



Annual Report 2017

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The leading provider of monitored alarm solutions for residential households and small businesses in Europe.

Over 2.5
million
customers

€760
million
portfolio
EBITDA

Total revenue
€1,402 million

13,000
employees

Operating in 14
countries in Europe
and Latin America

1 new customer
every 17 seconds

Letter from the CEO

We believe it is a human right to feel safe and secure. We exist to bring peace of mind to families and small business owners. This is a serious responsibility. Every team member in our Company deeply values the trust that our customers place in our service.



2017 was yet another record year for our Company.

Our portfolio continued growing every month of the past year, in every geography we operate in. We added slightly fewer than 440 thousand new customers during the year, and further improved our industry-leading attrition rate down to 6.3%. Our portfolio passed the 2.5 million customers mark in September, and has kept growing since then.

We continue to lead the residential and small business segment of the broader security services market in Europe, where we are both the largest provider and the one adding most customers. Through accelerating our organic growth as well as external partnerships, we have now reached leadership in Denmark. We are also accelerating in Brazil, where we are expanding southward through a mix of organic and M&A activities. Looking forward, we are confident there is significant space for further penetration in every one of our countries.

In 2017 our total group Revenue grew by +18% year on year to reach EUR 1,402 million, and our Portfolio EBITDA grew by +21% to a new high of EUR 760 million.

Our customers are at the heart of everything we do. We work hard to provide outstanding, continuous, industry-leading value to the families and small business owners we serve. We focus on innovation, category-creating marketing, go-to-market excellence and a world class customer experience. We aim to lead the industry in service quality, and delight customers at all touchpoints. Customer satisfaction is paramount to us, as it directly drives both retention and referrals.

In 2017 we continued to bring new products and services. For example we launched the zero vision alarm in Spain that allows for quick expulsion of a verified intruder from a property we protect. Simply put, you can't steal what you can't see. We already see great demand for this new product – and we are actively working on further innovations.

As a business we continuously refine our differentiated business model. And we aim for flawless execution across our different geographies.

None of what we accomplish would be possible without a great team, sharing a common DNA. Our people are high-performance, engaged, accountable, focused, and never afraid to push boundaries. We lean in. And with every day that goes by extending our track record, we improve our ability to attract, develop and retain the world-class women and men we need to fulfill our vision.

Last but not least, 2017 saw the arrival of a new investor, GIC, alongside Hellman & Friedman. GIC are one of the most highly regarded sovereign-wealth funds in the world. We welcome GIC, and are truly honored by their trust and commitment to our long-term success.

I would like to thank our investors, our management team and all our employees and partners for their engagement and achievements during the past year. I know we are all excited about what is ahead.

**Our customers
are at the heart
of everything
we do.**

Regards,
Austin Lally, Group CEO
Geneva, April 2018



Our Vision

It is a human right to feel safe and secure, so we provide the best protection to families and small businesses through our industry-leading monitored security solutions.

Who We Are

We are the leading provider of monitored alarm solutions for residential households and small businesses in Europe

Peace of mind for families and small businesses

Our core business is subscription-based home security solutions, primarily professionally monitored intrusion and fire alarms delivered under The Verisure and Securitas Direct brands. We also offer integrated smart home services in adjacent security and safety related applications, including access control and climate control. Our services are controlled and monitored both through our home panels, and through the Verisure mobile app. We are vertically integrated to ensure the right customer experience through every stage of our operations. We focus on innovation, category-creating marketing, sales excellence and a world class customer experience.

Leading provider with broad geographical footprint

We are the leading provider of residential and small business monitored alarm solutions in Europe. We are present in 14 countries across Europe and South America and are the leading provider of premium monitored alarm services in 8 out of our top 10 geographies. Our business is primarily driven by organic growth, delivered by our differentiated business model. We attract high quality customers. We work hard to ensure that our customers are happy. This contributes to a low level of attrition and a long customer lifetime.

A technology-enabled human services company

Our more than 13,000 employees and partners are at the foundation of our Company. Our business model is a combination of technology and personal expertise. We are a human services company. It comes down to people, not just hardware and software. But enabled by world-class technology.

Always innovating

Innovation is core to our DNA. Differentiated technology is a major enabler of our offering. But, it is also the product of human expertise, accumulated over many years, drawn from closeness to the real experiences of our customers, sales people, technicians and operators. These insights are a source of advantage. We leverage these insights with significant investment into product and service innovation. All directed towards the best solution and creating true peace of mind.



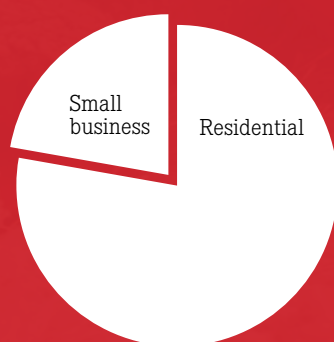
Our history

Operations started in 1988, as a division of Securitas AB. The business was initially focused on the Swedish residential home security segment, followed with the creation of a major division centered in Spain, today our largest portfolio. Since then we have steadily grown both our geographic footprint and the penetration within existing countries. 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 opened our new Group headquarter in Geneva, Switzerland.

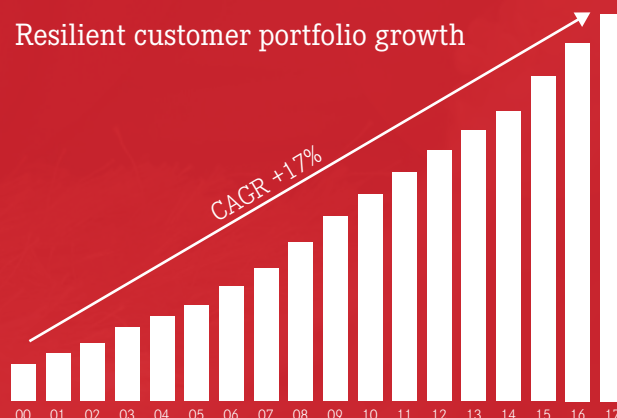
Protecting Families and Small Businesses



Customer breakdown by consumer type, end of year 2017



Resilient customer portfolio growth



2017 in Brief

- During 2017 we passed the milestone of 2.5 million customers. At the end of the year we had 2,586,123 customers in the portfolio, equivalent to a portfolio growth of 12.7% compared to 2016. Excluding acquisitions the annual portfolio growth was 12.4% year-on-year. The organic growth is an acceleration of the growth rate compared to previous years.
- Revenues amounted to EUR 1,402.3 million (1,184.5) which correspond to an increase of 18.4% compared to 2016. Adjusted for currency effects, revenues grew by 18.7%.
- Portfolio adjusted EBITDA for the Group improved to EUR 760.4 million (629.8) corresponding to an increase of 20.7% compared to 2016. Adjusted for currency effects, portfolio adjusted EBITDA improved by 21.1%. Portfolio EBITDA margin strengthened by 2.4 percentage points to 65.5% (63.1%).
- Total adjusted EBITDA increased to EUR 557.6 million (452.5) to an improvement of 23.2% compared to 2016. Adjusted for currency effects, EBITDA grew by 23.7%.
- Cash flow from operations was strong for the year with an improvement of 21.0% to EUR 520.6 million (430.4) driven by the increased profitability as well as improvements in working capital.
- We have a strong track record of quality growth, primarily delivered organically by our differentiated business model with high share of recurring revenues and industry leading retention (>93%).
- Strong momentum continued for new customer intake resulting in 430,687 new subscribers in 2017, an increase of 22.3% compared to 2016.
- The Group-wide focus on customer care and retention resulted in a further lowering of the attrition rate during 2017 from an already industry benchmark level. The attrition rate at year-end was 6.3%.
- We are further strengthening our sales organization across our geographies and continue to have success with expansion. We are very pleased with our progress in newer countries e.g. Italy and UK and the strong growth rates experienced in Latin America of more than 25% compared to the same period last year.
- In summary, we continue to have a very strong development for the company with high levels of new customer additions, continued good trend on attrition and solid improvements on EBITDA.

Throughout this document numbers within paranthesis refer to comparable numbers from 2016.

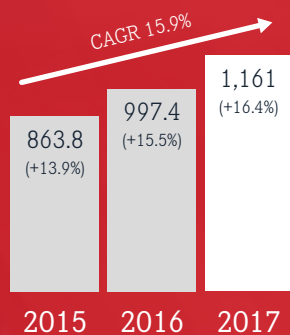
EUR million	2017	2016	Change
Total subscribers (year-end), units	2,586,123	2,293,993	12.7%
New subscribers added (gross), units	439,687	359,468	22.3%
Net subscriber growth, units	292,130	277,470	5.3%
Revenue, total	1,402.3	1,184.5	18.4%
Portfolio service adjusted EBITDA	760.4	629.8	20.7%
Portfolio service adjusted EBITDA margin	65.5%	63.1%	–
Adjusted EBITDA, total	557.6	452.5	23.2%
Cash flow from operating activities	520.6	430.4	21.0%
Capital expenditure, total	429.1	321.1	33.6%
Monthly adjusted EBITDA per subscriber (EPC), (in EUR)	26.0	24.6	6.0%
Average monthly revenue per user (ARPU), (in EUR)	39.8	38.9	2.3%

2017 IN BRIEF

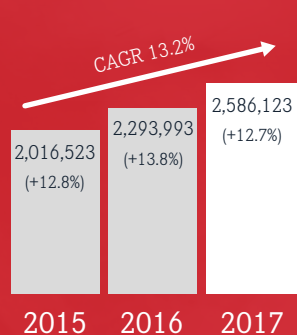
Another Year of Acceleration



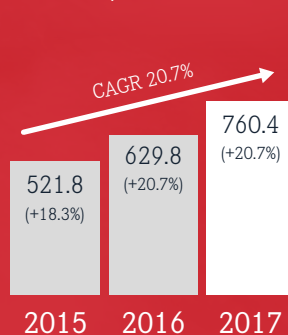
Portfolio revenue,
EUR million



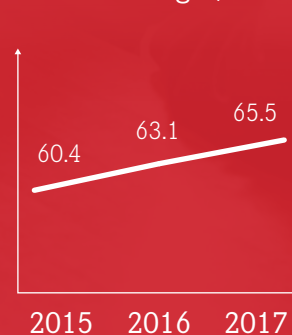
Total subscribers,
units



Portfolio service adjusted
EBITDA, EUR million



Portfolio service adjusted
EBITDA margin, %



Strategy = Choices for Leadership and Profitable Growth

Increase penetration of monitored alarms for residential and small business customers

Our strategy is a growth strategy. We are differentiated by profitable growth. It is reflected in our track record. And the path ahead is illuminated by opportunity. This remains a very under-penetrated service. There are still significant growth opportunities in all countries in Europe and Latin America, under our existing business model. We aim to further grow our subscriber base by continuing to execute our differentiated business model: Innovation. Category-creating marketing. Sales excellence. World class customer experience. All aimed at high-quality potential customers. On top of organic growth, we continue to consider carefully selective local acquisitions to complement and strengthen our portfolio further.

Provide the best security solution available and do our utmost to protect our customers

We have a strong, long-term track record on innovation. Our in-house development teams cooperate closely with our technology partners to design and deliver winning security products and services. This is driven by insights gained because we are vertically integrated across key stages of our value chain. We focus our investment choices where we can

deliver clear differentiation to customers. And we intend to continue investing in order to support our premium positioning and extend our leadership position.

