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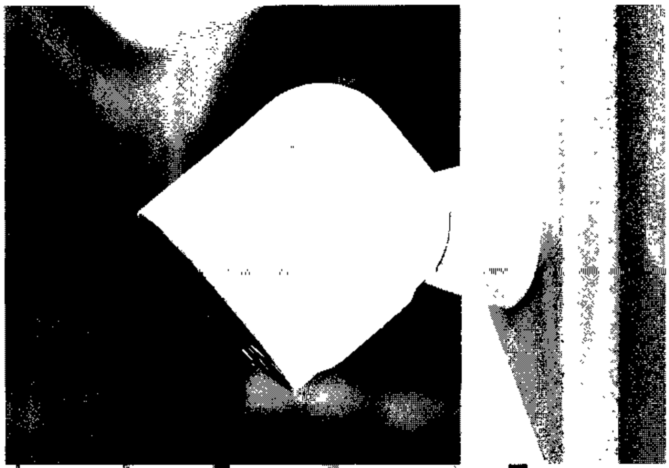
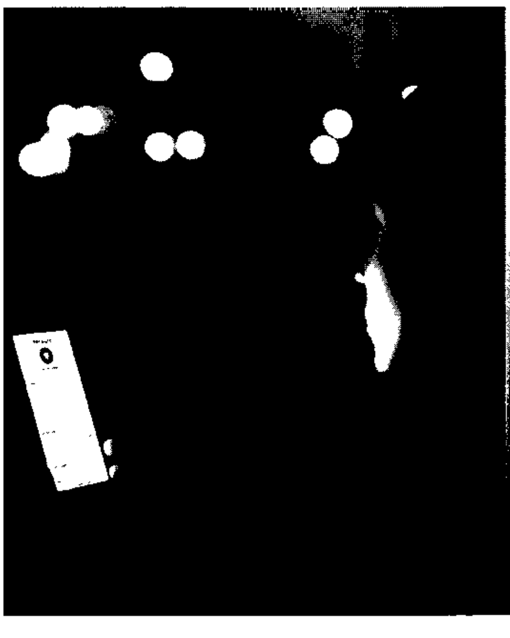


ANNUAL REPORT 2020

Verisure Topholding 2 AB

Proud to Protect



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Content

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Directors' Report

Operations

The Group is the leading provider of monitored alarm solutions for residential households and small businesses in Europe. We offer premium alarm services to our portfolio of over 3.7 million customers across 16 countries in Europe and Latin America. We conduct our business through two primary segments, portfolio service and customer acquisition. Additionally, we classify certain non-core business under our adjacencies segment. The following table shows those key operating metrics for each of our segments as of and for the periods set forth below. These metrics are presented because we believe they provide a clearer picture of our results of operations generated by our core operating activities. This enables our management to evaluate relevant trends more meaningfully when considered in conjunction with (but not in lieu of) other measures that are calculated in accordance with IFRS. The Verisure Topholding 2 Group was created in 2016.

Key figures

EUR thousand (if not otherwise stated)	2020	2019	2018
Portfolio services segment:			
Unaudited operating data			
Total subscribers (year-end), units	3,763,945	3,346,712	2,930,753
Cancellations, units	229,699	195,362	171,099
Attrition rate (LTM)	*6.5%*	*6.2%*	*6.2%*
Net subscriber growth, units[1]	417,233	415,959	344,630
Subscriber growth rate, net	*12.5%*	*14.2%*	*13.3%*
Average monthly revenue per user (ARPU), (in EUR)	41.2	41.2	40.2
Monthly adjusted EBITDA per subscriber (EPC), (in EUR)[2]	29.7	28.6	26.9
Non-IFRS and IFRS financial data			
Portfolio services revenue	1,740,581	1,548,936	1,329,536
Portfolio services adjusted EBITDA[3]	1,255,725	1,075,348	890,704
Portfolio services adjusted EBITDA margin	*72.1%*	*69.4%*	*67.0%*
Customer acquisition segment:			
Unaudited operating data			
New subscribers added (gross)	646,932	611,321	515,624
Cash acquisition cost per new subscriber (CPA), (in EUR)[4]	1,195	1,208	1,120
Non-IFRS and IFRS financial data			
Customer acquisition revenue	338,138	329,098	266,823
Customer acquisition adjusted EBITDA[5]	(322,090)	(316,297)	(277,768)
Customer acquisition capital expenditure	451,374	422,445	351,304
Adjacencies segment:			
Non-IFRS and IFRS financial data			
Adjacencies revenue	60,184	22,696	16,167
Adjacencies adjusted EBITDA	(14,206)	2,035	(2,322)
Consolidated:			
Unaudited operating data			
Payback period (in years)[6]	3.3	3.5	3.7
Non-IFRS and IFRS financial data			
Revenue	2,138,903	1,900,730	1,612,525
Organic revenue growth	*14.4%*	*18.6%*	*19.4%*
Adjusted EBITDA	919,569	761,086	610,614
Adjusted EBITDA margin	*43.0%*	*40.0%*	*37.9%*
Capital expenditures	634,980	592,909	500,138
Reported (including SDI)			
Revenue	2,138,903	1,900,730	1,612,525
Adjusted EBITDA[7]	852,988	702,869	583,549

1) Differences in reconciliation with end of period subscriber data are primary due to acquisition and disposal of contract portfolios
2) Includes the effect from IFRS 16 of EUR 0.3 (0.3 in 2019) in 2020.
3) Includes the effect from IFRS 16 of EUR 12,311 thousand (11,929 in 2019) in 2020.
4) Includes the effect from IFRS 16 of EUR 85 (48 in 2019) in 2020.
5) Includes the effect from IFRS 16 of EUR 35,932 thousand (29,503 in 2019) in 2020.
6) Includes the effect from IFRS 16 of 0.3 years (0.1 in 2019) in 2020
7) Includes the effect from IFRS 16 of EUR 48,305 thousand (41,431 in 2019) in 2020

All amounts are including IFRS 15 with adjustments of 2018 comparatives. 2020 and 2019 includes effects from adoption of IFRS 16 with no restatement of 2018 comparatives. All negative amounts in this report are shown within parenthesis.

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Our segments

We operate subscription-based businesses, which we conduct through two primary operating segments: portfolio services and customer acquisition. Additionally, we classify certain non-core business under our adjacencies 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 services agreements with our customers at the time of installation and the majority of our customers pay via direct debit. We then monitor our installed base of alarms through 20 dedicated monitoring centres located throughout Europe and Latin America to verify triggered alarms and initiate an appropriate response. We also provide customer service, maintenance and technical support for all our installed systems. We have a strong track record in customer retention, with an attrition rate of 6.5% in 2020 and 6.2% in 2019. This strong retention rate contributes to the stable and recurring cash flow that the segment generates, allowing us to fund investments that grow our customer base.

In 2020, the segment generated revenue of EUR 1,740.6 million (1,548.9 in 2019), representing 81.4% (81.5% in 2019) of total revenue. The segment generated adjusted EBITDA of EUR 1,255.8 million (1,075.3 in 2019), equivalent to a 72.1% (69.4% in 2019) EBITDA margin. As of December 31, 2020, the Group had more than 3.7 million (3.3 in 2019) customers, all connected to our alarm monitoring centres.

The results 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 upfront sales and installation fee. This installation fee typically only covers a portion of the costs associated with marketing, purchasing equipment and selling and installing each alarm system. As a result, the segment represents an upfront investment (which we partly expense and partly capitalise) in our business to acquire new customers. These new customers then become part of our portfolio services segment, driving revenue, adjusted EBITDA and profitability growth. In 2020, the customer acquisition segment generated EUR 338.1 million (329.1 in 2019) of revenue and negative adjusted EBITDA of EUR 322.0 million (316.3 in 2019).

Due to the discretionary nature of our customer acquisition activities, we are able to increase our marketing, sales and installation investment activities to grow our customer base, or, alternatively, reduce our investment in such activities to manage our cash on hand, over the short to medium term. 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.

Adjacencies segment

The adjacency segment captures the sale of remote monitoring and assistance devices and services for senior citizens and starting in 2020, the sale of connected cameras under the Arlo brand in Europe. As these sales are not considered part of our core alarms business, they are reported under a separate reporting segment.

