,395	694,834	704,229

EUR thousand	2015		
	Current liabilities	Non-current liabilities	Total
Unsecured			
Private Unsecured Notes	11,524	708,309	719,833
Total borrowings (carrying amount)	11,524	708,309	719,833

Note 3 Pledged assets and contingent liabilities in the parent company

Pledged assets

EUR thousand	2016	2015
Shares in subsidiaries	594,410	594,410

There are no contingent liabilities in 2016 and 2015.

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April 26 2017, Malmö

Austin Lally CEO	Vincent Litrico	Stefan Götz
Cecilia Hultén Chairman	Adrien Motte	

Our auditor's report was issued on April 26 2017, Malmö
PricewaterhouseCoopers AB

Johan Rippe
Authorised Public Accountant

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Auditor’s report

To the Board of Directors in Verisure Midholding AB (publ)
Corporate identity number 556854-1402

Report on the annual financial statements and consolidated financial statements

We have audited the annual financial statements and the consolidated financial statements of Verisure Midholding AB (publ) for the financial year ended 31 December 2016. 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, 2016 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, 2016 through December 31, 2016 and a summary of significant accounting policies and other explanatory information. The financial statements of the parent company and the group are included in the printed version of this document on pages 26-69.

The annual financial statements of the parent company and consolidated financial statements have been prepared by the Board of Directors and the Managing Director with the purpose to present the operations of Verisure Midholding AB (publ) for the full year 2016.

Responsibilities of the Board of Directors and the Managing Director for the annual financial statements and consolidated financial statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual 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 the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual financial statements and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these annual financial statements of the parent company and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual financial statements and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements and consolidated financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the annual financial statements and consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the annual financial statements and consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company’s or the group’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual financial statements and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the 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 of 31 December 2016 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.

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The consolidated financial statements present fairly, in all material respects, the financial position of the group as at December 31, 2016, and the operations and cash flows for the period from January 1, 2016 through December 31, 2016, in accordance with International Financial Reporting Standards, as adopted by the EU.

Basis of Accounting and Use

Without modifying our opinion, 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 by the Board of Directors and the Managing Director to present the operations of Verisure Midholding AB (publ) for the full year 2016, 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.

Malmö, April 26, 2017
PricewaterhouseCoopers AB

Johan Rippe
Authorized Public Accountant

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Consolidated income statement

EUR thousand	Note	2015	2014
Revenue		1,011,820	884,079
Cost of sales	7,6,9,11	– 573,462	– 516,059
Gross profit		438,358	368,020
Selling and administrative expenses ¹	5,6,7,8,11	– 389,903	– 341,978
Operating profit		48,455	26,042
Finance income	12	825	523
Finance costs	4,12	– 365,665	– 247,599
Result before tax		– 316,385	– 221,034
Income tax benefit and expense	13	4,960	2,808
Result for the period		– 311,425	– 218,226
Whereof attributable to:			
• Parent company		– 308,994	– 216,107
• Non-controlling interest		– 2,431	– 2,119

(1) Of this, EUR 143.7 million (141.8) for the 12 months ending December 31, 2015, relates to amortisation expense resulting from the amortisation of intangible assets acquired in acquisitions.

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Consolidated statement of comprehensive income

EUR thousand	Note	2015	2014
Result for the year		– 311,425	– 218,226
Other comprehensive income			
Items that will not be reclassified to the income statement			
Re-measurements of defined benefit plans net of tax		8	204
Items that subsequently may be reclassified to the income statement			
Currency translation differences on foreign operations:		11,543	8,562
Other comprehensive income		11,551	8,766
Total comprehensive income for the year		– 299,874	– 209,460
Whereof attributable to:			
—Parent company		– 297,443	– 207,341
—Non-controlling interest		– 2,431	– 2,119

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Consolidated statement of financial position

EUR thousand	Note	2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment	16	408,358	354,314
Goodwill	17	861,109	841,750
Customer portfolio	18	1,162,071	1,202,820
Other intangible assets	19	124,899	122,457
Deferred tax assets	20	5,779	4,304
Other non-current receivables		252,268	139,744
Total non-current assets		2,814,484	2,665,389
Current assets			
Inventories	21	59,868	53,488
Trade receivables	3,22	89,682	67,673
Current tax assets		11,302	7,333
Prepayments and accrued income		12,917	14,045
Derivatives	25	210	—
Other current receivables	3	17,992	14,547
Cash and cash equivalents	3	6,356	6,791
Total current assets		198,327	163,877
TOTAL ASSETS		3,012,811	2,829,266
EQUITY AND LIABILITIES			
Equity			
Share capital	23	56	56
Other paid in capital		569,168	569,168
Other reserves		48,726	37,175
Retained earnings		— 924,614	— 555,728
Equity attributable to equity holders of the parent company		— 306,664	50,671
Non-controlling interest		— 1,214	1,072
Total equity		— 307,878	51,743
Non-current liabilities			
Long-term borrowings	3,24	2,592,859	2,193,163
Derivatives	3,25	109,975	8,937
Other non-current liabilities	3	17,102	10,605
Deferred tax liabilities	20	280,617	297,534
Other provisions	26	4,000	1,149
Total non-current liabilities		3,004,553	2,511,388
Current liabilities			
Trade payables	3	69,176	59,094
Current tax payable		12,276	16,750
Short-term borrowings	3,24	18,807	24,050
Accrued expenses and deferred income	27	184,671	144,272
Derivatives	3,25	4,160	2,113
Other current liabilities	3	27,046	19,856
Total current liabilities		316,136	266,135
TOTAL EQUITY AND LIABILITIES		3,012,811	2,829,266
Pledged assets	28		
Contingent liabilities	28		

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		
Balance at January 2015 . .	56	569,168	37,175	−555,728	50,671	1,072	51,743
Result for the year	—	—	—	−308,996	−308,996	−2,431	−311,427
Other comprehensive income for the year	—	—	11,551	—	11,551	145	11,696
Total comprehensive income for the year	—	—	11,551	−308,996	−297,445	−2,286	−299,731
Shareholder's contribution . .	—	—	—	25,285	25,285	—	25,285
Group contribution	—	—	—	89,668	89,668	—	89,668
Dividend	—	—	—	−161,327	−161,327	—	−161,327
Other distribution to owners .	—	—	—	−13,516	−13,516	—	−13,516
Balance at December 2015 .	56	569,168	48,726	−924,614	−306,664	−1,214	−307,878