Maintain the highest levels of customer satisfaction and loyalty in the industry

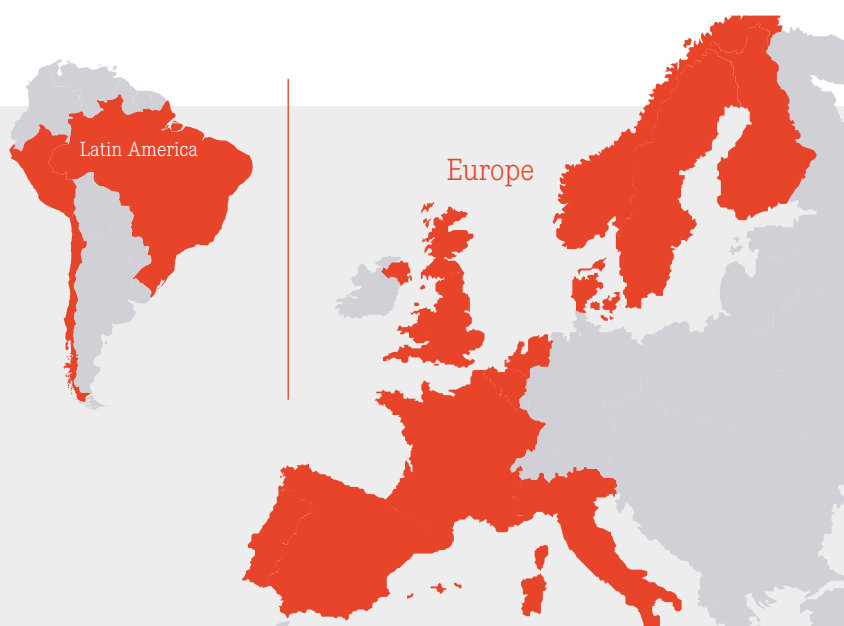
A world class customer experience drives loyalty. And word of mouth drives referrals. We want to have the happiest and most loyal portfolio of customers in the industry. This earns low levels of attrition. To achieve this, we analyze and improve customer satisfaction at all the "moments of truth" during sales, installation, service, monitoring and response.

Deliver industry-leading profitability by providing a premium proposition supported by excellence in operations and cost management

We believe that differentiated security products and services, coupled with excellence of execution are the foundation for sustained premium pricing. But, we also look to leverage our scale and innovate on process improvements so that we can enhance operational efficiency without compromising the world class customer experience. Quality and cost is not "Or". It is "And". We believe in the power of "And".

Broad Based Growth

We operate in 14 countries. We are the leading provider of monitored alarm solutions for residential households and small businesses in Europe. We are growing strongly in Latin America and have become #1 in Brazil.





We Take Responsibility 24/7

Our camera solutions and 2-way voice technology allow our security agents to accurately verify incidents in homes and small businesses.



Our Business Model Delivers Sustained Quality Growth

We operate a subscription-based service business, providing and installing alarm systems and monitoring them continuously.

Our business model delivers resilient cash flow and high quality growth. We report our business in two operating segments. We look at the recurring cash flow from the portfolio of existing customers; and we look at the discretionary cash invested on new customers with high returns to grow the portfolio further.

Portfolio services

The portfolio services segment provides monitoring services to existing customers for a monthly subscription fee. We operate our own monitoring centres. We bring expertise to verification and response. We also provide customer service and professional technical support for all our installed systems. We have a diverse and high quality customer base with low attrition contributing to growing, predictable cash flows.

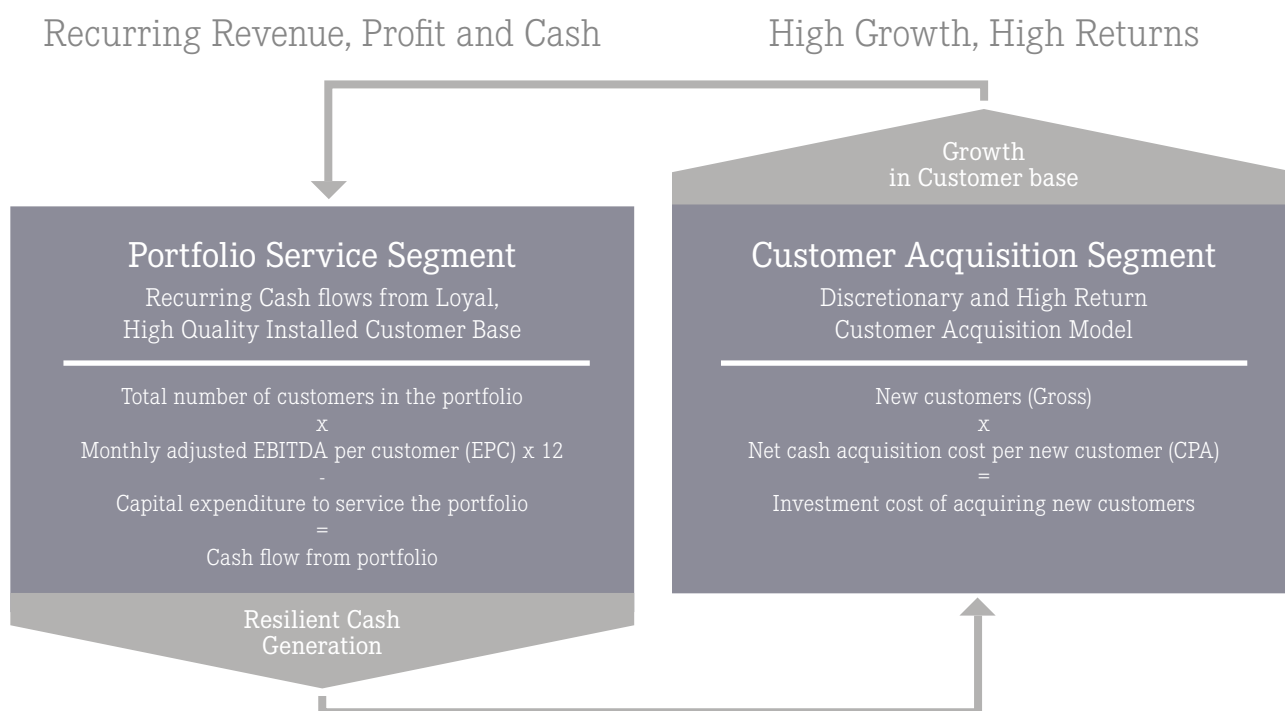
A majority of costs from the portfolio services segment are variable or semi-fixed. Some costs are fixed, e.g. facility rental, which together with the semi-fixed costs provide operating leverage as we grow. As a result, we are able to increase operating margins and cash flows as we add new customers to our existing operations.

The recurring monthly fees in Portfolio services generate approximately 78% of Group revenue. As of December 31, 2017, we had over 2.5 million customers connected to our monitoring centres. In 2017 this segment generated EUR 1,161.1 million of revenue and EUR 760.4 million of adjusted EBITDA, an increase of 20.7% compared to 2016. Portfolio EBITDA margin improved to 65.5% (63.1%).

Customer acquisition

Some of the cash from the (increasing) portfolio is reinvested into the business again to grow the customer base further by acquiring new, high quality customers. In this segment we look at the revenues and investments associated with alarm systems for those customers. We look at the long-term value and return on investment.

Our business model is flexible on the pace of growth and customer acquisition, enabling us to balance growth targets and cash flow objectives.





Smart Solutions for Small Business Owners

Small businesses are exposed to security threats. The Verisure business alarm creates a safe working environment in which employees, customers and assets are protected.



Developing a World-Class Organization

More than 13,000 teammates who are passionate, innovative and dedicated to delivering peace of mind.

Our people put the customer first

We are a technology-enabled human services company. Our Technology is a major enabler of our service. But it is so much more powerful when combined with the expertise our team brings every day. More than 85% of our employees interact with customers every day, in sales, installation, maintenance, monitoring and response. They are there for the most critical “moments of truth” and our customers trust us to be there to respond and handle these potentially life-changing moments. It is part of our DNA and it is the foundation of a lifetime relationship with our customers.

Our culture differentiates us

Each of our colleagues embodies our DNA and brings it to life across all our markets, in each of our interactions with our customers. We know our DNA differentiates us, we hear it from our customers, from potential new team mates, and from our stakeholders. There is an unmistakable energy about our people, they are passionate in what they do. We believe in delivering with excellence, and are committed to making a difference every day. We innovate together, its part of who we are. We do this in big ways with new product or service offerings, but also by sharing and reapplying great ideas. We win

together, as a team, collaborating and working to deliver on our Vision. We trust each other and we earn the trust and respect of our customers day in and day out. Our team of experts know what it takes. We know that to do what we do, and do it well, we must take individual responsibility.

A unique place to develop, to learn, and to grow

We believe that to be a world-class Company, we need world-class people. We hire, develop and reward team mates based on their performance and on their contribution to the Company’s vision. Values matter. We care about not just what gets delivered but also how it gets delivered.

We grow fast, but we work to stay agile and lean, responsive and close to customers. We operate with global leadership mindset but maintain strong local accountability. This means our team has fantastic opportunities to grow and develop. We want them to have long and exciting careers with us. We believe in their potential and help them to cultivate that through diverse experiences. Our growth means that our employees grow, and they do that quickly. We believe in giving people the chance to try, we do our best to set them up for success, and the high accountability we have for our customers and our business, is a driver of personal development.

Innovation is Embedded in Our Culture

Our deep customer understanding and close monitoring of new trends in technology and market insights are the foundation of our game-changing product and service solutions. These solutions protect millions of families and businesses every day.





A Technology-Enabled Human Services Company

Our more than 13,000 employees and partners are at the foundation of our Company. Our technology, combined with the best, highly-talented team, amplifies our success.

Passionate in everything we do

Committed to Making a Difference



Always Innovating

Winning as a Team

with Trust & Responsibility



Group Management



**Andrew
Wells**

Group Chief Product
& Service Officer



**Antonio
Anguita**

President of Iberia &
Latin America



**Austin
Lally**

Group Chief
Executive Officer



**Benedict
O'Halloran**

Group Chief Legal
Officer



**Erwin
Wieffering**

Group Chief
Marketing Officer
(through March 2018)



**Hector
Martinez**

Group Chief
Marketing Officer
(from April 2018)



Luis Gil

President of Expansion,
Acquisitions and
Business Development,
Founder



**Matthias
Hansen**

Group Chief
Information Officer



**Mattias
Ringqvist**

General Manager
Sweden, Finland &
Denmark



**Marta Panzano
Barbero**

Group Chief Human
Resources Officer



**Olivier
Allender**

General Manager
France & Belgium



**Vincent
Litrico**

Group Chief
Financial Officer

Andrew Wells joined the company as Chief Product & Services Officer, (CPSO) in February 2017. Mr. Wells joins us from Motorola, where he was most recently Vice-president of Engineering leading Motorola's modular computing platform and innovation pipeline across the USA, China, Australia, and the U.K. Mr. Wells holds a Bachelor and Master in Electrical Engineering from University of New South Wales as well as a Masters of Product Design and Development from Northwestern University.

Antonio Anguita joined the Company as Managing Director for Spain in 2013. Mr. Anguita was promoted to President of Iberia & Latin America in August 2014. Before joining the company, he was a partner and co-founder of Alana Partners, a start-up incubator and accelerator based in Madrid. Prior to this, Mr. Anguita was responsible for all the fixed line and internet services activities at Orange worldwide. He has also held various senior positions at France Telecom Spain, Hewlett Packard and McKinsey & Co. Mr. Anguita holds a Bachelor of Arts and Political Science from Brown University and a Masters of Business Administration from Harvard University.

Austin Lally joined the Company as Chief Executive Officer in 2014. Mr. Lally previously held senior leadership roles at The Procter & Gamble Company, where he spent 25 years building and growing consumer businesses in Europe, the US and Asia. This included 7 years in China helping to build P&G's sizeable position in that market. Austin was also the VP responsible for Gillette marketing globally. Prior to joining Verisure, Mr. Lally was a Procter & Gamble Global President 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.

Benedict O'Halloran joined the Company as Chief Legal Officer in 2015. Previously, Mr. O'Halloran was a partner in the Corporate/M&A practice of Jones Day in London. Prior to this he worked for 12 years with General Electric in Europe, ultimately as General Counsel for both European M&A and UK operations. In his early career, Ben worked at leading law firms in Toronto and London and as a business development executive in the media industry. He is a member of the Law Societies of England & Wales and of Upper Canada. And he holds a Bachelor's degree from Harvard University, a Master's degree in Law from Oxford University, an LL.B. from Canada's Dalhousie University and an MBA from INSEAD.

Erwin Wieffering joined the Company in 2015 and served as Chief Marketing Officer through March 2018. Previously, Mr. Wieffering spent 18 years with Gillette and Procter & Gamble specialising in marketing and commercial management. Mr. Wieffering holds a Bachelor's degree in Economics from the Haagsche Hoogeschool and a Master of Science in Business from Nijenrode University.