Employees

The Group had an average of 19,066 (17,144 in 2019) full time equivalent employees (FTE) during 2020. Approximately 35% of the FTEs were women and 65% were men. This ratio was 34% respectively 66% during 2019. Approximately 38% of the employees were located in Spain and 15% in France during 2020. The ratio was 36% respectively 16% during 2019. After Spain and France, the highest concentrations of employees were in Brazil, Sweden, UK, Italy and Chile. 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 Legal proceedings

Regulation

Our operations are subject to a variety of laws, regulations and licensing requirements in the countries in which we operate. Most of the laws and regulations specific to the industry are country or municipal-wide in scope. Legislation relating to consumer protection, fair competition, data privacy and other generally applicable areas are either EU or country-wide in scope.

Regulation both poses a threat and offers opportunity to the Group. The threats are described in "Risk Factors" on page 55. In terms of opportunities, regulation and voluntary standards in the area of security and safety services offer us the opportunity to set ourselves apart as a Group that is better equipped than other companies operating in the same segment to meet new requirements, to partner with law enforcers, insurance companies and other relevant stakeholders, and to market our services with certifications valued by consumers. We are actively pursuing opportunities to positively influence the regulatory environment.

Sales and marketing
Some jurisdictions regulate sales methods by restricting door to-door sales or direct mailing. We do not currently encounter these regulations in our largest countries, such as Spain, Sweden, France, Portugal and Norway. However, Denmark and Belgium do prohibit door-to-door sales. In these jurisdictions, we have altered our marketing and sales approach. A similar restriction has now been introduced in Belgium. That said, a European Directive approved in December 2019 establishes that door-to-door sales cannot be banned "as is" but that limitations to this activity can be adopted by Member States, which now have a given time to transpose the Directive into national law. 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 reputational damage, fines, penalties and other liabilities and negative consequences." All of the countries in which we operate have regulations protecting consumers in their dealings with a company's sales force. Typically, these regulations may either provide a customer with a guaranteed trial period or limit the ability to lock a consumer into a contract with no right to terminate without a penalty.

Alarm verification
We are subject to regulations covering the dispatching of emergency personnel and false alarms. An increasing number of local governmental authorities have adopted laws, regulations or policies aimed at reducing the perceived costs to them of responding to false alarm signals. For example, in France, police will only respond to an alarm they have been forwarded once that alarm has been verified. Spain, our largest country by revenue, has recently regulated verification protocols requiring that alarms have to be verified either through video, audio or personal verification steps in order to be considered "confirmed alarms." Otherwise, emergency personnel will not respond unless three sequential alarms are triggered within 30 minutes or are verified by means of audio or video. 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 penalise the alarm provider for a false alarm that has been forwarded. Likewise, in Spain, emergency responders have discretion to impose penalties for frequent false alarms as high as €30,000 per incident. These changes may cause alarm service providers to adopt additional measures to limit the risk of false alarms, such as the use third party guard services to verify alarms, install new monitoring equipment or upgrade existing equipment.

Monitoring
We have a monitoring centre in each of the key geographies where we operate. In some countries these centres are regulated by either the police or insurance companies and require licenses or permits. For instance, Sweden and Norway consider monitoring centres in the same category as a guarding service and require each centre to obtain an equivalent license that they require of guarding services. In Spain, monitoring centres 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 centres.

Equipment and installation
The monitoring products we install are regulated by EU and national laws, including on health, safety and environmental protection. The regulatory obligations on the Group and its suppliers depends on their respective roles and activities in a product's supply chain and the features of the relevant product.

In order to conduct installations of alarms, we generally must be registered for this purpose in the countries we operate in. We currently have all required registrations in each of our countries. Some markets impose regulations on the maintenance of our products. France and Spain require that we provide certified maintenance service as part of each contract we enter into with a customer. Additionally, some countries that do not currently regulate maintenance of residential alarms do regulate business alarms. Such regulations apply to our small business customers. In the future, these countries may expand such regulations to the residential marketplace.

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. The Norwegian Competition Authority (NCA) launched an investigation in June 2017 involving a company subsidiary in Norway ("Verisure Norway"), with which that company has fully cooperated. The NCA issued a statement of objections on June 17, 2019 to Verisure Norway and the company with its preliminary findings and a decision on 25 November 2020. The decision included a fine of NOK 766 million. The company disagrees with the decision and will appeal.

Risks and uncertainties
A summary of the Group's risks are shown below. To read more about these risks and uncertainties, see Risk factors on page 55. A detailed presentation of financial risks and a sensitivity analysis can be found in the Financial Risk Management section in note 20.

- We operate in a highly competitive industry and our results may be adversely affected by this competition.
- The success of our business depends, in part, on our ability to respond to rapid changes in our industry and provide customers with technological features that meet their expectations.
- We are susceptible to economic downturns, particularly those impacting the housing market or consumer spending.
- Attrition of customer accounts or failure to continue to acquire new customers in a cost-effective manner could adversely affect our operations.
- Our substantial concentration of sales in Iberia (Spain and Portugal) makes us more vulnerable to negative developments in the region.

- Certain of our potential competitors may seek to expand their market share by bundling their existing offerings with additional products and services.
- Privacy concerns, such as consumer identity theft and security breaches, could hurt our reputation and revenues, and our failure to comply with regulations regarding the use of personal customer data could subject us to lawsuits or result in the loss of goodwill of our customers and adversely affect our business, financial condition and results of operations and cash flows.
- Potential disputes or other events relating to the brand name SECURITAS may negatively impact our operating results in countries where we use the Securitas Direct brand.
- We have incurred and may continue to incur significant expenses in connection with developing our brands.
- 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 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, Funding our Growth (FOG).
- An increase in labour costs in the jurisdictions in which we operate, especially in Spain, may adversely affect our business and profitability.
- Any significant or prolonged disruption of our monitoring centres could constrain our ability to effectively respond to alarms and serve our customers.
- Any disruption to the societies in which we operate, or in which our suppliers operate, as a result of the impacts of the COVID-19 pandemic could impact our ability to increase our customer base at the same rate, maintain the same low levels of attrition, deliver uninterrupted high quality services to our customers or source the products needed for our operations and may therefor adversely affect our business.
- 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.
- We may face liability or damage to our reputation or brand for our failure to respond adequately to alarm activations.
- Our business operates in a regulated industry, and noncompliance with regulations could expose us to fines, penalties and other liabilities and negative consequences.
- Increased adoption of false alarm ordinances by local governments or other similar regulatory developments could adversely affect our business.
- 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.
- We may incur unexpectedly high costs as a result of meeting our warranty obligations.
- Our insurance policies may not fully protect us from significant liabilities.
- Unauthorised use of or disputes involving our proprietary technology and processes may adversely affect our business.
- We may be unable to effectively manage our growth into new geographies or realise the intended benefits from our acquisitions.
- 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 may suffer future impairment losses, as a result of potential declines in the fair value of our assets.
- We are subject to risks from legal and arbitration proceedings, as well as tax audits, which could adversely affect our financial results and condition.
- We are dependent on our experienced senior management team, which may be difficult to replace.
- 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.

Group development

Since the onset of the COVID-19 pandemic, we have been focused on protecting our employees and their families, our customers and our business. While the pandemic has created and continues to create unique challenges for our business, we have adapted rapidly to the new operating environment and have continued to evolve our approach as the situation continues to develop. The Group's customer portfolio continued to grow and passed 3.7 million customers by December 31, 2020. Our attrition rates have not been materially impacted by the pandemic to date, and the performance of our portfolio services segment continues to be consistent with previous year's results.

Our business model has proved very resilient to date, and we believe the fundamental customer need for security and peace of mind remains unchanged. Group Management believes significant growth opportunities remain in our existing geographies, as evidenced by the low penetration rates compared to other jurisdictions. The Group will consistently strive to maintain the highest levels of customer satisfaction in the industry in order to reduce attrition.

Research and development

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

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Financial instruments

To read about the Group's use of financial instruments, as well as the Group's exposure to credit risk, liquidity risk and foreign currency risk, see note 20 – Financial risk management.

COVID-19

As of the date of this report, the public health measures instituted in many of the geographies in which we operate and the economic uncertainty as a result of COVID-19 have not had a material impact on our attrition rates, though we cannot assess whether our attrition rates will be impacted materially in the long term due to COVID-19 or otherwise. Our subscription-based portfolio services segment has proven resilient and our attrition rates have not been materially impacted to date. Our assessment of related threats, which is still ongoing, are described in the section "Risk Factors" on page 55.

Sustainability

To read about the Group's work with sustainability, see the separate sustainability report.

Events during the reporting period

On April 16, 2020, the Group raised EUR 200 million of Floating Rate Notes debt to repay outstanding amounts under the Revolving Credit Facility as well as to replenish the Group's cash balance.