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		
Balance at January 2014 . .	56	569,168	28,409	−411,281	186,352	203	186,555
Result for the year	—	—	—	−216,107	−216,107	−2,119	−218,226
Other comprehensive income for the year	—	—	8,766	—	8,766	−12	8,754
Total comprehensive income for the year	—	—	8,766	−216,107	−207,341	−2,131	−209,472
Capital contribution from non-controlling interest . .	—	—	—	—	—	3,000	3,000
Group contribution	—	—	—	71,660	71,660	—	71,660
Balance at December 2014 .	56	569,168	37,175	−555,728	50,671	1,072	51,743

Consolidated statement of cash flows

EUR thousand	Note	2015	2014
Operating activities			
Operating profit		48,455	26,042
Reversal of depreciation and amortisation	11	255,190	232,567
Other non-cash items	14	35,728	25,884
Interest received		876	523
Other financial items		– 8,868	– 5,666
Income tax paid		– 32,013	– 21,330
Cash flow from operating activities before change in working capital		299,368	258,020
Change in working capital			
Change in inventories		– 5,135	4,021
Change in trade receivables		– 13,925	– 7,367
Change in other receivables		863	144
Change in trade payables		6,428	4,335
Change in other payables		21,313	28,120
Cash flow from change in working capital		9,544	29,253
Cash flow from operating activities		308,912	287,273
Investing activities			
Purchase of intangible assets	18,19	– 107,306	– 88,964
Purchase of property, plant and equipment	16	– 147,676	– 124,494
Acquisition of subsidiaries		– 46,110	– 88,964
Settlement of deferred consideration		– 2,386	– 22,502
Cash flow from investing activities		– 303,478	– 235,960
Financing activities			
Change in shareholder loan		—	11,000
Change in bank borrowings		– 5,104	82,560
Paid bank and advisory fees, new financing		– 87,867	– 2,959
New financing		2,700,000	—
Repayment of old term debt		– 1,508,428	—
Repayment of shareholder funding instrument		– 724,157	—
Call cost old debt		– 54,675	—
Interest paid		– 151,662	– 141,333
Paid in capital from non-controlling interest		1,145	2,000
Paid distribution		– 161,327	—
Other disbursements to owners		– 13,516	—
Cash flow from financing activities		– 5,591	– 48,732
Cash flow for the period		– 157	2,581
Cash and cash equivalents at start of period		6,691	4,129
Exchange difference on translating cash and cash equivalents . .		– 178	– 19
Cash and cash equivalents at end of period		6,356	6,691

Changes in balance sheet items are adjusted for currency effects.

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Parent company income statements

EUR thousand	Note	2015	2014
Operating profit		—	—
Dividend		161,327	—
Group contribution		– 26,153	—
Interest income from group companies		75,040	71,660
Interest expense		– 11,525	—
Interest expense to group companies		– 63,515	– 71,660
Result before tax		135,174	—
Income tax expense and benefit		—	—
Result for the period		135,174	—

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Parent company statements of financial position

EUR thousand	Note	2015	2014
ASSETS			
Non-current assets			
Investments in subsidiaries	29	594,410	569,124
Receivables from group companies		719,833	635,233
Total non-current assets		1,314,243	1,204,357
Current assets			
Other receivables from group companies		12,470	—
Accrued interest income from group companies		—	25,409
Cash and cash equivalents		100	100
Total current assets		12,570	25,509
TOTAL ASSETS		1,326,813	1,229,866
EQUITY AND LIABILITIES			
Equity			
Share capital	23	56	56
Other paid in capital		569,170	569,170
Retained earnings		— 869	— 2
Total equity		568,357	569,224
Non-current liabilities			
Long-term borrowings	30	708,309	—
Liabilities to group companies	30	—	635,233
Total non-current liabilities		708,309	635,233
Current liabilities			
Liabilities to group companies		38,623	—
Accrued interest expenses		11,524	—
Accrued interest expenses to group companies		—	25,409
Total current liabilities		50,147	25,409
TOTAL EQUITY AND LIABILITIES		1,326,813	1,229,866
Pledged assets	31		
Contingent liabilities	31		

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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
Balance at January 2015	56	569,170	– 2	569,224
Result for the period	—	—	135,174	135,174
Total comprehensive income for the period	—	—	135,174	135,174
Shareholder’s contribution	—	—	25,286	25,286
Dividend to group company	—	—	– 161,327	– 161,327
Balance at December 2015	56	569,170	– 869	568,357

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
Balance at January 2014	56	569,170	– 2	569,224
Result for the period	—	—	—	—
Total comprehensive income for the period	—	—	—	—
Balance at December 2014	56	569,170	– 2	569,224

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Parent company statements of cash flows

EUR thousand	2015	2014
Operating activities		
Operating profit	—	—
Cash flow from operating activities before change in working capital	—	—
Change in working capital		
Cash flow from change in working capital	—	—
Cash flow from operating activities	—	—
Investing activities		
Cash flow from investing activities	—	—
Financing activities		
Cash flow from financing activities	—	—
Cash flow for the period	—	—
Cash and cash equivalents at start of period	100	100
Exchange difference on translating cash and cash equivalents	—	—
Cash and cash equivalents at end of period	100	100

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Notes to the 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 Ångbåtsbron 1, Box 392, 201 23 Malmö.

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

We are 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 markets are Finland, Sweden, Norway, Denmark, the Netherlands, Belgium, United Kingdom, Italy, France, Spain and Portugal. The Latin American markets 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 significant accounting policies

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.



Notes to the financial statements (Continued)

Note 1 Accounting policies (Continued)

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.

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, 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 on the acquisition date of identifiable acquired net assets, 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.

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 and 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.

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Notes to the financial statements (Continued)

Note 1 Accounting policies (Continued)

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 presented are translated at the closing rate on the 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.

On consolidation, the assets and liabilities of entities with a functional currency other than euro are expressed in euro using exchange rates prevailing at the end of reporting period date. Income and expense items and cash flows are translated at the average exchange rates for the period and exchange differences arising are recognised in 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 on 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.

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Notes to the financial statements (Continued)

Note 1 Accounting policies (Continued)

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.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Financing

From time to time, the group offers financing to their customers some customers find it hard to pay the upfront fee, so in order to minimise the risk of losing a customer due to their inability to pay a high upfront fee, the group decided to offer customers in some markets a financing solution. The decision to offer the financing alternative is thereby driven by our target to increase growth, not as a way in which to finance growth. There are two possible financing alternatives, internal and external financing.