Hector Martinez joined the Company in March 1998 as marketing intern while pursuing his undergraduate studies at ESIC Marketing University in Madrid. Mr. Martinez was integral in growing and developing our Company's approach to marketing. He also played a 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 Chief Mar-

keting Officer in April 2018. Mr. Martinez also holds a Masters degree in Direct Marketing from IESE.

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 our Spanish business in 1993. He led the expansion efforts in Portugal, Brazil, Peru and Chile and most recently in Italy, the U.K and the Netherlands. Prior to joining our company, he was the President of Esabe Ingeniería de Seguridad SA. Mr. Gil holds a Master's degree in Industrial Engineering.

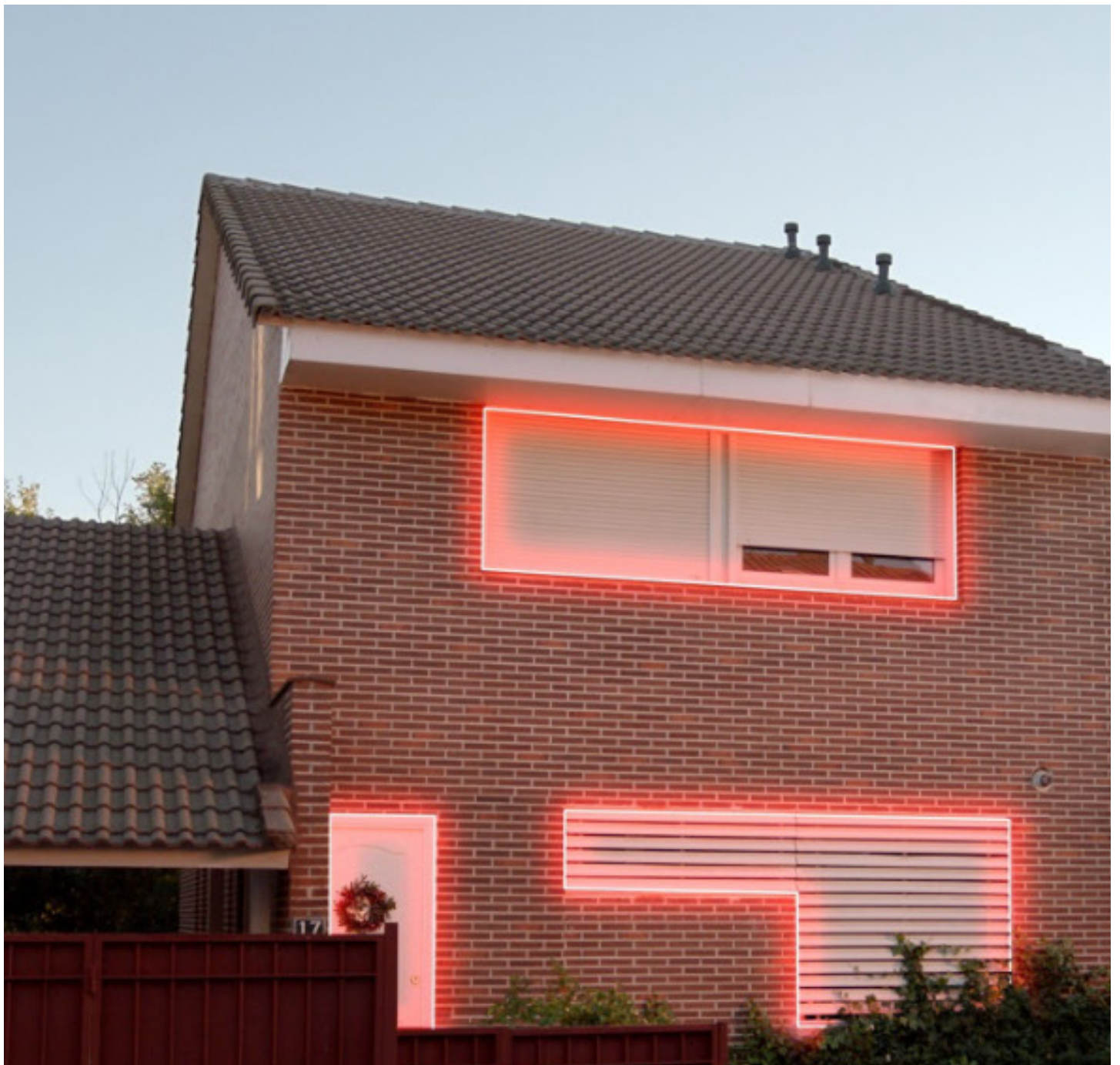
Matthias Hansen joined the company as Chief Information Officer, (CIO) in November 2016. Mr. Hansen joins us from Telstra Health, a division of Telstra Communications in Australia, where he was most recently the Chief Product & Technology Officer responsible for their technology and digital strategy. 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.

Mattias Ringqvist joined the Company as Managing Director for the Swedish consumer business in 2013. Since then he has been promoted to lead our business in 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 in the period 2009-2013. Before that he spent 13 years at McKinsey & Co in Scandinavia and the US, 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 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 and Asia. Ms. Panzano has also held various positions within Finance and Strategy at BCG and Hewlett Packard. Ms. Panzano holds a Bachelor's degree in Business Administration and Economics from the Universidad Carlos III Madrid.

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. He currently leads the French and Belgian businesses. 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 US and Japan and has held various senior positions in the direct marketing industry in France and Germany.

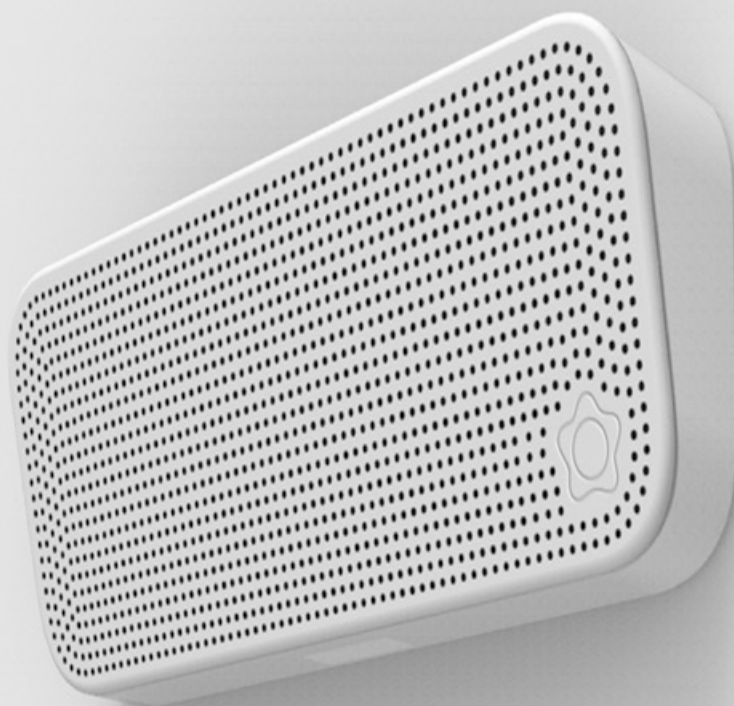
Vincent Litrico joined the Company as Group CFO in May 2016. Mr. Litrico joined us from The Estée Lauder Companies Inc. where he served as Vice President Finance, Strategy & Business Operations for Europe, Middle East, Africa and India. Before joining Estée Lauder, Mr. Litrico held positions in Finance 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.



Detection before an Intrusion Happens

Our new Early Detection solution with vibration detectors allow us to respond before an intrusion happens.





Voice Response in Seconds

Verisure Voice links your home or business to our security alarm experts if an intrusion or emergency occurs, responding in seconds to help protect what matters.



Corporate Governance

Verisure Midholding AB's corporate governance is based on external and internal regulatory frameworks, including the Articles of Association, the Swedish Companies Act and other applicable country legislation and regulations, as well as internal codes, policies and guidelines.

Board of Directors

Composition of the Board

Verisure Midholding AB has a Board of Directors composed of five directors. The Board of Directors is responsible for the Group's organization and administration. The Board of Directors must regularly assess the Group's financial situation and ensure that the organization is structured so that the accounting records, financial management and other financial aspects are satisfactorily overseen.

The Group's headquarter is based in Geneva, Switzerland. The Group's key management functions are based in the Group headquarter under which the strategic leadership, management and control of the business are undertaken.

Rules of Procedure and written instructions

The Board, which for the purposes of this and the following subsections refers to the board of Verisure Topholding 2 AB, has established rules of procedure that are reviewed once a year or when necessary. These rules involve the allocation of tasks between the Board and the CEO, and detailed instruc-

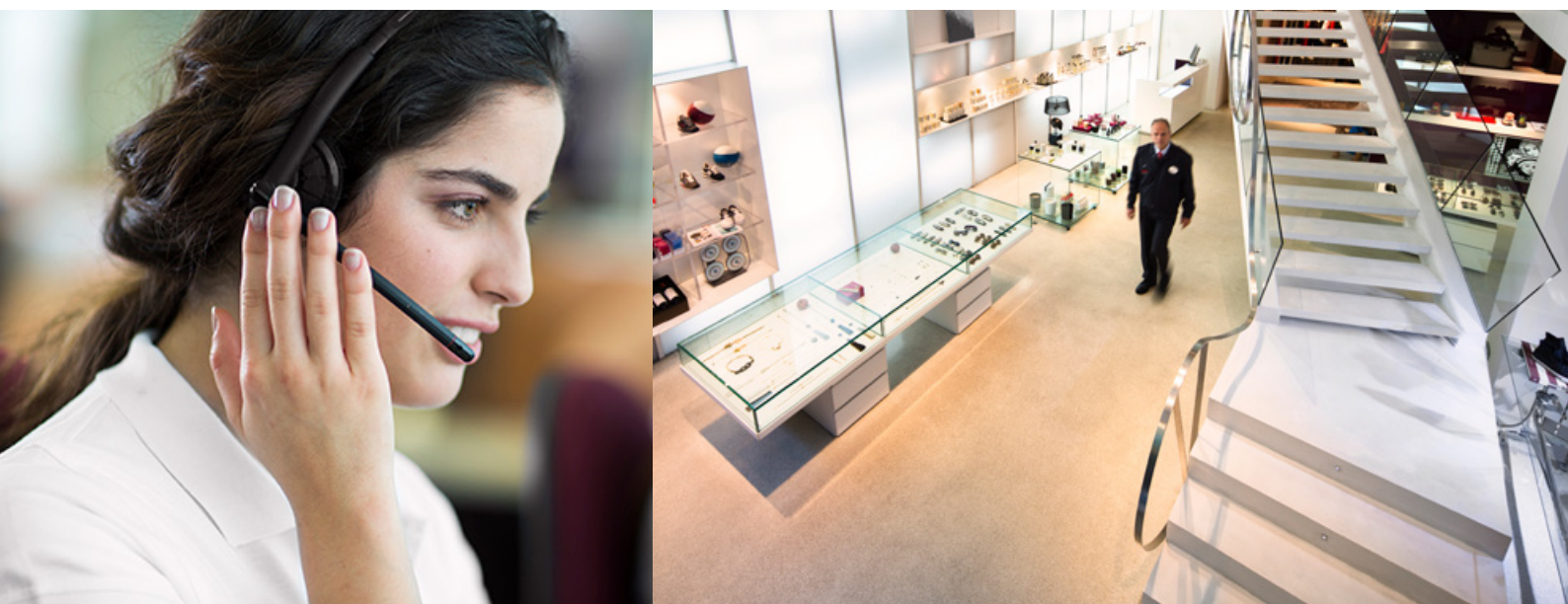
tions for the CEO. The Rules of Procedure stipulates at least five meetings during the year and also includes an agenda for the board meetings. Extraordinary meetings are to be held when necessary. If needed, matters are added to the agenda.

Board Committees

The Board has established an Audit Committee and a Remuneration Committee. The members of the committees are appointed by the Board. The major tasks of these committees are preparatory and advisory, but the Board may on occasion delegate authorization for the committees to determine in specific matters. All committee meetings must be recorded in minutes.

Audit Committee

The primary function of the Audit Committee 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 four meetings during 2017. 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 Götz and Adrien Motte. Meetings are attended by Philip Sternheimer, Austin Lally, Vincent Litrico, Cecilia Hulten and Benedict O'Halloran.



Remuneration Committee

The Remuneration Committee 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 Götz, 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.