In July 2020, we executed a refinancing of EUR 1,600 million for the purpose of extending the maturity profile of our external debt portfolio. We raised EUR 800 million of Senior Secured Notes as well as EUR 800 million of Floating rate Term Loan B both with maturity in July 2026. The proceeds, net of fees and transaction costs, were used to repay in full outstanding amounts under the Term Loan B1F tranche as well as certain amounts under the Term Loan B1E tranche both with maturity in October 2022.

As previously reported, in June 2017, the Norwegian Competition Authority (NCA) launched an investigation involving Verisure Norway. In June 2019, the Norwegian Competition Authority issued a statement of objections to Verisure Norway and Verisure Midholding AB with its preliminary findings. On November 25, 2020, the NCA issued a decision to fine Verisure Norway and Verisure Midholding a total amount of approximately EUR 69 million (NOK 766 million), for which the two companies would be jointly and severally liable. The Group has made a provision as of December 31, 2020. We disagree with the NCA's decision and will file an appeal with the Competition Appeals Board.

Proposed appropriation of profits

Non-restricted profit at the disposal of the Annual General Meeting for the parent company.

EUR	
Retained earnings	2,185,579,773
Result for the year	(155,897)
Total	**2,185,423,876**

The Board of Directors proposes that the profits and losses are appropriated so that amount to be carried forward	2,185,423,876
Total	**2,185,423,876**

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Consolidated Financial Statement

Consolidated Income Statement

EUR thousand	Note	2020	2019
Revenue	3, 4	2,138,903	1,900,730
Cost of sales	4, 6, 8, 9, 10	(1,094,978)	(1,007,095)
Gross profit		**1,043,925**	**893,635**
Selling expenses	4, 6, 8, 9, 10	(268,021)	(259,990)
Administrative expenses	4, 5, 6, 7, 9, 10	(456,946)	(402,150)
Other income	4	5,128	5,985
Operating profit		**324,086**	**237,480**
Financial income	11	902	255
Financial expenses	11	(372,775)	(252,256)
Result before tax		**(47,786)**	**(14,521)**
Income tax expense and benefit	12	(45,313)	(45,740)
Result for the year		**(93,099)**	**(60,261)**
Whereof attributable to:			
– Parent company		(93,099)	(60,261)
– Non-controlling interest		-	-

Consolidated Statement of Comprehensive Income

EUR thousand	2020	2019
Result for the year	**(93,099)**	**(60,261)**
Other comprehensive income		
Items that may be reclassified to the income statement		
Hedging reserve	(7,865)	-
Remeasurements of defined benefit plans net of tax	(688)	(561)
Currency translation differences on foreign operations	7,783	(10,435)
Income tax related to other comprehensive items	1,699	-
Other comprehensive income	**929**	**(10,996)**
Total comprehensive income for the year	**(92,170)**	**(71,257)**
Whereof attributable to:		
– Parent company	(92,170)	(71,257)
– Non-controlling interest	-	-

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Consolidated Statement of Financial Position

EUR thousand	Note	2020	2019
Assets			
Non-current assets			
Property, plant and equipment	14	1,005,923	872,846
Right of use assets	15	129,112	132,899
Goodwill	16	866,819	884,261
Customer portfolio	17	990,060	1,016,865
Other intangible assets	18	265,154	239,176
Deferred tax assets	19	24,016	30,827
Derivatives	20, 23	-	23,410
Trade and other receivables	20, 22	83,247	78,431
Total non-current assets		**3,364,331**	**3,278,715**
Current assets			
Inventories	21	161,190	126,977
Trade receivables	13, 20, 22	161,147	154,075
Current tax assets		16,053	17,872
Derivatives	20, 23	1,589	4,758
Prepayments and accrued income		77,325	62,948
Other current receivables	20	40,028	15,613
Cash and cash equivalents	20	97,953	12,781
Total current assets		**555,284**	**395,024**
Total assets		**3,919,615**	**3,673,739**

Consolidated Statement of Financial Position

EUR thousand	Note	2020	2019
Equity and liabilities			
Equity	24		
Share capital		7	7
Other paid in capital		2,285,433	2,285,433
Other reserves		55,541	53,924
Retained earnings		(4,829,110)	(4,734,887)
Equity attributable to equity holders of the parent company		**(2,488,129)**	**(2,395,523)**
Non-controlling interest		-	-
Total equity		**(2,488,129)**	**(2,395,523)**
Non-current liabilities			
Long-term borrowings	20, 25	5,073,558	4,948,800
Derivatives	20, 23	45,509	17,720
Other non-current liabilities	20	105,102	114,571
Deferred tax liabilities	19	219,250	250,295
Other provisions	26	53,892	25,141
Total non-current liabilities		**5,497,311**	**5,356,527**
Current liabilities			
Trade payables	20	183,115	139,086
Current tax liabilities		47,809	25,300
Short-term borrowings	20, 25	102,238	91,726
Derivatives	20, 23	7,865	75
Accrued expenses and deferred income	27	522,312	426,594
Other current liabilities	20	47,094	29,955
Total current liabilities		**910,433**	**712,736**
Total equity and liabilities		**3,919,615**	**3,673,739**

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Consolidated Statements of Changes in Equity

	Attributable to equity holders of the parent company and non-controlling interest						
EUR thousand	Share capital	Other paid in capital	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January 1, 2020	**7**	**2 ,285,433**	**53,924**	**(4,734,887)**	**(2,395,523)**	**-**	**(2,395,523)**
Result for the period	-	-	-	(93,099)	**(93,099)**	-	**(93,099)**
Other comprehensive income	-	-	1,617	(688)	**929**	-	**929**
Total comprehensive income	-	-	*1,617*	*(93,787)*	***(92,170)***	-	***(92,170)***
Transactions with owners							
Repurchase of share options on behalf of parent company	-	-	-	(1,756)	**(1,756)**	-	**(1,756)**
Share based payment expense	-	-	-	1,244	**1,244**	-	**1,244**
Income tax on share base payments effect	-	-	-	76	**76**		**76**
Total transactions with owners	-	-	-	*(436)*	***(436)***	-	***(436)***
Balance at December 31, 2020	**7**	**2,285,433**	**55,541**	**(4,829,110)**	**(2,488,129)**	**-**	**(2,488,129)**

	Attributable to equity holders of the parent company and non-controlling interest						
EUR thousand	Share capital	Other paid in capital	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January 1, 2019	**7**	**2,285,264**	**64,920**	**(4,627,960)**	**(2,277,769)**	**(2,745)**	**(2,280,514)**
Result for the period	–	–	–	(60,261)	**(60,261)**	–	**(60,261)**
Other comprehensive income	–	–	(10,996)	–	**(10,996)**	–	**(10,996)**
Total comprehensive income	–	–	*(10,996)*	*(60,261)*	***(71,257)***	–	***(71,257)***
Shareholder´s contribution	–	169	–	–	**169**	–	**169**
Transaction with non-controlling interests	–	–	–	(46,666)	**(46,666)**	2,745	**(43,921)**
Balance at Dec 31, 2019	**7**	**2,285,433**	**53,924**	**(4,734,887)**	**(2,395,523)**	**–**	**(2 395,523)**

Consolidated Statement of Cash Flows

EUR thousand	Note	2020	2019
Operating activities			
Operating profit		324,084	237,480
Reversal of depreciation and amortisation	10	433,189	388,593
Other non-cash items	8	119,714	76,788
Paid taxes		(33,676)	(48,746)
Cash flow from operating activities before change in working capital		**843,311**	**654,145**
Change in working capital			
Change in inventories		(37,423)	(20,072)
Change in trade receivables		(7,124)	(11,816)
Change in other receivables		(19,416)	(41,585)
Change in trade payables		45,644	14,402
Change in other payables		116,563	106,135
Cash flow from change in working capital		*98,244*	*47,066*
Cash flow from operating activities		**941,555**	**702,211**
Investing activities			
Purchase of intangible assets	17, 18	(327,194)	(295,785)
Purchase of property, plant and equipment	14	(308,797)	(297,138)
Settlement of deferred consideration		(1,630)	-
Acquisition of non-controlling interest		-	(45,000)
Acquisition of net assets		-	(48,304)
Prepayments of intangible assets		-	(1,798)
Cash flow from investing activities		**(637,621)**	**(688,025)**
Financing activities			
Paid bank and advisory fees		(20,973)	(6,397)
New financing		1,800,000	200,000
Repayment of debt		(1,600,000)	-
Change in Revolving Credit Facility		(126,954)	53,988
Other changes in borrowings		(52,265)	(37,218)
Premium from new financing		-	4,651
Loan to Group companies		(25,008)	-
Net interest paid		(219,409)	(209,264)
Other financial items		28,123	(14,796)
Cash flow from financing activities		**(216,485)**	**(9,036)**
Cash flow for the year		**87,449**	**4,151**
Cash and cash equivalents at start of period		12,781	8,629
Exchange difference on translating cash and cash equivalents		(2,277)	2
Cash and cash equivalents at end of year		**97,953**	**12,781**

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Notes to the Consolidated Financial Statements

Note 1 Accounting Policies

Information regarding Verisure Topholding 2 AB
Verisure Topholding 2 AB ("the Company") is a private limited liability company incorporated on November 18, 2016, in and under the laws of Sweden with the registration number 559086-0333 and with its registered office in Malmo. Verisure Topholding 2 AB's address is Box 392, 201 23 Malmö. The Group's head office is based in Geneva, Switzerland since June 2017.