External financing

With external financing, we offer the customer the option of paying part of the upfront fee over a certain period. The full amount is invoiced to the customer. The receivable is sold to a bank or some other finance institute. The bank assumes the receivable and the risk. We will account for this net and report the cash amount received from the bank as Installation revenue.

Internal financing

With internal financing, we offer the customer the same facility as in external financing. However we keep the receivable and the risk in our balance. A net present value (NPV) of the future payments is calculated using an appropriate interest rate. The difference between the gross amount and the NPV is deferred over the contract period and reported as other revenue.

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.

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.

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Notes to the financial statements (Continued)

Note 1 Accounting policies (Continued)

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	5-16 years
Other machinery and equipment	3-10 years

Machinery and equipment are primarily alarm equipment installed on customers’ premises.

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 four-year 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.

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Notes to the financial statements (Continued)

Note 1 Accounting policies (Continued)

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 licences 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	5-16 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.

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.

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Notes to the financial statements (Continued)

Note 1 Accounting policies (Continued)

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.

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.

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 it 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.

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Notes to the financial statements (Continued)

Note 1 Accounting policies (Continued)

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.

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Notes to the financial statements (Continued)

Note 1 Accounting policies (Continued)

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.

Employee benefit expense

The group offers both defined contribution and defined benefit pension plans.

Defined contribution plans are post-employment benefit schemes under which the company pays fixed contributions into a separate legal entity and has 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. The pension calculations are based on actuarial assumptions.

The group’s contributions to defined contribution pension plans are charged to the income statement as they fall due.

All pension liabilities in Swedish units are classified as defined contribution plans, except for some employees covered by insurance premiums paid to Alecta. This is a defined benefit plan which covers multiple employees. For the financial year 2015, the group did not have access to the information required to allow this plan to be reported as a defined benefit plan. The pension obligations are therefore recognised as a defined contribution plan.

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, 2015 that has had a material impact on the Group.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016, 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 recognition of financial assets and financial liabilities. 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. The group is yet to assess IFRS 9’s full impact.

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Notes to the financial statements (Continued)

Note 1 Accounting policies (Continued)

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, 2017 and earlier application is permitted. The group is yet to assess IFRS 15 full impact.

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. EU has not yet adopted the standard. The group has not yet assessed the impact of IFRS 16.

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.

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 17)
- Measurement of deferred income tax assets and deferred income tax liabilities (note 20)
- Measurement of provisions and allocation for accrued expenses (note 26 and 27)
- Depreciation period for alarm equipment and amortisation period for customer portfolio (note 16 and 18)

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 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 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

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Notes to the financial statements (Continued)

Note 2 Critical accounting estimates and judgements (Continued)

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 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 the group’s 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 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 judgment 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 judgment 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.

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Notes to the financial statements (Continued)

Note 2 Critical accounting estimates and judgements (Continued)

Measurement of provisions and allocation for accrued expenses

The group exercises judgment 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. 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 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. An increase in the expected life of an asset or its residual value results in a reduced depreciation/amortisation 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, as well as anticipation of future events that may impact useful life, such as changes in technology and macroeconomic factors.

Note 3 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. 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 function’s responsibility includes external banking relations, finance costs, interest-bearing liabilities and liquidity management.

Credit risk

Credit risk is the risk of loss if the opposite 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 financial credit risk. The company limits credit risk by only using 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 our trade receivables at the end of December 2015 was EUR 89,682 thousand (67,673).

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.

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Notes to the financial statements (Continued)

Note 3 Financial risk management (Continued)

Management believes that no further credit risk provision is required in excess of the normal provision for bad and doubtful receivables.

EUR thousand	2015	2014
Trade receivables before provision for bad debts	110,510	91,597
Provision for bad debts	– 20,828	– 23,924
Total trade receivables	89,682	67,673

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 an investment grade credit rating.

Financial instruments by category and valuation level

EUR thousand	2015	2014
Financial assets at fair value through profit or loss⁽²⁾		
<i>Derivatives</i>		
Currency forwards	210	—
Financial liabilities at fair value through profit or loss⁽²⁾		
<i>Derivatives</i>		
Interest rate swaps	—	8,937
Currency forwards	4,603	2,113
Interest floor ⁽¹⁾	109,532	—
Total	114,135	11,050
Loans and receivables		
Other non-current receivables	252,268	139,744
Trade receivables	89,682	67,673
Other current receivables	17,992	14,547
Cash and cash equivalent	6,356	6,791
Other financial liabilities		
Long-term borrowings ⁽³⁾	2,592,859	2,193,163
Other non-current liabilities	17,102	10,605
Trade payables	69,176	59,094
Short-term borrowings	18,807	24,050
Other current liabilities	27,046	19,856

(1) Part of the Groups new external debt arrangement includes interest rate fixing terms which contain a Euribor/Libor Stibor floor of 1% which has been accounted for as its fair value as per starting date.

(2) Valuation techniques using observable market data.

(3) Details of borrowings are presented in note 24.

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.

Notes to the financial statements (Continued)

Note 3 Financial risk management (Continued)

Interest bearing liabilities per currency

EUR thousand	2015	2014
Long-term borrowings		
EUR liabilities	2,048,073	2,193,163
SEK liabilities	544,786	—
Total	2,592,859	2,193,163
Short-term borrowings		
EUR liabilities	17,953	21,209
Other currencies	854	2,841
Total	18,807	24,050

Credit facilities as per December 31, 2015

Line of credit	Currency	Facility amount	Available amount	Maturity
Revolving Credit Facility (RCF)	Multicurrency (EUR)	300,000	247,473	2021
Term loan B	EUR	1,020,000	—	2022
Term loan B	SEK	2,628,640	—	2022
Bond	EUR	700,000	—	2022
Private Unsecured Notes (PUN)	EUR	400,000	—	2023
Private Unsecured Notes (PUN)	SEK	2,816,400	—	2023

Liquidity risk

Liquidity risk is the risk that 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 group’s funding sources and by staggering the maturity of its borrowings.

Financing risk

Financing risk relates to the group 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 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, undiscounted cash flows.