It's a Human Right to feel Safe and Secure



Beyond Burglaries for Complete Home Safety

Our new Verisure Fire Response technology ensures the safety of adults and children with both Siren and Voice navigation response to ensure all family members wake up and are directed to safety.





Human Emergencies require Human Response

Our monitoring experts verify alarms with up to 99.5% accuracy giving us the power to react immediately and effectively to any home emergency and deliver the right support, faster.



Board of Directors (Verisure Midholding)

Name	Position
Austin Lally	Director and Group Chief Executive Officer
Adrien Motte	Director
Stefan Götz	Director
Cecilia Hultén	Director and Chairman
Fredrik Östman	Director and Deputy CEO

Austin Lally joined the Company as Group Chief Executive Officer in 2014. Mr. Lally previously held senior leadership roles at The Procter & Gamble Company, where he spent 25 years building and growing consumer businesses in Europe, the US 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. Prior to joining Verisure, Mr. Lally was a Procter & Gamble Global President 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.

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, he was employed by Park Square Capital. Mr. Motte holds a Bachelors and Masters in Engineering from the University of Cambridge.

Stefan Götz has served as a director of our company since June 2011. Mr. Götz 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. Götz 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.

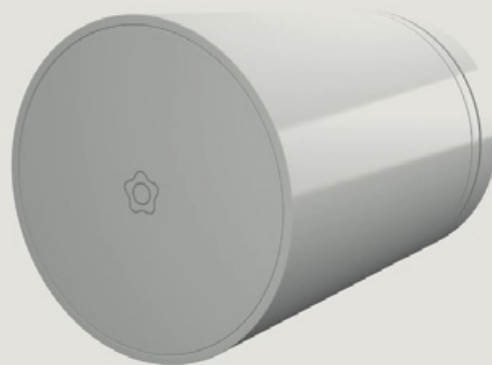
Cecilia Hultén has served as Group Financial Controller since 2006. Prior to joining our company, Ms. Hultén served as an authorised public accountant at PricewaterhouseCoopers AB. Ms. Hultén holds a Bachelor of Science degree in Economics and Business Administration from Linnaeus University.

Fredrik Östman replaced Vincent Litrico as member of the Board of Directors in 2017. Mr. 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.



Always Innovating for even Faster Response

In 2017 we launched our new ZeroVision alarm which significantly enhances our ability to respond to burglary attempts. Once intrusion is verified by our monitoring technicians, the fog barrier is remotely activated from the monitoring centre instantly.





Putting Safety First

With the Verisure Smart App, our customers can easily control, and personalise their alarm settings via their mobile phone.



Directors' Report

Operations

We are Europe's number one provider of professionally monitored alarm systems for the residential and small business segment. We operate a subscription-based service business that consists of providing and installing alarm systems and monitor-

ing these systems on an ongoing basis in return for an installation fee and recurring monthly fees. We conduct our business through two operating segments; portfolio services and customer acquisition.

Key figures

EUR thousand	2017	2016
Portfolio services segment:		
Unaudited operating data		
Total subscribers (year-end), units	2,586,123	2,293,993
Cancellations, units	153,369	142,708
Attrition rate	6.3%	6.7%
Net subscriber growth, units ¹	292,130	277,470
Subscriber growth rate, net	12.7%	13.8%
Average monthly revenue per user (ARPU), (in EUR) ²	39.8	38.9
Monthly adjusted EBITDA per subscriber (EPC), (in EUR) ²	26.0	24.6
Non-IFRS and IFRS financial data		
Revenue	1,161,051	997,421
Adjusted EBITDA	760,373	629,846
Adjusted EBITDA margin	65.5%	63.1%
Customer acquisition segment:		
Unaudited operating data		
New subscribers added (gross)	439,687	359,468
Cash acquisition cost per new subscriber (CPA), (in EUR)	1,167	1,176
Non-IFRS and IFRS financial data		
Revenue	241,199	187,069
Adjusted EBITDA	-202,819	-177,361
Capital expenditure	310,407	245,338
Consolidated:		
Unaudited operating data		
Payback period (in years)	3.7	4.0
Non-IFRS and IFRS financial data		
Revenue	1,402,250	1,184,490
Organic revenue growth	17.4%	15.7%
Adjusted EBITDA	557,554	452,485
Adjusted EBITDA margin	39.8%	38.2%
Capital expenditure	429,075	321,064

¹⁾ Differences in reconciliation with end of period subscriber data are primarily due to acquisitions of contract portfolios.

²⁾ In Q4 2016, calculation methodology for average portfolio moved from a yearly average to a monthly average calculation. The new methodology has been applied to historical numbers and resulted in ARPU increasing with 0.3 EUR and EPC with 0.2 EUR on a yearly basis both in 2016 and 2015.

Analysis of operating results

The information presented and discussed in this report includes a number of measures that are not defined or recognised under IFRS including CPA, ARPU, EPC and adjusted EBITDA. These are considered to be key measures of the Group's financial performance and as such have been included here to enhance comparability and usefulness. CPA is the net investment to acquire a new customer. ARPU and EPC reflect the monthly revenues and adjusted EBITDA per customer in the portfolio segment.

Adjusted EBITDA, being earnings before interest, tax, write offs, depreciation and amortisation, excluding separately disclosed items (SDI), is considered by management to give fairer view of the year-on-year comparison of financial performance. Separately disclosed items are costs or income that have been recognised in the income statement which management believes, due to their nature or size, should be disclosed separately to give a more comparable view of the year-on-year financial performance. These are further explained later in this section.

EUR million	Jan-Dec 2017	Jan-Dec 2016	Percent change
Revenue	1,402.3	1,184.5	18.4%
Operating expenses	-844.7	-732.0	15.4%
Adjusted EBITDA	557.6	452.5	23.2%
Adjusted EBITDA margin, %	39.8%	38.2%	-
Depreciation and amortisation	-145.5	-136.4	6.7%
Retirement of assets	-49.8	-39.8	25.1%
Operating profit	362.3	276.3	31.1%
Operating profit margin, %	25.8%	23.3%	-
Interest income and cost	-164.3	-173.8	-
Other financial items	-3.2	-3.2	-
Result before taxes and SDI	194.8	99.3	105.5%

Revenue

Revenue in the twelve months ending December 31, 2017 increased by 18.4%, or EUR 217.8 million, to EUR 1,402.3 million, up from EUR 1,184.5 million in the prior period. Organic revenue growth was 17.4%. The increase was primarily due to the increasing customer base and higher average monthly revenue per user. The customer base on December 31, 2017, stood at 2,586,123 (2,293,993) with the increase primarily due to continued customer acquisition efforts and low attrition.

Revenue for portfolio services in the twelve months ending December 31, 2017, increased by 16.4%, or EUR 163.6 million, to

EUR 1,161.1 million, up from EUR 997.4 million in the prior period. The increase was primarily due to the increased number of customers and higher average monthly revenue per user.

Revenue for customer acquisition in the twelve months ending December 31, 2017, increased by 28.9%, or EUR 54.1 million, to EUR 241.2 million, up from EUR 187.1 million in the prior period. The increase was mainly due to higher number of new installations as well as higher upfront revenue compared to the same period last year.

The following table shows the split of our revenue by market segment:

EUR million	Jan-Dec 2017	Jan-Dec 2016	Percent change
Revenue by segment			
Portfolio services	1,161.1	997.4	16.4%
Customer acquisition	241.2	187.1	28.9%
Total	1,402.3	1,184.5	18.4%

Operating expenses

Operating expenses in the twelve months ending December 31, 2017, increased by 15.4%, or EUR 112.7 million, to EUR 844.7 million, up from EUR 732.0 million in the prior period. The increase was mainly due to the growth in the portfolio and the increase in new installations.

Adjusted EBITDA

Adjusted EBITDA in the twelve months ending December 31, 2017, increased by 23.2% or EUR 105.1 million to EUR 557.6 million, up from EUR 452.5 million in the prior period. The increase in adjusted EBITDA was mainly driven by the increased customer base, higher average revenue per user and improved operational efficiency.

Depreciation and amortisation

Depreciation and amortisation increased to EUR 145.5 million in the twelve months ending December 31, 2017, up from EUR 136.4 million in the prior period. This is primarily related to the alarm equipment installed at our customers and the capitalised direct cost related to the acquisition of customer contracts. The depreciation and amortisation has increased mainly due to the increased number of customers and to some extent increased investments in R&D. A yearly assessment of the useful life of alarm equipment and customer portfolio has been done and the updated useful lives have been applied from January 1, 2017.

Retirement of assets

EUR 49.8 million (39.8) of assets have been written off in the twelve months ending December 31, 2017, corresponding to the remaining balance for capitalised material and direct costs, when customers are leaving the portfolio.

Interest income and cost

Interest income in the twelve months ending December 31, 2017, amounted to EUR 0.2 million (0.4) and interest cost, amounted to EUR 164.5 million (174.2). The lower interest cost in 2017 compared to 2016 is mainly related to the reduced margin on the Term Loan B albeit partially off-set by higher indebtedness from November 21, 2017.

Other financial items

Other financial items amounted to a negative EUR 3.2 million (3.2) which mainly consist of commitment fee for the Revolving Credit Facility.

Results including Separately disclosed items (SDIs)

EUR million	Jan–Dec 2017			Jan–Dec 2016		
	Result excluding SDI	Separately disclosed items	Reported	Result excluding SDI	Separately disclosed items	Reported
Revenue	1,402.3	-	1,402.3	1,184.5	-	1,184.5
Operating expenses	-844.7	-34.8	-879.5	-732.0	-28.7	-760.7
Adjusted EBITDA	557.6	-34.8	522.8	452.5	-28.7	432.8
Depreciation and amortisation	-145.5	-153.0	-298.5	-136.4	-149.5	-285.9
Retirements of assets	-49.8	-	-49.8	-39.8	-	-39.8
Operating Profit	362.3	-187.8	174.5	276.3	-178.2	98.1
Interest income and cost	-164.3	9.3	-155.0	-173.8	-	-173.8
Other financial items	-3.2	-96.9	-100.1	-3.2	36.1	32.9
Result before tax	194.8	-275.4	-80.6	99.3	-142.1	-42.8
Income tax benefit and expense	-	-	-2.1	-	-	-14.6
Result for the period	-	-	-82.6	-	-	-57.4

Separately disclosed items (SDIs)

SDI affecting adjusted EBITDA

SDI affecting adjusted EBITDA includes costs related to various transition projects within the group. It also includes costs related to acquisitions of new businesses. For the twelve months ending December 31, 2017, the costs amounted to EUR 34.8 million (28.7).

SDI affecting depreciation and amortisation

The market value of the acquisition-related intangible assets are amortised over the expected life. The main part of the total negative EUR 153.0 million (149.5) relates to amortisation of contract portfolio resulting from the acquisition of the Securitas Direct Group in 2011.

SDI affecting interest income and cost

SDI affecting interest income and cost consists of interest income regarding a loan to related party totalling EUR 9.3 million.

SDI affecting other financial items

SDI affecting other financial items, in total negative EUR 96.9 million (positive 36.1), consists of call costs and consent fees totalling EUR 45.4 million (nil), non-cash FX revaluations of debt items and hedge of negative EUR 15.0 million (positive 47.8) and other amortisations of prepaid debt charges of 36.5 million (11.7).

Income tax benefit and expense

Total tax cost was EUR 10.1 million (8.0) in the quarter and EUR 2.1 million (14.6) for the twelve month period. Current tax cost was EUR 13.7 million (8.2) in the quarter and 39.4 million (25.5) in the twelve month period. The corresponding amounts for deferred tax were a benefit of EUR 3.6 million (0.3) in the quarter and EUR 37.3 million (10.9) for twelve months.

Our two segments

We operate the business through two segments: portfolio services and customer acquisition.

Portfolio services

The portfolio services segment provides monitoring services to existing customers for a monthly subscription fee. We enter into monitoring services agreements with customers, usually at the time of alarm installation. The customer can generally terminate these agreements with one to three months' notice. We provide monitoring services through dedicated monitoring centres. The centres filter and respond to customers' alarms. We also provide customer service and support for all our installed systems. Our relatively low attrition rate of 6.3% (6.7%) has historically allowed the segment to generate stable and recurring cash flow.