Verisure Topholding 2 AB was for most of the year directly and wholly owned by Dream Luxco S.C.A. As of December 23, 2020, Verisure Topholding 2 AB is directly and wholly owned by Verisure Topholding AB. The ultimate parent entity is Aegis Lux 1A S.à r.l., which operates in and under the laws of Luxembourg. Aegis Lux 1A S.à r.l. is controlled by Hellman & Friedman, a global private equity investment firm. The Annual Report for Aegis Lux 1A S.à r.l. can be found at the registered office of Aegis Lux 1A S.à r.l., 15 Boulevard F.W Raitteisen, L-2411 Luxembourg.

Nature of operations
The Group is the leading provider of monitored alarm solutions for residential households and small businesses in Europe. We offer premium monitored alarm services to our portfolio and design, sell and install alarms with network connectivity across 16 countries in Europe and Latin America. The Group have alarm monitoring operations in twelve European countries (Spain, Sweden, France, Norway, Portugal, Finland, Denmark, Belgium, the Netherlands, Italy, the United Kingdom and Germany) and four Latin American countries (Chile, Brazil, Peru and Argentina).

The Group operate a subscription-based service business, which we conduct through two primary operating segments: portfolio services and customer acquisition. The portfolio services segment provides monitoring services to existing customers for a monthly subscription fee. The customer acquisition segment develops, sources, purchases, provides and installs alarm systems for new customers in return for an upfront sales and installation fee. Additionally, we classify certain non-core business under our adjacencies segment, which mainly represents the sale of remote monitoring and assistance devices, services for senior citizens and, starting in 2020, the sale of connected cameras under the Arlo brand in Europe.

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 Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 1 Supplementary Accounting Rules for Groups. The accounting policies are unchanged compared with those applied in 2019.

The consolidated financial statements have been prepared on a historical cost basis, except where a fair value measurement is required according to IFRS (e.g. for derivative financial instruments, which have been measured at fair value).

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

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

Basis of consolidation
The consolidated financial statements include the results, cash flows and assets and liabilities of the Group and all subsidiaries.

A subsidiary is an entity controlled, either directly or indirectly, by the Group, where the 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 are taken into account when determining whether the Group has a controlling influence on another entity.

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

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

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

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Note 1 cont.

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Group companies

The results and financial position of all Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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

One of the Group companies operates in Argentina, which is considered to be a hyperinflationary economy. However, the effects are currently minimal. The Group continuously evaluates the effects in order to adjust the valuation when relevant.

Segment reporting

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

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, maintenance and technical support for all our installed systems.

Customer acquisition

This segment develops, sources, purchases, provides and installs alarm systems for new customers in return for an upfront sales and installation fee.

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 Group's costs for materials, installation, administration and marketing generally exceed the non-recurring income, resulting in negative cash flow for the segment.

Adjacencies

The adjacencies segment captures the sale of remote monitoring and assistance devices and services for senior citizens and, starting in 2020, the sale of connected cameras under the Arlo brand in Europe. As these sales are not considered part of our core alarms business, these revenues are categorised as adjacencies.

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

Revenue recognition

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

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

More specifically income is recognised as follows:

Alarm monitoring

Income from alarm monitoring services is recognised over time during the period to which the service relates. The payments are made in advance or at delivery. When there is a difference in timing between the payment and the revenue recognised the difference is accounted for as subscription fees invoiced in advance.

Note 1 cont.

Installation fees
Revenue from alarm installation is recognised once the installation is completed. The payments are made at the time of delivery or through monthly instalments. For more information regarding payment, see section "Financing" below.

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 the Group. The Group recognises the received net amount as installation revenue.

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

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.

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.

Measurement adjustments to the fair value of consideration transferred or of the acquired identifiable assets and liabilities as a result of additional information received during the measurement period, concerning facts and circumstances at the time of the acquisition date, qualify as adjustments of the business combination and require retrospective restatement with corresponding adjustment of goodwill. The measurement period ends on the earlier of the date when the Group receives the information needed (or determines that the information cannot be obtained) and one year after the acquisition date.

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

Equity plan
A limited number of leaders of the Company participate in an equity plan, which allows them to acquire shares at fair market value in Shield Luxco 2 S.à r.l. and/or Aegis Lux 2 S.à r.l. (either directly or through a legal entity). As the investment is done at fair market value and with participants' out-of-pocket resources, there is no benefit for the employees.

Share option plan
Certain employees of the Group are granted share options in Shield Luxco 2 S.à r.l. The Share Option Plan is settled through equity and disclosed accordingly. Hence, the options are recognised as an employee benefits expenses, with a corresponding increase

Note 1 cont.

in equity during the vesting period. The total amount to be expensed is determined by reference to the fair value of the options granted. The fair value at grant date is determined using the Black-Scholes model.

Interest income
Interest income is recognised using the effective interest method.

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

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

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

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

Alarm equipment	5–15 years
Other machinery and equipment	3–10 years

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

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

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

Leases
The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis as those of property, plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate. The incremental borrowing rate is specific for each of the Group's entities and is based on the calculation of cost of debt in the WACC Calculation. It also considers what kind of asset is leased as well as the contract period. Each quarter the Group evaluates the rates and updates them regarding any new contracts when necessary. When material changes are made in a contract, the Group re-evaluate the discount rate and change when necessary.

Lease payments included in the measurement of the lease liability comprises of fixed payments, variable lease payments that depend on an index or rate, and amounts expected to be payable under a residual value guarantee. Non-lease components are included in vehicle leases, but not in leases of buildings. The Group does not lease any intangible assets.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset.

The Group has elected not to recognise right of use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Intangible assets

Goodwill

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

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

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

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

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

Customer portfolio

The customer portfolio includes contract portfolios and customer acquisitions costs. The customer acquisitions costs are costs directly related to the acquisitions of customer contracts and carried at cost less accumulated amortisation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Amortisation is based on the asset's cost and allocated on a straight-line basis over the estimated useful life.

Other intangible assets

Other intangible assets are primarily computer software, development costs and trademark. Acquired software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the asset's estimated useful life. Development costs for new identifiable and unique software products are capitalised if they are controlled by the Group and are likely to generate economic benefits. The capitalised amounts consist of direct costs and the capitalisable portion of indirect costs.

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

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

Customer portfolio	5–24 years
Computer software	3–10 years
Other intangible assets	3–18 years

Impairment of non-financial assets

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

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

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

Deferred tax

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

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

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

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

Financial instruments

The Group classifies its financial instruments as:

- Financial assets at fair value through profit or loss
- Financial assets at fair value through OCI
- Financial assets at amortised cost
- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

The classification of financial assets depends on the business model for managing the portfolio in which the financial asset belongs and the characteristics of the cash flows. Financial assets that have cashflows that are solely payment of principal and interest (SPPI), and that are held in a business model that holds financial assets to collect contractual cashflows are classified as and measured at amortised cost. Financial assets that have cash flows that are SPPI but are held in a business model that receives its cashflows both from holding the financial assets to collect contractual cashflows and from sales of financial assets are classified as and measured at fair value through other comprehensive income. All other financial assets are classified as and measured at fair value with fair value changes in the income statement. Management determines the designation of its financial instruments at initial recognition and re-evaluates this designation at each reporting date. Purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Gains and losses arising from changes in the fair value of "financial assets and liabilities carried at fair value through profit or loss" are recognised as a financial item as incurred. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss

The Group have financial assets at fair value through profit or loss consisting of derivatives. Derivatives are classified as fair value through profit or loss mandatorily unless they are designated as hedges in a hedge accounting relation. Assets in this category are classified as current or non-current assets depending on purpose and management intention.