Notes to the financial statements (Continued)

Note 3 Financial risk management (Continued)

Liquidity report

EUR thousand	2015			
	Less than 1 year	1-4 years	5 years or more	Total
Liabilities to credit institutions, principal amounts	—	—	– 2,767,213	– 2,767,213
Interest payments ⁽²⁾	– 171,011	– 1,050,253	– 537,221	– 1,758,485
Other non-current liabilities	– 17,102	—	—	– 17,102
Trade payables	– 69,176	—	—	– 69,176
Short-term borrowings	– 18,807	—	—	– 18,807
Derivatives, currency forwards	– 131,580	—	—	– 131,580
Other current liabilities	– 27,046	—	—	– 27,046
Total outflow	– 434,722	– 1,050,253	– 3,304,434	– 4,789,409
Other non-current receivables	—	8,104	244,164	252,268
Trade receivables	89,682	—	—	89,682
Derivatives, currency forwards	135,030	—	—	135,030
Other current receivables	17,992	—	—	17,992
Total inflow	242,704	8,104	244,164	494,972
Net cash flow, total⁽¹⁾	– 192,018	– 1,042,149	– 3,060,270	– 4,294,437

(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.

EUR thousand	2014			
	Less than 1 year	1-4 years	5 years or more	Total
Shareholder Funding Instrument, principal amounts ⁽³⁾	—	—	– 660,642	– 660,642
Shareholder loan	—	—	– 11,000	– 11,000
Liabilities to credit institutions	—	– 1,113,914	– 406,928	– 1,520,305
Interest payments ⁽²⁾	– 141,056	– 395,340	– 32,753	– 569,149
Other non-current liabilities	– 10,605	—	—	– 10,605
Trade payables	– 59,094	—	—	– 59,094
Short-term borrowings	– 24,050	—	—	– 24,050
Derivatives, currency forwards	– 77,045	—	—	– 77,045
Other current liabilities	– 19,856	—	—	– 19,856
Total outflow	– 331,706	– 1,509,254	– 1,111,323	– 2,951,746
Other non-current receivables	—	—	139,744	139,744
Derivatives, currency forwards	79,045	—	—	79,045
Trade receivables	67,673	—	—	67,673
Other current receivables	14,547	—	—	14,547
Total inflow	161,265	—	139,744	301,009
Net cash flow, total⁽¹⁾	– 170,441	– 1,509,254	– 971,579	– 2,650,737

(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) Including PIK interest.

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Notes to the financial statements (Continued)

Note 3 Financial risk management (Continued)

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 which is partially offset by cash held at variable rates. Borrowings raised at fixed interest rates expose the Group to fair value interest rate risk. During 2015, the Group’s borrowings at variable interest rate were denominated in the Swedish krona and the Euro. The corresponding borrowings during 2014 were denominated in the Euro.

At December 31, with current financing terms which include an interest floor of 1%, an increase/decrease of EURIBOR/STIBOR fixings of 100 basis points (1.0%) will have no impact on the Company’s total interest expenses.

Currency risk

The Group operates in 14 countries and is therefore exposed to foreign exchange risk arising from various currency exposures, primarily SEK and NOK. Foreign exchange risk arises through future business transactions, reported assets and liabilities and net investments in foreign operations.

The Group’s risk in business transactions is deemed to be limited, as the majority of all purchases and sales are made in the respective company’s functional currency. Consequently, the Group does not have a policy to hedge future cash flows in currencies other than its own functional currency. For the same reason, foreign exchange risk in the Group is limited, as there are no material operating receivables or operating liabilities in currencies other than the respective company’s functional currency.

The Group’s net assets in foreign operations are exposed to foreign exchange risk. Foreign exchange risk arising in the net assets of the Group’s foreign operations are 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 the Group’s borrowings in SEK impacts the income statement. Currency swaps are only used to minimise interest expenses charged by banks in our cash pool structures.

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Notes to the financial statements (Continued)

Note 3 Financial risk management (Continued)

Sensitivity analysis

The group’s sales and results are subject to a variety of factors. The effect on the group of changes in a number of key variables is shown below. Projections are based on the Group’s operations in 2015 and should be viewed as an estimate of the effect of an isolated change in each variable.

Variable	Change	Effect
Depreciation and amortisation .	+/- 10 percentage point	Decrease/increase of approximately EUR 26 (23) million in operating result.
Interest rate	+/- 1 percentage point	Decrease/increase of approximately EUR nil (1) million in net finance income and costs.
Currency rate EUR/SEK	+/- 10 percentage point	Increase/decrease of approximately EUR 19 (17) million in sales. Increase/decrease of approximately EUR 7 (5) million in operating profit.
Currency rate EUR/NOK	+/- 10 percentage point	Increase/decrease of approximately EUR 10 (10) million in sales. Increase/decrease of approximately EUR 4 (3) million in operating profit.

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.

The credit facility includes covenants that must be fulfilled for the duration of the loans. The only existing financial maintenance covenant applies to the RCF (the Revolving Credit Facility). The first test will be executed in Q1 2016.

EUR thousand	2015	2014
Long-term borrowings	2,592,859	2,193,163
Short-term borrowings	18,807	24,050
Accrued interest	22,076	21,096
Less: Cash, cash equivalents and other interest bearing receivables	- 7,909	- 6,791
Net debt	2,625,833	2,231,518
Total assets	3,012,811	2,829,266

Details of borrowings are presented in note 24. For covenant purposes other definitions apply.

Notes to the financial statements (Continued)

Note 4 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	2015	2014
Interest expense	63,515	71,660
Advisory fee	2,957	4,502
Other distribution to owners ⁽¹⁾	13,516	—
Grop contribution	89,668	71,660
Dividend	161,327	—

(1) Other distributions to owners relates to a payment to Bain Capital in accordance with the “Transaction Service Agreement” dated September, 2011.

Balances with group companies

EUR thousand	2015	2014
Shareholder Funding Instrument	—	660,642
Shareholder loan	—	11,000
Group contribution	237,684	135,546

Note 5 Remuneration of directors and executive management

EUR thousand	2015	2014
Short-term employee benefits	7,378	6,580
Post-employment benefit	490	362
Total	7,868	6,942

The executive management has a 12 months notice period corresponding to an amount of EUR 3,711 thousand.

Note 6 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 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

Notes to the financial statements (Continued)

Note 6 Segment reporting (Continued)

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	2015	2014	2015	2014	2015	2014	2015	2014
	Customer acquisition		Portfolio services		Overheads and adjustments		Group	
Revenue, external . . .	148,058	120,236	863,762	763,843	—	—	1,011,820	884,079
Revenue, internal . . .	58,609	53,340	—	—	–58,609	–53,340	—	—
Total revenue	206,667	173,576	863,762	763,843	–58,609	–53,340	1,011,820	884,079
Segment adjusted								
EBITDA	–160,933	–137,202	521,775	440,971	—	—	360,842	303,769
Depreciation and amortisation ⁽¹⁾	—	—	—	—	—	—	–255,190	–232,567
Retirements of assets .	—	—	—	—	—	—	–36,010	–30,096
Items affecting comparability	—	—	—	—	—	—	–21,186	–15,064
Net finance costs . . .	—	—	—	—	—	—	–364,841	–247,076
Result before tax . . .	—	—	—	—	—	—	–316,385	–221,034
Overheads and adjustments refer to internal revenue between the segments.								