The substantial cash flow from the portfolio services segment allows us to fund expenditure required to grow the customer base. In 2017, the segment generated revenue of EUR 1,161.1 million (997.4), representing 82.8% (84.2%) of total revenue and adjusted EBITDA of EUR ≥760.4 million (629.8), equivalent to a 65.5% (63.1%) EBITDA margin. As of December 31 2017, the Group had approximately 2.6 million (2.3) customers, all connected to our alarm monitoring centres.

The result and cash flow of the portfolio services segment during any period are primarily impacted by the average number of monitored alarm customers during that period, the average monthly subscription fee charged, and the capital expenditure and other costs incurred in connection with on-going monitoring services. The average number of customers within any period is primarily affected by attrition rates for existing customers and the number of new customers added during that period.

We have an attractive offer in the markets in which we operate both from a product and service standpoint. We normally increase subscription fees each year based on various consumer price indices combined with value improvements in our offerings in each market. We also increase subscription fees with

respect to individual customers to the extent they add new services and features.

The costs incurred in the portfolio services segment primarily include labour costs associated with monitoring and customer service activities (such as monitoring centre operators and field technicians). Capital expenditure for portfolio services is generally low and primarily consists of purchases of upgraded customer equipment and computer servers and other hardware and software at the Group's monitoring centres. As a result, we are able to significantly improve our operating margins and cash flow as we add new customers to our existing operations.

To monitor performance in the portfolio services segment, management focuses on a number of key metrics, including average revenue per user (ARPU), monthly adjusted EBITDA per customer (EPC) and attrition rate. These metrics are described in more detail under "definitions".

Customer acquisition

The customer acquisition segment develops, sources, purchases, provides and installs alarm systems for new customers in return for an installation fee. This fee typically only covers a portion of the costs associated with purchasing, marketing, selling and installing each alarm system. As a result, the segment's operations represent an upfront investment in our business to acquire new customers, consequently driving revenue growth in the portfolio services segment. In 2017 the customer acquisition segment generated EUR 241.2 million (187.1) of revenue and negative adjusted EBITDA of EUR 202.8 million (negative 177.4).

The cost of acquiring a customer includes the cost of the alarm equipment installed at customer premises as well as marketing, sales, installation and other related activities. Our upfront investment (including the capital expenditure and other costs associated with originating a subscriber) is partially offset at the time of sale by the installation fee paid by a new subscriber. We seek subsequently to recapture the remainder of our upfront investment through the monthly subscription fees, net of on-going monitoring costs (or EPC), generated by the customer.

Cash flow

The following table shows a summary of our cash flow on a historical basis for the years ending December 31, 2017, and 2016:

EUR million	2017	2016
Cash flow from operating activities before change in working capital	486.6	398.1
Change in working capital	34.1	32.2
Cash flow from operating activities¹	520.6	430.4
Cash flow from investing activities	-436.7	-387.9
Cash flow from financing activities ²	-75.4	-43.0
Cash flow for the period	8.5	-0.5
Cash and cash equivalents at beginning of the period	6.0	6.4
Translation differences on cash and cash equivalents	-0.2	0.1
Cash and cash equivalents at the end of the period	14.2	6.0

1) Cash flow from operating activities is calculated after giving effect to income tax paid.

2) Cash flow from financing activities includes paid interest.

Our key operating metrics for the segment include the break-even or payback periods for the investments we make to originate new customers. We look at our CPA, which represents the net investment required to acquire a new subscriber, and is defined as the average total cost and capital expenditure we incur in acquiring a new subscriber, net of the upfront installation fees received on average per subscriber. By dividing CPA by adjusted EBITDA per subscriber (EPC) generated in the portfolio services segment, we can approximate the minimum period necessary to retain each subscriber in order to break even on our investment. Based on our results for the year 2017, a customer needed to remain a subscriber for 3.7 years (4.0) to enable us to recover our net investment in acquiring him or her. Based on historical trends, we currently estimate that our residential customers remain with us, on average, 15 years and our small business customers remain with us, on average, 8 years.

A significant portion of costs in the customer acquisition segment are variable. They primarily include expenditures relating to our sales and installation operations and purchases of new alarm equipment from third-party manufacturers. As a result we have the flexibility to vary the timing and pace at which we spend to acquire new customers. Because the customer acquisition segment uses a significant amount of cash generated by the portfolio services segment, a reduction in customer acquisition activities and associated investments typically results in an increase in overall cash flow generated by us in the short-to-medium-term. The decision whether to invest in subscriber acquisition is based on a variety of factors, including our overall business plan, subscriber attrition rates, market opportunities, net subscriber growth goals and debt service obligations.

Cash flow from operating activities

Cash flow from operating activities for the twelve months ending December 31, 2017 amounted to EUR 520.6 million (430.4).

The increase compared to corresponding period previous year is due to an increase in profitability as well as improvements in working capital.

Cash flow from investing activities

Cash flow from investing activities for the twelve months ending December 31, 2017 amounted to negative EUR 436.7 million (387.9). The increase is mainly due to organic growth and growth in acquisition of new customers.

Cash flow from financing activities

Cash flow from financing activities for the twelve months ending December 31, 2017 totalled a negative EUR 75.4 million (43.0). The main elements included new financing of EUR 1,989.9 million (245.0), repayment of old term debt of 761.0 (nil), paid Call cost/consent fees as well as other bank and advisory fees of EUR 68.6 million (10.5) as well as paid interest of EUR 181.6 million (155.7).

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 and investments in R&D and IT. In accordance with IFRS, the costs of the alarm equipment purchased by us from our suppliers and installed in connection with newly acquired subscribers are capitalised as tangible fixed assets to the extent we retain ownership of the equipment. We also capitalise direct costs related to the acquisition of customer contracts as intangible fixed assets.

The following table shows a summary of our capital expenditures for the years ending December 31, 2017 and 2016:

EUR million	2017	2016
Portfolio service capital expenditures	118.7	75.7
Customer acquisition capital expenditures, material	169.5	138.9
Customer acquisition capital expenditures, direct costs	140.9	106.5
Total	429.1	321.1

Liquidity, liabilities and financing agreements

The primary sources of liquidity for our business is cash flow from operations, while our significant uses of cash and capital funding needs are purchases of new equipment, funding our customer acquisition operations, operating expenses, capital expenditure and amounts due to our debt obligations. Our ability to generate cash from operations depends on future operating performance, which in turn depends on several factors including; general economic, competitive, legislative, regulatory. Several of the aforementioned factors are beyond our control. See the "risk factors" section for more details.

Credit arrangements

Below gives a description of Verisure Midholding's credit events leading to its current credit structure.

As of December 31, 2017, we had EUR 4,214.8 million (3,004.0) of indebtedness, consisting of Senior Secured Notes of EUR 630.0 million (700.0), Term Loan B of EUR 2,380.0 million (1,540.2), Private Unsecured Notes of EUR 0 million (694.8), Senior Unsecured Notes of EUR 1,147.6 million (nil), EUR 13.4 million (23.7) in borrowings outstanding under a Revolving Credit Facility, EUR 1.7 million (2.2) of finance leases and EUR 42.1 million (43.1) of other debt. As of December 31, 2017, the Group had cash of EUR 14.2 million (6.0) and unutilised credit facilities of EUR 278.8 million (271.8) where the utilised amount consists of cash drawn on the RCF of EUR 13.4 million (23.7) and utilised letters of credit of EUR 7.8 million (4.5).

Employees

The Group had 13,405 (10,834 in 2016) full time equivalent (FTE) employees in 2017. Approximately 33% of the FTEs were women and 67% were men. This ratio was 34/66 in 2016. Approximately 40% of the employees were located in Spain and 16% in France. After Spain and France, the highest concentrations of employees were in Brazil, Italy, Portugal and Sweden. In Sweden and, to a lesser extent, Norway, Finland and Denmark, we work closely with partners to sell and install our products instead of using our own employees.

Regulation and Other Matters

Our operations are subject to a variety of laws, regulations and licensing requirements in the countries 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 when unsolicited sales-based emails may be sent, we do not currently encounter these regulations in our largest countries, such as Spain, Sweden, France, Portugal and Norway. However, Denmark does prohibit door-to-door sales. In this jurisdiction, we have had to alter our sales approach to rely more on advertising our products in public forums. A similar restriction has now been introduced in Belgium. 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 EUR

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.

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.

There is an ongoing investigation from the Norwegian Competition Authority into the Norwegian security systems industry, including our Norwegian business. We understand that this investigation is still in its preliminary stages.

Events during the reporting period

On March 17, Verisure raised EUR 425 million of additional Term Loan B under a B1-D tranche of the Senior Credit Facilities priced at EURIBOR plus 3.00% with a EURIBOR floor of 0%. The proceeds of the new money raised was used to repay in full the B2 tranche denominated in SEK with equivalent value of EUR 275 million and priced at STIBOR plus 4.25% with a STIBOR floor of 1%, to redeem 10% (EUR 70 million) of the Senior Secured

Notes at a redemption price of 103.00% (effected on March 20) and to repay amounts outstanding under the revolving credit facility.

Andrew Wells joined the company as Chief Product & Services Officer, (CPSO) in February 2017. Mr. Wells joins us from Motorola, where he was most recently Vice-president of Engineering leading Motorola's modular computing platform and innovation pipeline across the USA, China, Australia, and the U.K. He brings over 17 years of experience in R&D and innovation leadership positions.

In June 2017, a new group headquarter office was opened in Geneva, Switzerland, in the heart of our European footprint.

On June 13 2017, the B1-C tranche of EUR 1,265 million, priced at 3.25% with a EURIBOR floor of 0.50%, and the B1-D tranche of EUR 425 million, priced at 3.00% with a EURIBOR floor of 0.00%, were rolled into a new B1-E tranche of EUR 1,690 million priced at 3.00% with a EURIBOR floor of 0.00%. The B1-E tranche is subject to a 6 month soft-call of 101%.

On September 15 Moody's announced an upgrade of Verisure Midholding AB's corporate family rating to B1 from B2 and outlook was changed to stable from positive.

During Q3, the company has completed the sale of c.9% minority interest in the Group to Eiffel, a nominated investment vehicle of GIC Special Investments Pte Ltd, a direct subsidiary of GIC Pte Ltd.

In October 2017 the group acquired TeleAlarme in Brazil. TeleAlarme has been consolidated into the group from Q4 2017.

In November 2017 the Group executed a refinancing where a net of EUR 1,149 million were raised in the form of additional Term Loan B and Senior Unsecured Notes while the Private Senior Notes were repaid in full. The weighted average cost of debt was brought down from 4.9% to 4.3% going forward. The proceeds will be used to finance a distribution to the Group's shareholders.

Subsequent to the refinancing, Moody's downgraded Verisure Midholding AB's corporate family rating to B2 from B1 and S&P downgraded its long term corporate rating to B from B+. Outlook is stable from both rating agencies.

Events after the reporting period

No significant events have occurred after the reporting period.

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

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

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

Consolidated statement of financial position

EUR thousand	Note	2017	2016
EQUITY AND LIABILITIES			
Equity	25		
Share capital		56	56
Other paid in capital		569,168	569,168
Other reserves		47,926	34,766
Retained earnings		-1,169,176	-1,089,014
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

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 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
<i>Total comprehensive income for the year</i>	-	-	13,160	-82,669	-69,509	44	-69,465
Group contribution	-	-	-	2,506	2,506	-	2,506
Balance at December 2017	56	569,168	47,926	-1,169,176	-552,026	-1,802	-553,828

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	-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
<i>Total comprehensive income for the year</i>	-	-	-13,959	-56,285	-70,244	-1,116	-71,360
Group contribution	-	-	-	2,791	2,791	-	2,791
Dividend	-	-	-	-110,000	-110,000	-	-110,000
<i>Total transactions with owners</i>	-	-	-	-107,209	-107,209	-	-107,209
<i>Transactions with non-controlling interest</i>	-	-	-	-3,484	-3,484	484	-3,000
Balance at December 2016	56	569,168	34,766	-1,089,014	-485,023	-1,846	-486,869

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

Notes to the Financial Statements

Verisure Midholding AB (publ) ("the company") is an organized public limited liability company incorporated on May 26, 2011, in and under the laws of Sweden with the registration number 556854-1402 and with its registered office in Malmö. Verisure Midholding AB's address is Ångbåtsbron 1, Box 392, 201 23 Malmö. The Group's headoffice is since June 2017 based in Geneva, Switzerland.