Derivative instruments

The Group's activities expose it to financial risk arising from changes in foreign exchange rates and interest rates. The use of financial derivatives is governed by the Group's treasury policy as approved by the board of directors. This policy provides written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group uses interest rate swaps to economically hedge cash flows due to interest rate risk on the Group's long-term debt. The Group does not use derivative financial instruments for speculative purposes. All derivative instruments are recognised initially either as assets or liabilities at fair value on the trade date in the consolidated balance sheet and are subsequently revalued at fair value on each reporting date. The changes in value of derivatives that are not designated as hedges are recognised in the income statement under financial income or financial expenses 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 Group uses observable market inputs based on the type of derivative and the nature of the underlying instrument.

Hedge accounting

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group does not use derivative financial instruments for speculative purposes.

Financial assets at amortised cost

Financial assets at amortised cost are financial assets that have cash flows that are SPPI and are held in a business model to collect contractual cash flows. They arise when the Group provides goods or services directly to a customer without any intention of trading the receivable that arises. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

Financial assets at amortised cost primarily consists of trade receivables. These do not carry any interest and are stated at their nominal value less any provision for bad debts. A provision for bad debts is made for expected credit losses using the simplified approach for both current and non-current trade receivables. This means that lifetime expected credit losses are recognised for all trade receivables. Estimated bad debt provision is based on the ageing of the receivable balances and historical experience, historical loss rates and forward-looking information. Individual trade receivables are written off when management deems them not to be collectible. The provision is recognised under "cost of sales" in the income statement.

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

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

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

Trade payables
Trade payables are initially recognised at fair value and thereafter at amortised cost which normally corresponds to the nominal amount as the maturity is short.

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

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.

New standards and interpretations not yet adopted
The Group are currently assessing the effect of phase 2 of the amendments to IFRS 9 Financial instruments related to the IBOR reform. The impact is not expected to be material. Other than this, no new standards are effective for annual periods beginning after January 1, 2021, that would be expected to have a material impact on the Group.

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Note 2 Critical Accounting Estimates and Judgements

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

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

- Revenue recognition (note 3).
- Testing for impairment of goodwill and other assets (note 16).
- Measurement of deferred income tax assets and deferred income tax liabilities (note 19).
- Measurement of provisions and allocation for accrued expenses (note 26 and 27).
- Depreciation period for alarm equipment and amortisation period for customer portfolio (note 14 and 17).
- Estimates regarding leases (note 9).

Revenue recognition
Revenue recognition in the Group requires management to make judgements and estimates, mainly to determine fair values of the revenue. Determining whether revenues should be recognised immediately or be deferred require management to make judgements on the fair value of each deliverable. The fair value of the installation revenue is dependent of estimates regarding which parts refer to the installation service compared to the selling, and a margin based on a benchmark from other companies with similar installations.

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; and
- The selection of discount rates to reflect the risks involved.

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

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

The Group would not have any impairment issues if the Weighted Average Cost of Capital (WACC) used was 1% higher or if the compound annual growth rate was 1% lower.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect impairment evaluation and hence results. The yearly impairment test of goodwill is performed on the closing of the second quarter each year.

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

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

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Note 2 cont.

payments, including potential tax cash flow impact from future implementation of local accounting regulation. The Group has also exercised significant accounting judgement regarding net operating loss utilisation.
Moreover, the Group has exercised significant accounting judgements regarding the recognition of deferred tax assets. The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future against which the reversal of deductible temporary differences can be realised. Where the temporary differences related to losses, the availability of the losses to offset against forecast taxable profits is also considered. Recognition therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax assets have been recognised.

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

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

Depreciation period for alarm equipment and amortisation period for customer portfolio
The charge in respect of periodic depreciation for alarm equipment as well as the amortisation of the customer portfolio, is derived after determining an estimate of expected useful life of alarm equipment, established useful life of customers, and the expected residual value at the end of life. A decrease in the expected life of an asset or its residual value results in an increase depreciation/amortisation charge being recorded in the consolidated income statement. See more details in the sensitivity analysis in note 20.

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

Estimate regarding leases
The Group performs several estimates when applying IFRS 16 in the accounting for leases. These mainly relate to the contract time. When the entity has the option to extend a lease, or end the lease before the contract end date, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term. The extension period has only been included in the present value calculation of future lease payments if it is deemed reasonably certain that the contract will be extended, and if it is deemed reasonably certain that an end option will be exercised this period have been excluded from the calculation.

Note 3 Segment Reporting

The Group's operating segments are identified by grouping together the business by revenue stream, as this is the basis on which information is provided to the Chief Operating Decision Maker (CODM) for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. The Group has identified the management team as its CODM. The segments identified based on the Group's operating activities are customer acquisition, portfolio services and adjacencies.

2020

EUR thousand	Customer acquisition	Portfolio services	Adjacencies	Total Group – Excl SDI	SDI	Total Group
Revenue	**338,138**	**1,740,581**	**60,184**	**2,138,903**	**-**	**2,138,903**
Adjusted EBITDA	**(322,090)**	**1,255,725**	**(14,206)**	**919,429**	**(66,441)**	**852,988**
Depreciation and amortisation	-	-	-	(274,186)	(159,003)	**(433,189)**
Retirement of assets	-	-	-	(95,714)	-	**(95,714)**
Financial items	-	-	-	(234,652)	(137,220)	**(371,872)**
Result before tax	**-**	**-**	**-**	**314,877**	**(362,663)**	**(47,786)**

2019

EUR thousand	Customer acquisition	Portfolio services	Adjacencies	Total Group – Excl SDI	SDI	Total Group
Revenue	**329,098**	**1,548,936**	**22,696**	**1,900,730**	**-**	**1,900,730**
Adjusted EBITDA	**(316,297)**	**1,075,348**	**2,035**	**761,086**	**(58,217)**	**702,869**
Depreciation and amortisation	-	-	-	(235,512)	(153,081)	**(388,593)**
Retirement of assets	-	-	-	(76,795)	-	**(76,795)**
Financial items	-	-	-	(208,523)	(43,477)	**(252,000)**
Result before tax	**-**	**-**	**-**	**240,256**	**(254,775)**	**(14,521)**

Unsatisfied long-term customer contracts

Aggregate amount of the customer contracts revenue allocated to long-term customer contracts that are partially or fully unsatisfied as of December 31, 2020, amounts to EUR 757,768 thousand, compared to EUR 675,558 thousand as of December 31, 2019. As of December 31, 2020, the Group had non-cancellable customer contracts which resulted in partly unsatisfied performance obligations at year-end. Management expect that 54.7% of the transaction price allocated to the partly unsatisfied contracts as of December 31, 2020 will be recognised as revenue during the year 2021, 32.2% is expected to be recognised during 2022 and 13.2% during 2023 or later. The Group does not include binding revenue with an outstanding contract period of 12 months or less. Since the Group does not include all contracts and has primarily cancellable subscriptions, the amount of the outstanding unsatisfied performance obligation does not amount to expected revenue for future periods.

Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers:

	2020	2019
Opening balance	**278,603**	**251,936**
Prepayments taken as income	(153,371)	(108,581)
New prepayments	190,905	153,759
Revenue accrued to future payments	53,417	73,332
Revenue from previous periods	(72,297)	(89,680)
Translation effect	(3,590)	(2,163)
Closing balance	**293,667**	**278,603**
Closing balance consists of:		
Non-current liabilities	84,125	88,353
Current liabilities	209,542	190,250
Total liabilities	**293,667**	**278,603**

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Note 4 Expenses by Type of Costs

The table below illustrates the consolidated income statement in summary classified according to type of cost.

EUR thousand	2020	2019
Revenue	2,138,903	1,900,730
Other income	5,128	5,985
Total operating income	**2,144,031**	**1,906,715**
Employee benefit expense	(802,289)	(738,564)
Depreciation and amortisation expense	(433,189)	(388,593)
Retirement of assets	(95,714)	(76,795)
Cost of materials	(74,488)	(57,620)
Marketing-related costs	(128,102)	(115,756)
Other cost	(286,163)	(291,907)
Total operating cost	**(1,819,945)**	**(1,669,235)**
Operating profit	**324,086**	**237,480**

EUR thousand	2020	2019
Currency translation differences included in operating profit	6,443	1,651

Currency translation differences included in financial income and expenses are shown in note 11.