(1) Whereof EUR 143.7 million (141.8) relates to amortisation expense resulting from the amortisation of intangible assets acquired in acquisitions.

Note 7 Expenses by nature

EUR thousand	2015	2014
Costs of materials	90,383	84,448
Employee benefit expense	346,712	292,093
Depreciation and amortisation expense	255,190	232,567
Retirements of assets	36,010	30,096
Guarding services	22,710	24,856
Telecommunications costs	17,530	17,496
Items affecting comparability	21,186	15,064
Other operating expenses	173,644	161,417
Total operating expenses	963,365	858,037

EUR thousand	2015	2014
Currency translation differences included in operating profit	–380	–406
Currency translation differences included in finance income and costs are shown in note 12.		

Notes to the financial statements (Continued)

Note 8 Audit fees

EUR thousand	2015	2014
PWC		
Audit assignments	922	789
Audit work apart from the audit assignment	72	25
Tax consultancy	1,053	1,163
Other services	441	428
Total PWC	2,488	2,405
Other auditors		
Audit assignments	36	—
Other services	22	—
Total other auditors	58	—
Total for the group	2,546	2,405

Note 9 Operating leases

The group leases offices, cars and various equipment under operating leases. Operating lease payments totalled EUR 26.9 million (25.4). The nominal value of future payments due under contracted future operating leases is as follows:

EUR thousand	2015	2014
Term to maturity < 1 year	24,398	21,224
Term to maturity 1-5 years	43,191	44,448
Term to maturity > 5 years	8,161	3,768

Note 10 Employee benefit expense

EUR thousand	2015	2014
Wages and salaries including restructuring costs and other termination benefits	269,192	223,302
Social security costs	66,634	59,380
Pension costs	10,886	9,148
Total employee benefit expense	346,712	291,830

Note 11 Depreciation and amortisation

EUR thousand	2015	2014
Property, plant and equipment	68,531	60,065
Customer portfolio	160,631	151,167
Other intangible assets	26,028	21,335
Total depreciation and amortisation	255,190	232,567

Depreciation and amortisation is reflected in the income statement as follows

EUR thousand	2015	2014
Cost of sales	87,876	71,403
Selling and administrative expenses	167,314	161,164
Total depreciation and amortisation	255,190	232,567

Notes to the financial statements (Continued)

Note 12 Finance income and costs

EUR thousand	2015	2014
Interest income on currency derivatives	686	421
Interest income on interest derivatives	2	1
Interest income, other	137	101
Finance income	825	523
Interest cost on Shareholder Funding Instrument	-64,651	-72,336
Interest cost on Mezzanine Loans	-34,753	-43,896
Interest cost on Term Loans (Bridge and Senior Loans)	-92,285	-84,834
Interest cost, other	-17,793	-5,555
Interest cost on interest rate swaps	-7,000	-7,492
Interest cost on currency derivatives	-62	-31
Fair value changes in currency derivatives	-2,191	-1,668
Fair value changes in interest rate derivatives	7,203	4,368
Interest element of finance leases rentals	-195	-362
Net currency translation differences	-41,932	-21,918
Bank charges ⁽¹⁾	-112,006	-13,872
Other items	—	-3
Finance costs	-365,665	-247,599
Finance income and costs	-364,840	-247,076

(1) Amortisation of bank arrangement and facility fees incurred in relation to the borrowings are included in bank charges. Bank charges for 2015 has increased due to the refinancing of the group in conjunction with the H&F acquisition. Bank charges for 2015 includes call cost for old debt of EUR 54.7 million and realised arrangement fees for old debt of EUR 45.4 million.

Details of borrowings are presented in note 24.

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 benefit and expense

EUR thousand	2015		2014	
Current tax	-23,025	-7.3%	-25,898	-11.7%
Deferred tax	27,985	8.9%	28,706	13.0%
Total income tax benefit	4,960	1.6%	2,808	1.3%

The Swedish rate of corporate income tax was 22% in 2015 and in 2014.

Difference between Swedish tax rate and actual tax for the group

EUR thousand	2015		2014	
Tax calculated at Swedish tax rate	69,605	22.0%	48,627	22.0%
Difference between tax rate in Sweden and weighted tax rates applicable to foreign subsidiaries	-4,959	-1.6%	-6,589	-3.0%
Non-recognised deferred tax assets on losses carried forward	-30,682	-9.7%	-15,014	-6.8%
Non-taxable/non-deductible income statement items, net	-35,671	-11.3%	-16,136	-7.3%
Effect of tax rates changed	3,167	1.0%	18,492	8.4%
Increased tax from tax audit	—	—	-31,200	-14.1%
Other	3,500	1.2%	4,628	2.0%
Income tax benefit	4,960	1.6%	2,808	1.3%

Notes to the financial statements (Continued)

Note 14 Non-cash items

EUR thousand	2015	2014
Retirements of assets ⁽¹⁾	35,219	30,096
Write down of long term assets	791	—
Other	—282	—4,212
Total	35,728	25,884

(1) Relates primarily to retirement of installed equipment due to cancellation of customer subscriptions.

Note 15 Business combinations

Leadex

In May 2015, Verisure acquired 75% of the Swedish company; Leadex Investment AB. Leadex provides security services to residential customers in Sweden via its subsidiaries Alert Alarm AB and TL Detect AB. The purchase price amounted to SEK 119.3 million (approximately EUR 12.9 million). The Leadex group was consolidated in the Verisure Midholding group as of May 1, 2015.

The initial accounting for this business had not been finalised by the date of finalisation of these consolidated financial statements; accordingly the group reported the provisional amounts currently representing the group’s best estimate of the acquisition date values.

For the reporting period, Leadex has contributed EUR 3.0 million to group revenue and EUR 0.3 million to Adjusted EBITDA. If the acquisition had been consolidated from January 1, 2015, it would have contributed to total revenue with EUR 4.4 million and to Adjusted EBITDA with EUR 0.3 million.