Verisure Midholding AB is directly and wholly owned by Verisure Topholding 2 AB (following the merger of Verisure Topholding AB with and into Verisure Topholding 2 AB on February 7, 2018). The company's ultimate parent entity is Shield Luxco 1 S.a.r.l, which operates in and under the laws of Luxembourg. Shield Luxco 1 S.a.r.l is controlled by Hellman & Friedman a global private equity investment firm.

Nature of operations

The Group is the leading provider of monitored alarm solutions for residential households and small business in Europe. The Group operates in eleven European countries and in three countries in Latin America. The European countries are Finland, Sweden, Norway, Denmark, the Netherlands, Belgium, United Kingdom, Italy, France, Spain, Portugal and Switzerland. The Latin American countries are Chile, Peru and Brazil.

The Group is comprised of two business segments: customer acquisition and portfolio services. The customer acquisition segment provides and installs alarm systems for new customers in return for an installation fee. The portfolio services segment provides monitoring services to existing customers for a monthly subscription fee.

Basis of presentation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value.

These consolidated financial statements have been prepared on the assumption that the company is a going concern and will continue in operation for the foreseeable future. Management believes that the going concern assumption is appropriate for the company due to adequate liquidity, capital position, and continued improvement in operating results. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Note 1 Accounting Policies

Summary of accounting policies

The most important accounting policies in the preparation of these consolidated financial statements are described below. These policies were applied consistently for all years presented, unless otherwise stated.

Verisure Midholding Group applies the International Financial Reporting Standards (IFRS) approved by the EU.

The parent company Verisure Midholding AB applies the Swedish Financial Reporting Board's recommendation "RFR 2".

Basis of consolidation

The consolidated financial statements include the results, cash flows and assets and liabilities of the Group and entities controlled, both unilaterally and jointly, by the Group.

A subsidiary is an entity controlled, either directly or indirectly, by the Group, where control is the power to govern the financial and operating policies of the entity so as to obtain benefit from its activities. The effect of potential voting rights that are currently exercisable or convertible is taken into account when determining whether the Group has a controlling influence on another entity.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date of acquisition and deconsolidated from the date that control ceases. The accounting principles used by subsidiaries are adjusted where necessary to ensure consistency with the principles applied by the Group.

All inter-company transactions, balances and unrealised gains and losses attributable to inter-company transactions are eliminated in the preparation of the consolidated financial statements.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euro (EUR), which is the parent company's functional and presentation currency.

Note 1 cont.

Transactions and balances

Transactions in foreign currency are translated into the functional currency in accordance with the exchange rates prevailing at the date of the transaction. Exchange differences on monetary items are recognised in the income statement when they arise. Exchange differences from operating items are recognised as either cost of sales or selling or administrative expenses, while exchange differences from financial items are recognised as financial income or financial expenses. When preparing the financial statements of individual companies, foreign currency denominated receivables and liabilities are translated to the functional currency of the individual company using the exchange rates prevailing at each balance sheet date.

Group companies

The results and financial position of all Group companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet item presented are translated at the closing rate on the closing date of that balance sheet.
- Income and expenses for each income statement are translated at average exchange rates.
- All resulting translation differences are recognised in other comprehensive income.

When a foreign operation is sold or partially disposed of, translation differences that were recorded in equity are reclassified and recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Segment reporting

The Group's operating segments are identified by grouping together the business by revenue stream, as this is the basis on which information is provided to the chief operating decision maker (CODM) for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. The Group has identified the management team as its CODM. The segments identified based on the Group's operating activities are "customer acquisition" and "portfolio services" and are explained further below:

Customer acquisition

This segment includes the part of the Group that provides and installs wireless and wired alarms and security solutions for homes and small businesses. Sales and installations can be performed both by our own employees and by external partners. Each new customer generates installation income that is recognised once installation of the alarm equipment has been completed. The company's costs for materials, installation, administration and marketing generally exceed the non-recurring income, resulting in negative cash flow for the segment.

Portfolio services

The portfolio services segment provides monitoring services to existing customers for a monthly subscription fee. We typically enter into self-renewing monitoring agreements with customers at the time of installation and the majority of customers pay via direct debit. We monitor our installed base of alarms through dedicated monitoring centres in order to verify alarms and initiate an appropriate response when an alarm is triggered. We also provide customer service and technical support for all our installed systems.

Business segments are recognised using the same accounting policies as applied by the Group.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services net of value-added tax and discounts, and after eliminating sales within the Group, and is recognised only where there is persuasive evidence of a sales agreement, the delivery of goods or services has occurred and, where there are contractual acceptance provisions, the customer has accepted the goods (or the right to reject them has lapsed), the sale price is fixed or determinable and the collectability of revenue is reasonably assured.

More specifically income is recognised as follows:

Alarm monitoring

Income from alarm monitoring services is recognised during the period to which the service relates.

Installation fees

As part of alarm installation, customers pay an installation fee and, in certain cases, payment for products sold. This fee is recognised once the installation is completed.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration for the business combination is measured at fair value on the acquisition date, which is calculated as the sum on the acquisition date fair value of paid assets, liabilities that arise or are assumed and equity ownership issued in exchange for control of the acquired business. Acquisition-related costs are recognised in the income statement during the period in which they are incurred.

The consideration also includes fair value on the acquisition date of the assets or liabilities arising from an agreement concerning contingent consideration.

Changes to the fair value of a contingent consideration as a result of additional information, received post-acquisition within 12 months from the time of the acquisition, concerning facts and circumstances at the time on the acquisition date qualify as adjustments during the assessment period and require retrospective restatement with corresponding adjustment of goodwill. All other changes to the fair value of an additional consideration that is classified as an asset or liability are recognised in

Note 1 cont.

accordance with the applicable standard. Contingent consideration that is classified as equity is not remeasured and the subsequent settlement is recognised in equity.

The identifiable acquired assets, assumed liabilities and contingent assets are recognised at fair value as at the acquisition date.

Contingent liabilities assumed in a business combination are recognised as existing liabilities arising from events that have occurred, if their fair value can be reliably calculated.

In a business combination where the sum of the consideration, any non-controlling interests and the fair value on the acquisition date of previously held equity interest exceeds the fair value of identifiable acquired net assets on the acquisition date, the difference is recognised as goodwill in the statement of financial position. If the difference is negative, the resulting gain on the acquisition is recognised as a bargain purchase in the income statement after review of the difference.

In the case of each business combination, previously held non-controlling interests in the acquired company are measured either at fair value or at the value of the proportionate share of the non-controlling interest of the acquired company's identifiable net assets.

Operating expenses

The company's business model involves sales and installation being carried out primarily by the same individuals. The costs of these activities are recognised in gross profit. This means that "cost of sales" includes some costs that are actually selling expenses but cannot be allocated to a specific function.

Employee benefit expense

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

Share based payment

Certain employees of the Group participate in a management equity program which allows them to acquire shares in Shield Luxco 2 S.à r.l. either directly or through a special purpose vehicle. This program is in accordance with IFRS 2 "Share based payment" classified as a share based payment with settlement through equity instrument and is disclosed accordingly.

As the managers have to buy the shares at their fair market value, there is no benefit at the grant date. Hence, there is at no moment an expenditure due to the management equity program and therefore there is no effect on either the balance sheet or on the income statement of the Group.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Financing

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

External financing

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

Internal financing

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

Income taxes

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

Note 1 cont.

Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and any cumulative impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is based on the asset's cost and is allocated using the straight-line method over the asset's estimated useful life, as follows:

Alarm equipment	4–14 years
Other machinery and equipment	3–10 years

The useful lives and residual values of Group assets are determined by management at the time of acquisition and are reviewed annually for appropriateness. The lives are based primarily on historical experience with regards to the lifecycle of customers, as well as anticipation of future events that may impact useful life, such as changes in technology and macro-economic factors. An update of the useful life has been done during 2017.

Alarm equipment is primarily equipment installed on customers' premises. Other machinery and equipment is primarily IT-equipment and furniture.

An asset's residual value and value-in-use are reviewed, and adjusted if appropriate, annually on the reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the estimated recoverable amount. Gains and losses on disposals are recognised in the income statement as cost of sales.

Intangible assets

Goodwill

In a business combination where the sum of the acquisition price, any minority interest and fair value of any previously held equity interest on the acquisition date exceeds the fair value of identifiable acquired net assets on that date, the difference is recognised as goodwill. Goodwill is allocated to the lowest levels for which there are separately identifiable cash flows or cash-generating units (CGUs). Goodwill is not subject to amortisation and is tested for impairment annually, or as soon as there is an indication that the asset has declined in value, and carried at cost less accumulated impairment losses.

For the purpose of impairment testing, assets are grouped at the CGU level. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversed in a subsequent period.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

The Group prepares and approves formal long term management plans for its operations, which are used in the value-in-use calculations.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Customer portfolio

The customer portfolio includes contract portfolios and associated customer relationships. These are carried at cost less accumulated depreciation and amortisation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is based on the asset's cost and is on a straight-line basis over the estimated useful life.

Customer acquisition costs

The Group capitalises direct costs related to the acquisition of customer contracts as intangible assets, as they fulfil the requirement in IAS 38, intangible assets, of internally generated intangible assets.

Other intangible assets

Other intangible assets are primarily computer software, rental rights and trademark. Rental rights usually have a limited useful life and are recognised at cost less cumulative amortisation and any cumulative impairment loss. Acquired software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the asset's estimated useful life. Development costs for new identifiable and unique software products are capitalised if they are controlled by the Group and are likely to generate economic benefits. The capitalised amounts consist of direct costs and the capitalisable portion of indirect costs.

Costs associated with developing or maintaining computer software are expensed as incurred. Capitalised development costs have a definable useful life and are amortised on a straight-line basis from the date the software entered use.

Amortisation for all intangible assets is measured using the straight-line method during the useful life, as follows:

Customer portfolio	4–19 years
Computer software	3–10 years
Other intangible assets	3–18 years

Rental rights and similar rights are amortised over the same period as the underlying contract. An asset's residual value and value-in-use are reviewed, and adjusted if appropriate, annually on the reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the estimated recoverable amount.

Note 1 cont.

Impairment of non-financial assets

Assets with an indefinite useful life are not subject to amortisation and are tested for impairment annually or as soon as an indication emerges that they have decreased in value. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the recoverable amount may fall short of the carrying amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

Value-in-use is the present value of estimated cash flows and is measured on the basis of assumptions and estimates. The most significant assumptions relate to organic sales growth, the operating margin, the extent of operating capital employed and the relevant pre-tax weighted average cost of capital (WACC), which is used to discount future cash flows. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

With the exception of impairment losses on goodwill, previously recognised impairment losses are reversed only if a change has occurred regarding the assumptions that formed the basis for determining the recoverable value when the impairment loss was recognised. If this is the case, the impairment loss is reversed in order to increase the carrying amount of the impaired asset to its recoverable amount. A reversal of a previous impairment loss is only recognised where the new carrying amount does not exceed what should have been the carrying amount (after depreciation and amortisation) had the impairment loss not been recognised in the first place. Impairment losses on goodwill are never reversed.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred income tax is recognised using the balance sheet method, which means that deferred income tax is calculated on all temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are generally recognised for all taxable temporary differences. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profits nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is

charged or credited to the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income.

Deferred tax assets on losses carry forward are recognised to the extent it is probable that future taxable profits will be available against which the amounts can be utilised. The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

The Group classifies its financial instruments as:

- Financial assets at fair value through profit or loss.
- Loans and trade receivables.
- Liabilities at fair value through profit or loss.
- Other financial liabilities.

The classification depends on the purpose for which the financial assets were acquired. Management determines the designation of its financial instruments at initial recognition and re-evaluates this designation at each reporting date.

Purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Gains and losses arising from changes in the fair value of “financial assets carried at fair value through profit or loss” are recognised as a financial item as incurred. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and are primarily derivative instruments. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current or non-current assets depending on purpose and management intention.

Derivative instruments

The Group's activities expose it to financial risk arising from changes in foreign exchange rates and interest rates. The use of financial derivatives is governed by the Group's treasury policy as approved by the board of directors. This policy provides written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group uses interest rate swaps to economically hedge cash flows due to interest rate risk on the Group's long-term debt. The Group has no derivatives that are designated for hedge accounting. The Group does not use derivative financial instruments for speculative purposes.