Note 5 Audit Fees

EUR thousand	2020	2019
PwC		
Audit assignments	1,291	1,413
Audit work apart from the audit assignment	322	243
Tax consultancy	233	334
Other services	814	225
Total PwC	**2,660**	**2,215**
Other auditors		
Audit assignments	16	16
Total other auditors	**16**	**16**
Total for the Group	**2,676**	**2,231**

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Note 6 Employee Information

Average number of full-time equivalent employees (FTEs) by gender

	2020			2019		
Number of FTEs	Female	Male	Total	Female	Male	Total
Argentina	60	165	**225**	37	77	**114**
Belgium	148	406	**554**	126	366	**492**
Brazil	571	900	**1,471**	520	895	**1,415**
Chile	257	478	**735**	236	439	**675**
Denmark	122	499	**621**	135	477	**612**
Finland	76	221	**297**	79	184	**263**
France	855	2,090	**2,945**	814	1,874	**2,688**
Germany	51	185	**236**	47	122	**169**
Ireland	11	5	**16**	-	-	**-**
Italy	335	460	**795**	301	409	**710**
The Netherlands	367	120	**487**	83	435	**518**
Norway	97	271	**368**	99	266	**365**
Peru	153	349	**502**	150	317	**467**
Portugal	216	421	**637**	224	444	**668**
Spain	2,859	4,469	**7,328**	2,388	3,792	**6,180**
Sweden	357	606	**963**	357	642	**999**
Switzerland	25	34	**59**	27	32	**59**
United Kingdom	191	636	**827**	182	568	**750**
Total	**6,751**	**12,315**	**19,066**	**5,805**	**11,339**	**17,144**

	2020			2019		
Number	Female	Male	Total	Female	Male	Total
Directors	-	10	**10**	-	10	**10**
Other executive management	3	4	**7**	3	6	**9**
Total	**3**	**14**	**17**	**3**	**16**	**19**

Salary costs for Directors and other employees

	2020			2019		
EUR thousand	Directors	Other employees	Total	Directors	Other employees	Total
Wages and salaries[1]	3,126	627,865	**630,991**	2,694	600,195	**602,889**
Social security costs	176	145,783	**145,959**	167	112,618	**112,785**
Pension costs	19	25,460	**25,479**	18	22,872	**22,890**
Total	**3,321**	**799,108**	**802,429**	**2,878**	**735,686**	**738,564**

1) Including restructuring costs and other termination benefits

The executive management has a 12 months' notice period corresponding to an amount of EUR 7,572 thousand in 2020, compared to *EUR 8,178 thousand 2019.*

Note 7 Employee Option Plan

Certain employees of the Group participate in a management option plan and are granted options in Shield Luxco 2 S.à r.l as a part of their compensation. The option plan has been exercised in 2020.

Set out below are summaries of options granted under the plan:

Number of options	2020	2019
As at January 1	335,292	-
Granted during the year	99,300	335,292
Forfeited during the year	(21,037)	-
Exercised during the year	(413,555)	-
As at December 31	**-**	**335,292**

There are not share options outstanding at the end of 2020.

Fair value of options granted
The fair value of the options at grant date is determined using a Black-Scholes model that takes into account the exercise price, the term of the option, expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Total expenses arising from options issued under employee option plan recognised during the period was EUR 1,244 thousand (184 in 2019) for 2020.

Note 8 Non-Cash Items

EUR thousand	2020	2019
Retirement of assets[1]	95,714	76,795
Increased provision	24,000	-
Other	-	(7)
Total	**119,714**	**76,788**

1) Relates primarily to retirement of installed equipment due to cancellation of customer subscriptions.

Note 9 Leases

The Group leases offices, cars and various equipment and recognises right of use asset and lease liability for these leases, except for short-term and low value leases, see below.

The income statement shows the following amounts related to leases during 2020 and 2019:

EUR thousand	2020	2019
Depreciation charge of right of use assets	44,340	38,616
Interest expense[1]	4,895	4,656
Expense relating to short-term leases[2]	277	4,018
Expenses relating to leases of low-value assets that are not shown above as short-term leases[2]	850	1,055
Total	**50,362**	**48,345**

1) Included in financial expenses.
2) Included in cost of sales, selling expenses and administrative expenses.

Out of the total amount related to depreciation above, EUR 19,222 thousand (18,037 in 2019) related to lease buildings, EUR 24,814 thousand (20,086 in 2019) to leased vechicles and EUR 304 thousand (493 in 2019) to other leased assets.

	2020		2019	
EUR thousand	Short-term leases	Low-value leases	Short-term leases	Low-value leases
Term to maturity <1 year	142	700	108	878
Term to maturity 1–5 years	-	335	-	727
Term to maturity >5 years	-	-	-	-

The total cash outflow for leases in 2020 was EUR 48.1 million (44.4 in 2019). The maturity of the lease liability is shown in note 20 and the changes during the year in the right of use assets is shown in note 15.

Note 10 Depreciation and Amortisation

EUR thousand	2020	2019
Property, plant and equipment	107,630	95,075
Right of use assets	44,340	38,616
Customer portfolio	206,677	196,692
Other intangible assets	74,542	58,210
Total	**433,189**	**388,593**

Depreciation and amortisation are reflected in the income statement as follows:

EUR thousand	2020	2019
Cost of sales	182,341	163,411
Selling and administrative expenses	250,848	225,182
Total	**433,189**	**388,593**

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Note 11 Financial Income and Expenses

EUR thousand	2020	2019
Interest income, other	902	255
Finance income	**902**	**255**
Interest cost on borrowings	(201,196)	(186,984)
Interest cost, leasing	(4,895)	(4,656)
Interest cost, other	(15,197)	(6,933)
Interest cost on interest rate swaps	(11,020)	(7,097)
Fair value changes in currency derivatives	(16,910)	14,227
Fair value changes in interest rate derivatives	(429)	(11,322)
Net currency translation differences	(47,790)	(6,469)
Bank charges	(32,054)	(14,769)
Other items	(43,284)	(28,253)
Financial expenses	**(372,775)**	**(252,256)**
Financial income and expenses	**(371,873)**	**(252,001)**

Details of borrowings are presented in note 25.

From time to time, interest rate swaps are used to manage the interest rate profile of the Group's borrowings. Net interest payable or receivable on such interest rate swaps is therefore included in interest expense.

Note 12 Income Tax Expense and Benefit

EUR thousand	2020		2019	
Current tax	(58,120)	121,6%	(51,982)	357.9%
Deferred tax	12,807	(26,8%)	6,242	(43.0%)
Total income tax benefit	**(45,313)**	**94,8%**	**(45,740)**	**314.9%**

The Swedish rate of corporate income tax was 21.4% in 2020 and 2019.

Difference between Swedish tax rate and actual tax for the Group

EUR thousand	2020		2019	
Tax calculated at Swedish tax rate	10,226	(21.4%)	3,107	(21.4%)
Difference between tax rate in Sweden and weighted tax rates applicable to foreign subsidiaries	10,335	(21,6%)	(3,649)	25.1%
Non-recognised deferred tax assets on losses carried forward, new losses as well as utilised losses[1]	(2,837)	5,9%	(7,756)	53.4%
Non-taxable/non-deductible income statement items, net	(45,055)	94,3%	(37,061)	255.1%
Effect of tax rates changed	-	-	(337)	2.3%
Other	(17,982)	37,6%	(44)	0.3%
Total	**(45,313)**	**94,8%**	**(45,740)**	**314.9%**

1) Whereof EUR 64,593 thousand (48,852 in 2019) is related to utilised tax losses carried forward not previously recognised as a deferred tax asset.

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Note 13 Transaction with Related Parties

Transactions between Group companies, which are related parties, have been eliminated on consolidation and, therefore, are not required to be disclosed in these financial statements.

Details of transactions between the Group and other related parties are disclosed below. All transactions with related parties are at market rates.