Transaction costs of EUR 0.3 million have been expensed and are included in administrative expenses for the reporting period. These costs are included in cash flow from operating activities in the statement of cash flows.

Consideration transferred for Leadex

EUR thousand	2015
Cash	12,945
Deferred consideration	—
Total consideration	12,945

Financial effect of the acquisition of Leadex

Recognised amounts of identifiable assets acquired and liabilities assumed

EUR thousand	2015
Cash and cash equivalents	350
Property, plant and equipment	18
Customer portfolio	17,901
Tradename and other intangibles	464
Inventories	211
Trade and other receivables	668
Trade and other liabilities	—6,571
Deferred tax liability	—3,964
Borrowings	—1,278
Total identifiable net assets	7,799
Goodwill	5,146
Total	12,945

Notes to the financial statements (Continued)

Note 15 Business combinations (Continued)

Net cash outflow from acquisition of subsidiaries

EUR thousand	2015
Consideration paid in cash	12,945
Less acquired cash	— 350
Net cash outflow	12,595

Mediaveil

In July 2015, Securitas Direct AB acquired 100% of the French holding company Securifin S.A.S. Securifin owns indirectly 83.8% of the French security company Mediaveil. Securifin provides security services to home and business customers in France via its subsidiary Mediaveil. The purchase price amounted to EUR 14.4 million. The Securifin group was consolidated in the Verisure Midholding group as of July 1, 2015.

The initial accounting for this business had not been finalised by the date of finalisation of these consolidated financial statements; accordingly the group reported the provisional amounts currently representing the group’s best estimate of the acquisition date values.

For the reporting period, Securifin has contributed EUR 4.0 million to group revenue and EUR 0.6 million to Adjusted EBITDA. If the acquisition had been consolidated from January 1, 2015, it would have contributed to total revenue with EUR 7.8 million and to Adjusted EBITDA with EUR 0.2 million.

Transaction costs of EUR 0.3 million have been expensed and are included in administrative expenses for the reporting period. These costs are included in cash flow from operating activities in the statement of cash flows.

Consideration transferred for Mediaveil

EUR thousand	2015
Cash	14,430
Deferred consideration	—
Total consideration	14,430

Financial effect of the acquisition of Mediaveil

Recognised amounts of identifiable assets acquired and liabilities assumed

EUR thousand	2015
Cash and cash equivalents	412
Property, plant and equipment	1,664
Customer portfolio	17,700
Tradename and other intangibles	1,612
Inventories	423
Trade and other receivables	18,109
Trade and other liabilities	— 26,863
Deferred tax liability	— 1,792
Borrowings	— 8,564
Total identifiable net assets	2,701
Goodwill	11,729
Total	14,430

Notes to the financial statements (Continued)

Note 15 Business combinations (Continued)

Net cash outflow from acquisition of subsidiaries

EUR thousand	2015
Consideration paid in cash	14,430
Less acquired cash	—412
Net cash outflow	14,018

Segur Control

On October 10, 2015 Securitas Direct España S.A.U. acquired the Spanish company Segur Control S.A. from Segur Iberica S.A., a private equity owned company. Segur Control provides security services to home and business customers. The purchase price amounted to EUR 20.3 million. The Segur Control was consolidated in the Verisure Midholding group as of November, 2015.

The initial accounting for this business had not been finalised by the date of finalisation of these consolidated financial statements; accordingly the group reported the provisional amounts currently representing the group’s best estimate of the acquisition date values.

For the reporting period, Segur Control has contributed EUR 1.8 million to group revenue and EUR 0.8 million to Adjusted EBITDA. If the acquisition had been consolidated from January 1, 2015, it would have contributed to total revenue with EUR 11.0 million and to Adjusted EBITDA with negative EUR 8.9 million.

Transaction costs of EUR 0.1 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.

Consideration transferred for Segur Control

EUR thousand	2015
Cash	20,301
Deferred consideration	—
Total consideration	20,301

Financial effect of the acquisition of Segur Control

Recognised amounts of identifiable assets acquired and liabilities assumed

EUR thousand	2015
Cash and cash equivalents	804
Property, plant and equipment	159
Customer portfolio	17,249
Other intangibles	218
Inventories	537
Trade and other receivables	1,956
Trade and other liabilities	—6,193
Deferred tax liability	—3,215
Borrowings	—
Total identifiable net assets	11,515
Goodwill	8,786
Total	20,301

Notes to the financial statements (Continued)

Note 15 Business combinations (Continued)

Net cash outflow from acquisition of subsidiaries

EUR thousand	2015
Consideration paid in cash	20,301
Less acquired cash	– 804
Net cash outflow	19,497

No other acquisitions were made or announced during the period January to December 2015.

Note 16 Property, plant and equipment

EUR thousand	2015	2014
Cost at beginning of year	676,748	616,089
Acquisition via subsidiaries	1,841	1,842
Investments	147,676	124,494
Disposals/retirements of assets	– 58,362	– 53,969
Translation differences	– 3,596	– 11,708
Cost at end of year	764,307	676,748
Amortisation at beginning of year	– 322,434	– 299,315
Disposals/retirements of assets	33,466	31,160
Amortisation charge for the year	– 68,531	– 60,065
Translation differences	1,550	5,786
Accumulated amortisation at end of year	– 355,949	– 322,434
Net book value at end of year	408,358	354,314

Property, plant and equipment is equipment (of which alarm equipment installed on customers' premises has a carrying amount of EUR 385,826 thousand (329,779)), vehicles and IT and telecommunications equipment.

EUR 1,416 thousand (781) of this year's investment relates to finance leases. The carrying amount of finance leases at December 31 2015, was EUR 2,686 thousand (3,288) 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	5-16 years
Other machinery and equipment	3-10 years

Note 17 Goodwill

EUR thousand	2015	2014
Cost at beginning of year	841,750	819,181
Acquisition via subsidiaries	25,661	25,011
Translation differences	– 6,302	– 2,442
Cost at end of year	861,109	841,750

Notes to the financial statements (Continued)

Note 17 Goodwill (Continued)

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	2015	2014
Norway	249,462	250,226
Spain	233,126	224,340
Sweden	161,513	156,253
Finland	60,231	60,231
Portugal	46,265	46,265
France	50,616	38,887
Brazil	17,924	23,576
Chile	15,713	15,713
The Netherlands	14,038	14,038
Denmark	12,221	12,221
Total	861,109	841,750

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 2015. 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 2015, the lowest rate was 8.4% (9.1) in Sweden and the highest rate was 20.4% in Peru (16.6 in Brazil). The rate for 2015 was 10.0% (10.7) in Norway and 13.1% (13.9) 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.