Note 1 cont.

All derivative instruments are recognised initially either as assets or liabilities at fair value on the trade date in the consolidated balance sheet, and are subsequently revalued at fair value on each reporting date. The changes in value of derivatives that are not designated as hedges are recognised in the income statement under finance income or finance costs line items.

The components and fair values of the Group's derivative instruments are determined using the fair value measurements of significant other observable inputs, classified as level 2 of the fair value hierarchy. The company uses observable market inputs based on the type of derivative and the nature of the underlying instrument.

Loans and trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides goods or services directly to a customer without any intention of trading the receivable that arises. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

Loans and trade receivables

Loans and trade receivables do not carry any interest and are stated at their nominal value less any provision for bad debts. There are no loans or trade receivables that are classified as available for sale or held for trading as a result of the fair value election. A provision for bad debts is made where there is objective evidence that the Group will not receive all amounts due. Estimated bad debt provision is based on the ageing of the receivable balances and historical experience. Individual trade receivables are written off when management deems them not to be collectible.

The provision is recognised under "cost of sales" in the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

Liabilities at fair value through profit or loss

This category solely includes financial liabilities held for trading and relates primarily to derivative instruments. Derivatives are classified as held for trading unless they are designated as hedges. Derivative instruments are classified as current or non-current liabilities depending on purpose and management intention.

Liabilities to credit institutions

Borrowings are recognised initially at fair value less transaction costs and thereafter at amortised cost. Any difference between the net amount received (less transaction costs) and the repaid amount is recognised in the income statement over the term of the loan using the effective interest method.

Trade payables

Trade payables are recognised at fair value.

Inventories

Inventories are recognised at the lower of cost and net realisable value. Cost is determined using the first-in-first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable direct selling expenses.

Provisions

A provision is a liability of uncertain timing or amount and is generally recognised when the Group has a present obligation as a result of a past event, it is probable that payment will be made to settle the obligation and the payment can be estimated reliably.

Leases

Leases in which the company substantially enjoys the financial benefits and carries the financial risks that pertain to them, known as finance leases, are recognised as non-current assets in the consolidated statements of financial position.

Changes in accounting policies and disclosures***New and amended standards adopted by the Group***

There are no new or amended standards adopted by the Group as of January 1, 2017 that has had a material impact on the Group. However, one change has been made in accounting policy based on a IFRIC rejection statement from IASB. This change relates to the accounting of interest rates floors. Please refer to note 30 for more information regarding this change.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2018, and have not been applied in preparing these consolidated financial statements. None of these is expected to have an effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities introduces new rules for hedge accounting and a new impairment model for financial assets. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. Refer to note 31 for more information regarding how IFRS 9 will impact the Group.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. Refer to note 31 for more information regarding how IFRS 15 will impact the Group.

IFRS 16 Leases. In January 2016, IASB issued a new lease standard that will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognised on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The accounting for lessors will in all material aspects be unchanged. The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted. IFRS 16 will most likely bring a large number of new assets and liabilities onto the balance sheet and will have an impact on, among others, EBITDA, finance cost, net debt and CAPEX. The effects to the financial statements will be further analysed and presented in the interim reports before the new standard becomes effective.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Note 2 Critical Accounting Estimates and Judgements

When applying the Group's accounting policies, management must make assumptions and estimates concerning the future that affect the carrying amounts of assets and liabilities at the balance sheet date, the disclosure of contingencies that existed on the balance sheet date and the amounts of revenue and expenses recognised during the accounting period. Such assumptions and estimates are based on factors such as historical experience, the observance of trends in the industries in which the Group operates and information available from the Group's customers and other outside sources.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Due to the inherent uncertainty involved in making assumptions and estimates, actual outcomes could differ from those assumptions and estimates. An analysis of key areas of estimates uncertainties on the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year is discussed below.

- Testing for impairment of goodwill and other assets (note 16).
- Measurement of deferred income tax assets and deferred income tax liabilities (note 19).
- Measurement of provisions and allocation for accrued expenses (note 27 and 28).
- Depreciation period for alarm equipment and amortisation period for customer portfolio (note 15 and 17).

Testing for impairment of goodwill and other assets

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

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

- Long-term sales growth rates.
- Growth in adjusted EBITDA.
- Timing and quantum of future capital expenditure.
- Change in working capital.
- The selection of discount rates to reflect the risks involved.

The Group prepares and approves formal four-year management plans for operations, which are used in value-in-use calculations. For the purposes of the calculation, a long-term growth rate into perpetuity has been determined as:

- An assumed 3% growth rate for mature markets.
- A projected long-term compound annual growth rate for adjusted EBITDA in 5–10 years estimated by management for developing countries.

The Group would not have any impairment issues if the weighted average cost of capital (WACC) used was 1% higher or if the compound annual growth rate was 1% lower.

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

Measurement of deferred income tax assets and deferred income tax liabilities

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

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

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

Moreover, the Group has exercised significant accounting judgements regarding the recognition of deferred tax assets. The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future against which the reversal of deductible

Note 2 cont.

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 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	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.

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.

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

¹Relates 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 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.

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	-

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

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.

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.

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.

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

Note 20 cont.

Financial instruments by category and valuation level

EUR thousand	2017	2016
Financial assets at fair value through profit or loss¹		
<i>Derivatives</i>		
Currency forwards	6,062	-
Financial liabilities at fair value through profit or loss¹		
<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.

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

Note 20 cont.

Liquidity risk

Liquidity risk is the risk an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Verisure Group's borrowing facilities are monitored against forecast requirements and timely action is taken to put in place, renew or replace credit lines. Management's policy is to reduce liquidity risk by diversifying the funding sources, securing ample funding is available and staggering the maturity of its borrowings.

Financing risk

Financing risk relates to encountering difficulty or incurring greater expense in refinancing its outstanding borrowings. The risk is minimised by analysing and monitoring the maturity structure of external loans.

The table below analyses the Verisure Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturity dates are essential for an understanding of the timings of future cash flows. The amounts presented in the table are the contractual and undiscounted cash flows.

Liquidity report

EUR thousand	2017			
	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, total¹	-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, total¹	-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.

Note 20 cont.

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.

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 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

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

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 Unsecured Notes	1,147,618	-12,639	1,134,979
Liabilities to other creditors	12,630	-	12,630
Finance lease liability	1,198	-	1,198
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.

Note 26 cont.

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:

	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	
2017						
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
	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	
2016						
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.

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
	2,853,181	1,176,083	405	119,302	-6,304	23,195	4,165,862
Cash and cash equivalents	5,985	8,455	-	-	-195	-	14,245
	5,985	8,455	-	-	-195	-	14,245
Total	2,847,196	1,167,628	405	119,302	-6,109	23,195	4,151,617

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	2,319	1,558

Breakdown

EUR thousand	2016	2015
Provision for staff-related costs	1,634	1,080
Other items	685	478
Total other provisions	2,319	1,558

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	243,364	210,639

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
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

Note 30 cont.

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	-486,669
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

Note 31 New Standards and Interpretations not yet adopted

As of January 1, 2018, two new standards with effect on the Verisure Midholding Group are effective. They are:

IFRS 9 - Financial instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. Based on the assessments undertaken to date, the group expects a small increase in the loss allowance for trade creditors by approximately 2.5% or 0.7 MEUR after deduction of deferred tax.

IFRS 9 also impacts the Group with new rules regarding modifications of financial liabilities measures at amortized cost. According to IFRS 9 a modification should result in a gain or a loss in the income statement, based on the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. All previous modifications of financial liabilities still in the Group's Balance sheet as of 1 January 2018 have been calculated as if IFRS 9 had always been applied and the result is a positive effect in equity of 121 MEUR after deduction of deferred tax, at the time of the transition.

IFRS 9 must be applied for financial years commencing on or after 1 January 2018. The group intends to adopt the standard

using the modified retrospective approach which means that the cumulative impact of the adoption will be recognized in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Therefore, in the consolidated statements of changes in equity in 2018, a positive effect of EUR 120.3 million will be shown related to changes in accounting policy. The amount is the entire IFRS 9 effect after deduction of deferred tax.

IFRS 15 - Revenue from contracts with customers

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

IFRS 15's main effect on the Group is related to the timing of the allocation of standalone selling price to the performance obligations installation (recognized at point in time) and portfolio service (recognized over the contract period). Part of the installation revenue will be recognized at a later time than according to current standards. This will result in a decrease of revenue regarding 2017 in the comparatives in reports during 2018 of 16.7 MEUR after deduction of deferred tax.

Adoption of IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The group intends to adopt the standard using the retrospective approach which means that the comparatives regarding 2017 will be restated. The comparatives regarding 2017 in the annual report regarding 2018 will be states as follows:

Consolidated income statement

EUR thousand	2017	IFRS 15 adjustment	2017 – new comparative
Revenue	1,402,250	-22,348	1,379,902
Cost of sales	-734,206		-734,206
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

Note 31 cont.

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

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

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

EUR thousand	Note	2017	2016
EQUITY AND LIABILITIES			
Equity	25		
Share capital		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

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
<i>Total comprehensive income for the year</i>	-	-	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
<i>Total comprehensive income for the year</i>	-	-	110,000	110,000
Divident to Group company	-	-	-110,000	-110,000
<i>Total transactions with owners</i>	-	-	-110,000	-110,000
Balance at December 2016	56	569,170	-869	568,357

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		
<i>Cash flow from change in working capital</i>	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

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

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

Note 2 cont.

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.

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

Independent Auditor's Report

To the Board of Directors in Verisure Midholding AB (publ)

Corporate identity number 556854-1402

Opinions

We have audited the annual financial statements and the consolidated financial statements of Verisure Midholding AB (publ) for the financial year ended 31 December 2017. The annual financial statements and consolidated financial statements comprise the annual financial statements of the parent company and consolidated statement of financial position of Verisure Midholding AB (publ) and its subsidiaries ("the Group") as at December 31, 2017 and the related annual financial statements and consolidated statements of income, comprehensive income, changes in equity and cash flows for the period from January 1, 2017 through December 31, 2017 and a summary of significant accounting policies. The financial statements of the parent company and the group are included in the printed version of this document on pages 27-75.

In our opinion, the accompanying annual financial statements of the parent company have been prepared in accordance with the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and present fairly, in all material respects, the financial position of the parent company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

The consolidated financial statements present fairly, in all material respects, the financial position of the group as at December 31, 2017, and the operations and cash flows for the period from January 1, 2017 through December 31, 2017, in accordance with International Financial Reporting Standards, as adopted by the EU.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the parent company and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Use

We draw attention to the Notes of the annual financial statements of the parent company and consolidated financial statements, which describes the basis of preparation and accounting. The annual financial statements of the parent company and consolidated financial statements have been prepared to present the operations of Verisure Midholding AB (publ) for the full year 2017, in order to fulfil the reporting requirements of the Euro MTF Market of the Luxembourg Stock Exchange. As a result, the annual financial statements and consolidated financial statements may not be suitable for other purposes. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements of the parent company in accordance with Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the EU ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Stockholm, April 25, 2018
PricewaterhouseCoopers AB

Johan Rippe
Authorized Public Accountant

Five-year Financial Overview

EUR thousand	2017	2016	2015	2014	2013
Portfolio services segment: Unaudited operating data					
Total subscribers (year end) ¹ , units	2,586,123	2,293,993	2,016,523	1,788,439	1,625,993
Cancellations, units	153,369	142,708	129,174	125,296	147,125
Attrition rate	6.3%	6.7%	6.8%	7.3%	9.4%
Net subscriber growth, units ¹	292,130	277,470	228,084	162,446	101,372
Subscriber growth rate, net	12.7%	13.8%	12.8%	10.0%	6.6%
Average monthly revenue per user (ARPU), (in EUR) ²	39.8	38.9	38.1	37.3	36.9
Monthly adjusted EBITDA per subscriber (EPC), (in EUR) ²	26.0	24.6	23.0	21.6	20.6
Non-IFRS and IFRS financial data					
Portfolio revenue	1,161,051	997,421	863,762	763,842	697,967
Portfolio adjusted EBITDA	760,373	629,846	521,775	440,971	390,352
Portfolio adjusted EBITDA margin	65.5%	63.1%	60.4%	57.7%	55.9%
Customer acquisition segment: Unaudited operating data					
New subscribers added (gross)	439,687	359,468	308,494	264,801	237,353
Cash acquisition cost per new subscriber (CPA), (in EUR)	1,167	1,176	1,149	1,103	1,040
Non-IFRS and IFRS financial data					
Customer acquisition revenue	241,199	187,069	148,058	120,237	114,270
Customer acquisition adjusted EBITDA	-202,819	-177,361	-160,933	-137,202	-109,368
Capital expenditures	310,407	245,338	193,425	154,984	137,465
Consolidated: Unaudited operating data					
Payback period (in years)	3.7	4.0	4.2	4.3	4.2
Non-IFRS and IFRS financial data					
Revenue	1,402,250	1,184,490	1,011,820	884,079	812,237
Organic revenue growth	17.4%	15.7%	14.0%	9.8%	7.9%
Adjusted EBITDA	557,554	452,485	360,842	303,769	280,984
Adjusted EBITDA margin	39.8%	38.2%	35.7%	34.4%	34.6%
Capital expenditures	429,075	321,064	253,892	211,867	178,412

The 2013 numbers relates to Verisure Holding Group. 2014 to 2017 relates to Verisure Midholding Group. No significant differences.