Transactions with related parties

EUR thousand	2020	2019
Interest income	601	–
Shareholders contribution	1,244	169

Balances with related parties

EUR thousand	2020	2019
Financial receivable, current	25,601	–

Note 14 Property, Plant and Equipment

	2020		
EUR thousand	Alarm equipment	Other	Total
Cost at beginning of year	1,291,456	144,581	**1,436,037**
Investments	286,453	22,506	**308,959**
Disposals/retirement of assets	(88,751)	(5,072)	**(93,823)**
Translation differences	(16,582)	(1,825)	**(18,407)**
Cost at end of year	**1,472,576**	**160,190**	**1,632,766**
Amortisation at beginning of year	(467,308)	(95,883)	**(563,191)**
Disposals/retirement of assets	33,592	4,755	**38,347**
Amortisation charge for the year	(91,156)	(16,474)	**(107,630)**
Translation differences	4,990	641	**5,631**
Accumulated amortisation at end of year	**(519,882)**	**(106,961)**	**(626,843)**
Net book value at end of year	**952,694**	**53,229**	**1,005,923**

	2019		
EUR thousand	Alarm equipment	Other	Total
Cost at beginning of year	1,102,701	125,462	**1,228,163**
Investments	276,679	20,124	**296,803**
Disposals/retirement of assets	(84,871)	(741)	**(85,612)**
Translation differences	(3,053)	(264)	**(3,317)**
Cost at end of year	**1,291,456**	**144,581**	**1,436,037**
Amortisation at beginning of year	(425,997)	(81,206)	**(507,203)**
Disposals/retirement of assets	37,386	531	**37,917**
Amortisation charge for the year	(79,762)	(15,313)	**(95,075)**
Translation differences	1,067	103	**1,170**
Accumulated amortisation at end of year	**(467,306)**	**(95,885)**	**(563,191)**
Net book value at end of year	**824,150**	**48,696**	**872,846**

Refer to Note 1 Accounting Policies for more information.

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Note 15 Right of Use Assets

	2020			
EUR thousand	Buildings	Vehicles	Other assets	Total
Cost at beginning of year	104,865	61,949	1,672	**168,486**
New lease contracts	18,847	24,082	528	**43,457**
Terminations of lease contracts	(6,322)	(11,579)	(601)	**(10,502)**
Translation differences	(652)	(392)	(50)	**(1,094)**
Cost at end of year	**116,738**	**74,060**	**1,549**	**192,347**
Depreciation at beginning of year	(15,530)	(19,565)	(492)	**(35,587)**
Depreciation charge for the year	(19,222)	(24,814)	(304)	**(44,340)**
Terminations of lease contracts	6 046	10 070	504	**16,620**
Translation differences	(29)	86	15	**72**
Accumulated depreciation at end of year	**(28,735)**	**(34,223)**	**(277)**	**(63,235)**
Net book value at end of year	**88,003**	**39,837**	**1,272**	**129,112**

	2019			
EUR thousand	Buildings	Vehicles	Other assets	Total
Cost at beginning of year	95,406	34,486	1,546	**131,438**
New lease contracts	13,484	29,920	122	**43,526**
Terminations of lease contracts	(4,053)	(2,430)	-	**(6,483)**
Translation differences	28	(27)	4	**5**
Cost at end of year	**104,865**	**61,949**	**1,672**	**168,486**
Depreciation at beginning of year	-	-	-	-
Depreciation charge for the year	(18,037)	(20,086)	(493)	**(38,616)**
Terminations of lease contracts	2,497	519	–	**3,016**
Translation differences	10	2	1	**13**
Accumulated depreciation at end of year	**(15,530)**	**(19,565)**	**(492)**	**(35,587)**
Net book value at end of year	**89,335**	**42,384**	**1,180**	**132,899**

Refer to Note 1 Accounting Policies for more information.

Note 16 Goodwill

EUR thousand	2020	2019
Cost at beginning of year	884,261	868,557
Investments	-	23
Acquisition via business combinations	-	15,458
Adjustment of purchase price allocation	(11,350)	-
Translation differences	(6,092)	223
Cost at end of year	**866,819**	**884,261**

The valuation of intangible asset related to the Arlo transaction during 2019 was finalised by December 31, 2020, without any adjustments. Accounting policies related to goodwill are described in note 1.

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	2020	2019
Brazil	15,817	20,991
Chile	15,713	15,713
Denmark	10,950	10,954
Finland	60,231	60,231
France	51,895	51,895
The Netherlands	14,038	14,038
Norway	259,317	260,408
Portugal	46,265	46,265
Spain	238,423	238,423
Sweden	154,170	165,343
Total	**866,819**	**884,261**

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 2020. In each case, the recoverable amount of all items of goodwill was determined based on value-in-use calculations. Management based the value-in-use calculations on cash flow forecasts derived from the most recent long-term financial plans approved by the board of the directors. The principal assumptions in the value-in-use calculation were those regarding sales growth rates, operating margin and change in working capital. Applied pre-tax WACC varies between different countries in the Group. In 2020, the lowest rate was 10.0% (9.4% in 2019 in Sweden) in Denmark and the highest rate was 29.3% (15.4% in 2019 in Brazil) in Argentina. In Norway and Spain, the countries with the most significant Goodwill values, the WACC was 10.2% (9.9% in 2019) and 11.3% (10.7% in 2019) respectively. For the period, subsequent to the long-term plan, cash flows generated by the CGUs to which significant goodwill has been allocated have been extrapolated on the basis of a projected annual growth rate of 3% (3% in 2019). 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.

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Note 17 Customer Portfolio

EUR thousand	2020	2019
Cost at beginning of year	2,356,856	2,189,218
Investments	225,417	206,044
Acquisition via business combinations	-	4,496
Disposals/retirement of assets	(49,606)	(40,505)
Translation differences	(9,272)	(2,397)
Cost at end of year	**2,523,395**	**2,356,856**
Amortisation at beginning of year	(1,339,991)	(1,154,938)
Disposals/retirement of assets	9,004	11,062
Amortisation charge for the year	(206,677)	(196,692)
Translation differences	4,329	577
Accumulated amortisation at end of year	**(1,533,335)**	**(1,339,991)**
Net book value at end of year	**990,060**	**1,016,865**

Intangible assets arising on acquisitions are principally represented by acquired customer relationships and have finite useful lives. Out of total net book value, EUR 683,289 thousand (561,338 in 2019) relates to cost to obtain a contract.

Management has assessed the recoverability of the carrying amount of the customer portfolio as of the acquisition date. The impairment tests are described in note 16. Refer to Note 1 Accounting Policies for more information.

Note 18 Other Intangible Assets

EUR thousand	2020	2019
Cost at beginning of year	503,604	373,917
Investments	101,777	90,066
Acquisition via business combinations	-	40,014
Disposals/retirement of assets	(4)	(8)
Translation differences	(2,107)	(385)
Cost at end of year	**603,270**	**503,604**
Amortisation at beginning of year	(264,428)	(206,344)
Disposals/retirement of assets	4	-
Amortisation charge for the year	(74,542)	(58,210)
Translation differences	850	126
Accumulated amortisation at end of year	**(338,116)**	**(264,428)**
Net book value at end of year	**265,154**	**239,176**

Out of the total book value, EUR 171,391 thousand (134,236 in 2019) relates to internally developed intangible assets. Refer to Note 1 Accounting Policies for more information.

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Note 19 Deferred Tax

EUR thousands	2020	2019
Temporary differences arising between the tax bases and carrying amounts	13,401	14,527
Staff-related liabilities	2,670	2,486
Risk reserves	2,028	1,408
Tax loss carry-forwards	53,110	35,394
Acquisition-related intangible assets	1,281	2,416
Other temporary differences	49,159	38,528
Total deferred tax assets	**121,649**	**94,759**
Netting[1]	(97,633)	(63,932)
Total	**24,016**	**30,827**

EUR thousands	2020	2019
Temporary differences arising between the tax bases and carrying amounts	53,161	45,677
Acquisition-related intangible assets[2]	61,132	96,100
Customer acquisition costs	163,788	134,017
Adjustment on adoption of IFRS 9	-	14,393
Other temporary differences	38,802	24,040
Total deferred tax liabilities	**316,883**	**314,227**
Netting[1]	(97,633)	(63,932)
Total	**219,250**	**250,295**
Net deferred tax liabilities	**(195,234)**	**(219,468)**

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 to tax loss carry-forwards to the extent that the realisation of the related tax benefit through taxable profits is probable.
On December 31, 2020, the Group has tax loss carried forward of EUR 637.2 million (734.4 in 2019). As of December 31, 2020, tax loss carry-forwards for which deferred tax assets had been recognised amounted to EUR 311.0 million (187.4 in 2019) and deferred tax assets related to the tax loss amounted to EUR 53.1 million (35.4 in 2019). A time limitation in respect of tax loss carry-forward utilisation exists in Argentina, the Netherlands, Norway and in Switzerland. No such limitation exists in other countries.

Note 20 Financial Risk Management

The Group's business activities create exposure to financial risks, such as credit risk, liquidity risk, financing risk, interest rate risk and foreign currency risk, as detailed in the sections below.

The Group treasury policy states how financial risks should be managed and controlled. Where appropriate and needed risk management is carried out using derivative financial instruments in accordance with the limitations set out in the treasury policy.

The treasury policy contains guidelines for the administration of operating risks that arise in the management of financial instruments. The guidelines include clear division of roles and responsibilities and the allocation of proxies. The management of financial risks has been centralised to the Group treasury.