Notes to the financial statements (Continued)

Note 18 Customer portfolio

EUR thousand	2015	2014
Cost at beginning of year	1,683,462	1,617,757
Acquisition via subsidiaries	52,850	12,245
Investments	81,603	68,291
Disposals/retirements of assets	– 15,278	– 10,777
Translation differences	– 4,986	– 4,054
Cost at end of year	1,797,651	1,683,462
Amortisation at beginning of year	– 480,642	– 333,708
Disposals/retirements of assets	4,562	3,430
Amortisation charge for the year	– 160,631	– 151,167
Translation differences	1,131	803
Accumulated amortisation at end of year	– 635,580	– 480,642
Net book value at end of year	1,162,071	1,202,820

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 17.

Note 19 Other intangible assets

EUR thousand	2015	2014
Cost at beginning of year	194,301	175,758
Acquisition via subsidiaries	2,294	601
Investments	25,702	20,673
Disposals/retirements of assets	– 1,012	– 33
Translation differences	1,938	– 2,698
Cost at end of year	223,223	194,301
Amortisation at beginning of year	– 71,844	– 51,889
Disposals/retirements of assets	812	29
Amortisation charge for the year	– 26,028	– 21,335
Translation differences	– 1,264	1,351
Accumulated amortisation at end of year	– 98,324	– 71,844
Net book value at end of year	124,899	122,457

Notes to the financial statements (Continued)

Note 20 Deferred tax

Deferred tax assets, EUR thousand	2015	2014
Difference between depreciation in accounts and according to plan	5,177	4,599
Staff-related liabilities	1,455	742
Risk reserves	1,373	1,146
Tax loss carry-forwards	41,750	34,794
Acquisition-related intangible assets	128	146
Non-deductible interest	11,671	—
Other temporary differences	3,796	2,330
Total deferred tax assets	65,350	43,757
Netting ⁽¹⁾	– 59,571	– 39,453
Total deferred tax assets	5,779	4,304
Deferred tax liabilities, EUR thousand	2015	2014
Difference between depreciation in accounts and according to plan	27,061	28,075
Acquisition-related intangible assets ²	249,600	273,023
Costumer acquisition costs	45,353	32,246
Other temporary differences	18,174	3,643
Total deferred tax liabilities	340,188	336,987
Netting ⁽¹⁾	– 59,571	– 39,453
Total deferred tax liabilities	280,617	297,534
Deferred net tax liabilities	– 274,838	– 293,230

(1) The group has offset deferred tax assets and liabilities on the consolidated statement of financial position where a right of 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, 2015, the group had tax loss carried forward of EUR 493.7 million (329.0). As of December 31, 2015, tax loss carry forwards for which deferred tax assets had been recognised amounted to EUR 132.4 million (113.0) and deferred tax assets related to the tax loss amounted to EUR 41.8 million (34.8). 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 21 Inventories

EUR thousand	2015	2014
Materials and consumables	59,868	53,488

Impairment for provision in inventories at year end totalled EUR 3,284 thousand (3,318). The cost of materials recognised as an expense and included in “cost of sales” was EUR 90,383 thousand (84,448) at December 31, 2015.

Note 22 Trade receivables

EUR thousand	2015	2014
Trade receivables before provision for bad debts	110,510	91,597
Provision for bad debts	– 20,828	– 23,924
Total trade receivables	89,682	67,673

Notes to the financial statements (Continued)

Note 22 Trade receivables (Continued)

Due dates for trade receivables

EUR thousand	2015	2014
Past due 0-3 months	11,061	8,295
Past due 3-6 months	4,657	4,131
Past due 6-9 months	3,684	3,702
Past due 9-12 months	2,916	2,857
Past due >12 months	13,594	18,736
Total past due dates trade receivables	35,912	37,721

Provisions for bad debts

EUR thousand	2015	2014
Balance at beginning of year	23,924	22,227
Provision for bad debt during the year	13,287	2,367
Receivables written off during the year as uncollectible	-13,730	-7,125
Unused amounts reversed	-2,653	6,455
Balance at end of year	20,828	23,924

Customer credit losses recognised in the income statement totalled EUR 10.6 million (9.0) at December 31, 2015.

Note 23 Share capital

Verisure Midholding AB's (publ) share capital totalled EUR 56,104 at December 31, 2015 and December 31, 2014, 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	2015	2014
Number of shares at beginning of year	500,000	500,000
Number of shares at end of year	500,000	500,000

Note 24 Borrowings

EUR thousand	2015		
	Current liabilities	Non-current liabilities	Total
Secured			
Senior Secured Notes	—	681,898	681,898
Term Loan B	—	1,206,735	1,206,735
Revolver Cash Drawn	—	43,500	43,500
Unsecured			
Private Unsecured Notes	—	641,571	641,571
Other	18,215	17,196	35,411
Finance lease liability	592	1,959	2,551
Total borrowings (carrying amount)	18,807	2,592,859	2,611,666

Notes to the financial statements (Continued)

Note 24 Borrowings (Continued)

EUR thousand	2014		
	Current liabilities	Non-current liabilities	Total
Secured			
Senior Secured Notes	—	943,422	943,422
Series A Senior Secured Loan	—	127,462	127,462
Mezzanine Loan	—	394,595	394,595
Revolver Cash Drawn	—	52,959	52,959
Unsecured			
Shareholder Funding Instrument	—	660,642	660,642
Shareholder loan	—	11,679	11,679
Other	22,838	328	23,166
Finance lease liability	1,212	2076	3,288
Total borrowings (carrying amount)	24,050	2,193,163	2,217,213

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.

The carrying amount of borrowings may be reconciled to the principal amount outstanding as follows:

EUR thousand	2015	2014
Principal amount		
Senior Secured Notes	700,000	971,500
Term Loan B	1,307,755	—
Series A Senior Secured Loan	—	130,000
Mezzanine Loan	—	406,928
Revolver Cash Drawn	51,149	60,305
Private Unsecured Notes	708,309	—
Shareholder Funding Instrument	—	660,642
Shareholder loan	—	11,679
Other	35,411	23,166
Finance Lease Liability	2,551	3,288
Total principal amount	2,805,175	2,267,508
Bank arrangement and facility fees	— 193,509	— 50,295
Total borrowings (carrying amount)	2,611,666	2,217,213

The bank arrangement and facility fees relate fully to the bank arrangement made in relation to the acquisition in 2015.