¹⁾ Differences in reconciliation with end of period subscriber data are primarily due to acquisitions of contract portfolios.

²⁾ In Q4 2016, calculation methodology for average portfolio moved from a yearly average to a monthly average calculation. The new methodology has been applied to historical numbers and resulted in ARPU increasing with 0.3 EUR and EPC with 0.2 EUR on a yearly basis both in 2016 and 2015.

Definitions

Key operating metrics

Management uses a number of key operating metrics, in addition to our IFRS financial measures, to evaluate, monitor and manage the business. The non-IFRS operational and statistical information related to our operations included in this section is unaudited and has been derived from internal reporting systems. Although none of these metrics are measures of financial performance under IFRS, we believe that these metrics provide important insight into the operations and strength of the 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. The metrics include the following:

Adjusted EBITDA

Earnings before interests, taxes, depreciation, amortisation, write-offs and items affecting comparability.

Attrition rate

The attrition rate is the number of terminated subscriptions to our monitoring service in the last 12 months, divided by the average number of subscribers for the last 12 months.

Average revenue per user

Average monthly revenue per user ("ARPU") is our portfolio services segment revenue, consisting of monthly average subscription fees and sales of additional products and services divided by the monthly average number of subscribers during the relevant period.

Cancellations

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

Cash acquisition cost per new subscriber

Cash acquisition cost per new subscriber ("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 expenditure in our customer acquisition segment on average for every subscriber acquired.

Items affecting comparability

Costs related to various transition and reorganisation projects.

Monthly adjusted EBITDA per subscriber

Monthly adjusted EBITDA per subscriber ("EPC") is calculated by dividing the total monthly adjusted EBITDA from managing our existing subscriber portfolio (which is our adjusted EBITDA from portfolio services) by the monthly average number of subscribers.

Net Debt

The sum of financial indebtedness, defined as interest bearing debt from external counterparties, including accrued interest less the sum of available cash.

New subscriber added (gross)

Total number of new subscribers added.

Organic revenue growth

Revenue growth not affected by acquisitions or the impact of foreign exchange.

Payback period

Payback period represents the time in years required to recapture the initial capital investment made to acquire a new subscriber and is calculated as CPA divided by EPC, divided by 12.

Retirement of assets

The residual value of an asset that will no longer be used in the operations are recognised as a cost in the income statement.

Subscriber growth rate

Number of subscribers at the end of period divided by the number of subscribers 12 months ago.

Risk Factors

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 opera-

tions. 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, according to some estimates, Amazon currently markets Echo, a home speaker and assistant platform that can be used to control various home appliance and equipment, including compatible home alarm systems. 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, 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 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 resumed 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. General market volatility may result from uncertainty about sovereign debt and fear of further downgrading of or defaults on sovereign debt, in particular in Greece, Italy, Portugal and Spain.

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, tension in Catalonia relating to the sovereignty of the region has recently escalated and as a result the Spanish Government has decreased its economic outlook for 2018, and the National Securities Market Commission (Comisión Nacional del Mercado de Valores)—in its Bulletin published in October 2017—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, signaling 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 United Kingdom and the European Union could have a material adverse effect on the buying behavior of commercial and indi-

vidual 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.

We do not require our customers to enter into long-term contracts with punitive cancellation clauses. Thus, after any contractual notice period (typically one to three months), a customer may cancel a subscription without penalty. Where exceptions in our contracts exist (for example, for regulatory reasons) we do not typically enforce our cancellation penalty clauses. 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 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 7.3%, 6.8%, 6.7%, and 6.3% in the years ended December 31 2014, 2015, 2016 and 2017, 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 rate. 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 have the right to terminate their services under their agreements in certain circumstances and under certain conditions, some of which are outside our customers' control. The termination of such services could impact our ability to provide our customers with the services they require, which would adversely affect the value of our business.

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

A significant portion of our operations occur in Iberia (Spain and Portugal). The Iberian segment accounted for 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 too. 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.

As part of our operations, we collect a large amount of private information from our customers, including 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 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. In 2017, the Spanish Data Protection Authority conducted two investigations into our handling of customer data. Either or both of these investigations could result in the initiation of a civil proceeding, which could in turn lead to fines of up to EUR 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. If we fail to comply with any regulations or legislation applicable to our collection and processing of personal data, we may be exposed to judicial proceedings or fines, any of which could have a material adverse effect on our business, reputation, financial condition and results of operations.

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

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 ALERT 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 Securi-

tas 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 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 July 2015, 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 December 2017 are EUR 186.4 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, 2018 to December 31, 2018 will be approximately EUR 11.4 million, which represents amounts in excess of what is already reflected in our Adjusted EBITDA for the six months ended December 31, 2017, 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 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 who we work with 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 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 non-compliance 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 govern-

ments 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 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.

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. In general, we have not sought or received 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, Falk Denmark in September 2016 and Falck Norway in December 2016, we expect such acquisitions will result in various benefits. However, achieving the anticipated benefits is subject to a number of uncertainties, including whether the business we acquire can be operated in the manner in which we intend. Failure to achieve these anticipated benefits and synergies could result in increased costs, decreases in the amount of revenues generated by the combined business and diversion of management's time and energy. In addition, in connection with any acquisitions, we cannot exclude that, in spite of the due diligence we perform, we will not inadvertently or unknowingly acquire actual or potential liabilities or defects, including legal claims, claims for breach of contract, employment-related claims, environmental liabilities, conditions or damage, hazardous materials or liability for hazardous materials

or tax liabilities. We may also become subject to national or international antitrust investigations in connection with any acquisitions or otherwise.

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

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 9.1375 = EUR 1.0 in 2014, SEK 9.3248 = EUR 1.0 in 2015, SEK 9.4648 = EUR 1.0 in 2016 and for 2017 the exchange rate averaged SEK 9.6464 = 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 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 and 2017, 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. 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.

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 Company’s Senior Notes (the “Senior 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, Verisure Holding AB’s Amended and Restated Senior Facilities Agreement (the “Amended and Restated Senior Facilities Agreement” and the “Senior Credit Facilities”), its existing Senior Secured Notes Indenture (the “Senior Secured Notes Indenture” and the notes issued thereunder the “Senior Secured Notes”) and the Indenture relating to the Senior Notes (the “Indenture”) contain covenants restricting our and our subsidiaries’ corporate activities. See “—Risks Related to Our Financing Arrangements and the Senior 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 Senior Notes

The Company and certain of its guarantors are holding companies with no operations of their own.

The Company and certain of its 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 Senior Notes and the related guarantees, respectively. If Verisure Holding AB, as Senior Secured Notes issuer, does not fulfill its obligations under the Private Senior Notes Proceeds Loan to make scheduled payments thereunder, or it and the other subsidiaries of the Company are otherwise unable to make distributions or advance loans to the Company, the Company may not have any other source of funds that would allow it to make payments to the holders of the Senior Notes. The amounts of dividends, intercompany loan payments, distributions available or other payments to each holding company will depend on the profitability and cash flows of its subsidiaries and the ability of its subsidiaries to issue dividends to it under applicable law. The subsidiaries of the Company and these guarantors, however, may not be permitted to make distributions, make payments on, or otherwise advance loans to, the Company or other guarantors to make payments in respect of their respective indebtedness, including the Senior Notes and the related guarantees. 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 Company or the guarantors. Any restrictions on such subsidiaries could adversely affect the ability of the Company or such guarantor to make payment on the Senior Notes or the related guarantees, as applicable. In addition, financial assistance or corporate benefit restrictions may prevent upstream loans being made to the Company or such guarantors by their respective subsidiaries to enable the Company or such guarantors to service their respective obligations under the Senior Notes or the related guarantees. Although the Indenture limits the ability of the Company's subsidiaries to enter into future consensual restrictions on their ability to pay dividends and make other payments to the Company 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 Company's subsidiaries' reserves available for distribution and thus reduce or prevent upstream dividend payments directly or indirectly to the Company. In addition, the subsidiaries of the Company that do not guarantee the Senior Notes have no obligation to make payments with respect to the such 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 Senior Notes.

We have a substantial amount of debt and significant debt service obligations. As at December 31, 2017, our total indebtedness was EUR 4,238.0 million and we had EUR 286.6 million of additional availability under the Revolving Credit Facility. 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.

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

- make it difficult for us to satisfy our obligations with respect to the Senior Notes and our other debt, including the Senior Secured Notes and the Senior Credit Facilities;
- require us to dedicate a substantial portion of our cash flow from operations to making payments on our debt, thereby limiting the availability of funds for business opportunities and other general corporate purposes;
- increase our vulnerability to a downturn in our business or adverse general economic or industry conditions;
- limit our flexibility in reacting adequately to changes in our business or the industry in which we operate;
- place us at a competitive disadvantage compared to those of our competitors that have less debt than we do; or
- limit our ability to borrow additional funds in the future and increase the costs of any such additional capital.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Senior 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 Indenture, the Senior Secured Notes Indenture and the Amended and Restated Senior Facilities Agreement contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of significant qualifications and exceptions. Debt incurred in compliance with these restrictions, including debt that shares in the collateral securing the Senior Notes on a senior or pari passu basis and debt of a guarantor that ranks senior to the related guarantees, could be substantial. Incurring such additional debt could further increase the related risks we now face. In addition, the 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 Indenture, the Senior Secured Notes Indenture and the Amended and Restated Senior Facilities Agreement contain covenants that impose significant operating and financial restrictions on us. These agreements limit our ability to, among other things:

- incur or guarantee additional indebtedness;
- make certain restricted payments and investments;
- transfer or sell assets;
- enter into transactions with affiliates;
- create or incur certain liens;
- make certain loans, investments or acquisitions;
- issue or sell share capital of certain of our subsidiaries;
- issue or sell redeemable preferred shares;
- create or incur restrictions on the ability of our subsidiaries to pay dividends or to make other payments to us;
- do anything that would impair the security interests in the collateral granted for the benefit of the holders of the Senior Notes; and
- 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. The covenants to which we are subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our 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 while certain amounts under the Senior Credit Facilities remain outstanding. 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 cross default or cross acceleration provisions, including the 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 Senior 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 Senior Notes, the Senior Secured 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 Senior Notes, or to fund our other liquidity needs including the repayment at maturity of the then-outstanding amount under the Senior Secured Notes and the Senior Credit Facilities. At the maturity of the Senior Secured Notes, the Senior Credit Facilities (including the Revolving Credit Facility, which matures two years before the Senior Notes), the Senior Notes or any other debt that we may incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, we may be required to refinance or restructure our indebtedness.

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

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

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

Any failure to make payments on any series of the Senior 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 Senior Notes, the Senior Secured Notes, the Indenture, the Senior Secured Notes Indenture and the Amended and Restated Senior Facilities Agreement, limit, and any future debt may limit, our ability to pursue any of these alternatives. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business, financial condition and results of operations. 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.

SEK denominated 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 SEK denominated notes and the Senior Credit Facilities 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 Senior Notes. The Indenture, the Senior Secured 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 Company’s SEK 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.

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