Notes to the financial statements (Continued)

Note 24 Borrowings (Continued)

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	
2015						
EUR	1,471,150	6.0	700,000	6.0	6.8	2,171,150
SEK	596,060	6.8	—	—	—	596,060
Total	2,067,210		700,000			2,767,210

The majority of all borrowings with floating interest include a floor of 1% which means the applied interest fixing of Euribor and Stibor will equal 1% as long as the relevant period fixings of Euribor and Stibor are below 1%.

	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	
2014						
EUR	73,733	5.2	1,495,000	9.2	2.6	1,568,733
Total	73,733		1,495,000			1,568,733

The Shareholder Funding Instrument with a fixed interest rate of 12% is not included in the table above. The maturity date for the liability is in 50 years, or earlier under certain circumstances.

Obligations under finance leases

The nominal value of future payments due under contracted future finance leases is as follows:

EUR thousand	2015	2014
Term to maturity < 1 year	592	1,212
Term to maturity 1-5 years	1,959	2,076
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 (Continued)

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	2015			2014		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Hedging activities						
Interest rate swaps	—	—	—	—	8,937	8,937
Currency forwards	210	4,603	4,393	—	2,113	2,113
Other items						
Interest floor	—	109,532	109,532	—	—	—
Total	210	114,135	113,925	—	11,050	11,050
Classified as						
Non-current	—	109,975	109,975	—	8,937	8,937
Current	210	4,160	3,950	—	2,113	2,113
Total	210	114,135	113,925	—	11,050	11,050

Currency derivatives

As at December 31, 2015, the notional principal amount of outstanding foreign exchange contracts used to manage the group’s cash pool was EUR 132 million (77). 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, 2015.

Note 26 Other provisions

EUR thousand	2015	2014
Balance at beginning of year	1,149	829
Additional provisions	3,119	497
Utilised provisions	— 268	— 177
Reversal of provision not used	—	—
Balance at end of year	4,000	1,149

Breakdown

EUR thousand	2015	2014
Provision for staff-related costs	745	639
Other items	3,255	510
Total other provisions	4,000	1,149

Notes to the financial statements (Continued)

Note 27 Accrued expenses and deferred income

EUR thousand	2015	2014
Staff-related costs	46,513	36,337
Subscription fees invoiced in advance	76,175	49,334
Interest expense	22,036	21,606
Other items	39,947	36,995
Total accrued expenses and deferred income	184,671	144,272

Note 28 Pledged assets and contingent liabilities

Pledged assets

EUR thousand	2015	2014
Endowment insurance	417	417
Shares in subsidiaries	1,968,024	2,049,387
Bank accounts	907	486
Trademark	68,333	73,333
Accounts receivables	61,577	53,679
Inventories	38,151	31,956
Motor vehicles	28	70

Contingent liabilities

EUR thousand	2015	2014
Guarantees	21,723	21,121

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 Securitas Direct Group and certain rights under reports in relation to the acquisition of Verisure Securitas Direct Group as collateral for bank borrowings, as disclosed in note 24. Guarantees relate primarily to guarantees provided to suppliers.

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Notes to the parent company financial statements

Note 29 Investments in subsidiaries

EUR thousand					2015	2014
Opening acquisition value					569,124	569,124
Capital increase					25,286	—
Closing accumulated acquisition value					594,410	569,124

Subsidiary name	Reg. no	Reg. office	No. of shares	Share of share capital and voting rights	2015	2014
Verisure Holding AB	556854-1410	Stockholm	500,000	100%	594,410	569,124
Total					594,410	569,124

Note 30 Borrowings

2015			
EUR thousand	Current liabilities	Non-current liabilities	Total
Unsecured			
Private Unsecured Notes	—	708,309	708,309
Total borrowings (carrying amount)	—	708,309	708,309

2014			
EUR thousand	Current liabilities	Non-current liabilities	Total
Unsecured			
Shareholder Funding Instrument	—	660,642	660,642
Total borrowings (carrying amount)	—	660,642	660,642

Note 31 Pledge assets and contingent liabilities

Pledged assets

EUR thousand	2015	2014
Shares in subsidiaries	594,410	—

There are no contingent liabilities in 2015 and 2014.

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21 April 2016, Malmö

Austin Lally
CEO

Cecilia Hultén
Chairman

Philip Sternheimer

Stefan Götz

Our auditor's report was issued on 21 April 2016, Malmö
PricewaterhouseCoopers AB

Anders Lundin
Authorised Public Accountant

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Auditor’s report

To the Board of Directors in Verisure Midholding AB (publ)
Corporate identity number 556854-1402

Report on the annual financial statements and consolidated financial statements

We have audited the annual financial statements and the consolidated financial statements of Verisure Midholding AB (publ) for the financial year ended 31 December 2015. 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, 2015 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, 2015 through December 31, 2015 and a summary of significant accounting policies and other explanatory information. The financial statements of the parent company and the group are included in the printed version of this document on pages 28-77.

The annual financial statements of the parent company and consolidated financial statements have been prepared by the Board of Directors and the Managing Director with the purpose to present the operations of Verisure Midholding AB (publ) for the full year 2015.

Responsibilities of the Board of Directors and the Managing Director for the annual financial statements and consolidated financial statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual 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 the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual financial statements and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these annual financial statements of the parent company and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual financial statements and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements and consolidated financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the annual financial statements and consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the annual financial statements and consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company’s or the group’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual financial statements and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the 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 of 31 December 2015 and of its financial performance and its cash flows for the year then ended in

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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, 2015, and the operations and cash flows for the period from January 1, 2015 through December 31, 2015, in accordance with International Financial Reporting Standards, as adopted by the EU.

Basis of Accounting and Use

Without modifying our opinion, 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 by the Board of Directors and the Managing Director to present the operations of Verisure Midholding AB (publ) for the full year 2015, 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.

Malmö, April 21, 2016
PricewaterhouseCoopers AB
Anders Lundin
Authorized Public Accountant

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€ ,000,000 % Senior Secured Notes due 2023

Verisure Midholding AB (publ)

€100,000,000 5¼% Senior Notes due 2023

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Joint Bookrunners

Barclays	Citigroup	J.P. Morgan	Nordea
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Senior Notes Offering
Joint Global Coordinators and Joint Bookrunners

Goldman Sachs International (Sole Physical Bookrunner)	BofA Merrill Lynch	Morgan Stanley	Nomura
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Joint Bookrunners

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