Credit risk

Credit risk is the risk of loss if the counter party with which the Group has a claim, is unable to fulfil its obligations. These risks are apportioned between credit risk from trade receivables and credit risk from financial receivables. The Company limits financial credit risk by only entering transactions with banks with a high credit rating. Investments of cash and cash equivalents are made only with banks with a minimum A rating according to Standard & Poor's. Maximum credit exposure representing the value of the Group trade receivables at the end of December 2020 was EUR 220,125 thousand (208,843 in 2019).

Credit risk from trade receivables

The Group has no significant concentrations of credit risk in relation to trade receivables. The Group's credit policy ensures that credit management includes use of credit ratings, credit limits, decision-making structures and management of doubtful claims. The policy's goal is to ensure that sales are made only to customers with an appropriate credit rating. While the trade receivables closely follow the geography of Group operations, there are no significant concentrations of credit risk by customer as the Group has a large number of customers in many countries that are not individually significant or related. Management believes that no further credit risk provision is required in excess of the normal provision for bad and doubtful receivables. For more details, see note 22.

Financial credit risk

The Group applies principles that limit the size of its credit exposure to individual banks or counterparties. Cash and cash equivalents may only be invested in government bonds or deposited in banks with a minimum A rating according to Standard & Poor's.

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Note 20 cont.

Financial instruments by category and valuation level

EUR thousand	2020	2019
Financial assets at fair value through profit or loss [1]		
Derivatives[1]		
Currency forwards	1,589	28,168
Financial liabilities at fair value through profit or loss [1]		
Derivatives[1]		
Currency forwards	35,226	75
Interest rate swaps	18,149	17,720
Total	**53,375**	**10,373**
Loans and receivables at amortised cost		
Trade and other receivables	83,247	78,431
Trade receivables[2], current	161,147	154,075
Other current receivables[2]	40,028	15,613
Cash and cash equivalents	97,953	12,781
Other financial liabilities at amortised cost		
Long-term borrowings[3, 4]	5,073,558	4,948,800
Other non-current liabilities[2]	105,102	114,571
Trade payables[2]	183,115	139,086
Short-term borrowings[2]	102,238	91,726
Other current liabilities[2]	47,094	29,955

1) All derivatives measured at fair value are classified in level 2. All significant inputs are observable. Currency forward are measured at fair value using the observed forward exchange rate for contracts with a corresponding term to maturity at the statement of financial position date.

2) Details of borrowings are presented in note 25.

3) Fair value for the bond (includes both Senior Secured Notes and Senior Unsecured Notes) amounts to EUR 2,786 million (1,787 in 2019) which is the quoted market price at the balance sheet date. Since it is a quoted market price in an active market it is classified as level 1

4) Fair value for the Term Loan B is EUR 2,299 million, which is all future cash flows discounted to market interest rate.

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	2020	2019
Long-term borrowings (principal amount)		
EUR liabilities	4,948,740	4,882,319
SEK liabilities	172,773	168,358
Other currencies	18,726	17,834
Total	**5,140,239**	**5,068,511**
Short-term borrowings		
EUR liabilities	92,120	80,467
SEK liabilities	3,806	4,306
Other currencies	6,312	6,953
Total	**102,238**	**91,726**

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Note 20 cont.

Credit facilities as per December 31, 2020

Line of credit	Currency	Facility amount	Available amount	Maturity
Revolving Credit Facility (RCF)	Multicurrency (EUR)	300,000	300,000	2022
Term loan B	EUR	1,492,000	-	2022
Term loan B	EUR	800,000	-	2026
Bond	EUR	500,000	-	2023
Bond	EUR	200,000	-	2025
Bond	EUR	800,000	-	2026
Senior Unsecured Notes (SUN)	EUR	1,080,000	-	2023
Senior Unsecured Notes (SUN)	SEK	1,650,000	-	2023

Credit facilities as per December 31, 2019

Line of credit	Currency	Facility amount	Available amount	Maturity
Revolving Credit Facility (RCF)	Multicurrency (EUR)	300,000	174,920	2022
Term loan B	EUR	3,092,000	–	2022
Bond	EUR	500,000	–	2023
Senior Unsecured Notes (SUN)	EUR	1,080,000	–	2023
Senior Unsecured Notes (SUN)	SEK	1,650,000	–	2023

Liquidity risk

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

Financing risk

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

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

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Note 20 cont.

Liquidity report

EUR thousand	Less than 1 year (2020)	1–4 years (2020)	5 years or more (2020)	Total (2020)
Liabilities to credit institutions, principal amounts	(27,694)	(3,446,811)	(1,600,000)	**(5,074,505)**
Interest payments borrowings	(203,036)	(479,280)	(31,414)	**(713,730)**
Interest payments derivatives[2]	(9,365)	(7,543)	-	**(16,908)**
Other non-current liabilities	-	(105,102)	-	**(105,102)**
Lease liabilities	(38,154)	(64,060)	(29,368)	**(131,582)**
Trade payables	(183,115)	-	-	**(183,115)**
Derivatives, currency forwards	(10,725)	(8,639)	-	**(19,364)**
Other current liabilities	(47,094)	-	-	**(47,094)**
Total outflow	**(519,183)**	**(4,111,435)**	**(1,660,782)**	**(6,291,400)**
Other non-current receivables	-	82,581	666	**83,247**
Trade receivables	161,147	-	-	**161,147**
Derivatives, currency forwards	8,250	6,645	-	**14,895**
Interest derivatives	155	125	-	**280**
Other current receivables	40,028	-	-	**40,028**
Total inflow	**209,580**	**89,351**	**666**	**299,597**
Net cash flow, total[1]	**(309,603)**	**(4,022,084)**	**(1,660,116)**	**(5,991,803)**

EUR thousand	Less than 1 year (2019)	1–4 years (2019)	5 years or more (2019)	Total (2019)
Liabilities to credit institutions, principal amounts	(33,708)	(4,971,461)	–	**(5,005,169)**
Interest payments borrowings	(186,611)	(407,488)	–	**(594,099)**
Interest payments derivatives[2]	(10,556)	(14,126)	–	**(24,682)**
Other non-current liabilities	–	(114,571)	–	**(114,571)**
Lease liabilities	(36,859)	(67,398)	(29,653)	**(133,910)**
Trade payables	(139,086)	–	–	**(139,086)**
Derivatives, currency forwards	(228,201)	–	–	**(228,201)**
Other current liabilities	(29,955)	–	–	**(29,955)**
Total outflow	**(664,976)**	**(5,575,044)**	**(29,653)**	**(6,269,673)**
Other non-current receivables	–	77,773	658	**78,431**
Trade receivables	154,075	–	–	**154,075**
Derivatives, currency forwards	232,883	–	–	**232,883**
Interest derivatives	2,681	306	–	**2,987**
Other current receivables	15,613	–	–	**15,613**
Total inflow	**405,252**	**78,079**	**658**	**483,989**
Net cash flow, total[1]	**(259,723)**	**(5,496,965)**	**(28,995)**	**(5,785,683)**

1) All contractual cash flows per the balance sheet date are included, including future interest payments. The table does not reflect changes in contractual cash flows in connection with the financing in January 2021. Refer to Note 30 for more information.

2) Including interest rate swaps.

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Note 20 cont.

Interest rate risk
The Group's interest rate risk arises in its long-term borrowings. Borrowings raised at variable interest rates expose the Group to interest rate risk. Borrowings raised at fixed interest rates expose the Group to fair value interest rate risk. During 2020 and 2019, the Group's borrowings at variable interest rates were denominated in the Swedish krona and the Euro.

At December 31, 2020, with current financing terms which partially include an interest floor of 0%, an increase of EURIBOR/STIBOR fixings of 100 basis points (1.0%) will impact the Group's total interest expenses by a negative EUR 4 million. Part of the variable interest rate exposure has been hedged.

Foreign currency risk
The Group operates in 16 countries and is therefore exposed to foreign exchange risk arising from various currency exposures but primarily from SEK and NOK. Foreign exchange risk arises through business transactions, reported assets and liabilities and net investments in foreign currencies and affects the balance sheet as well as the income statement.

The Group's risk in business transactions primarily constitutes material purchases in US dollars. The exposure is continuously monitored and the Group hedges part of this exposure.

The Group's net assets in foreign operations are exposed to foreign exchange risk. Such foreign exchange risk is mainly managed through borrowings raised in the foreign currencies in question. The Group does not apply hedge accounting to its net investments in foreign operations, for which reason the translation of borrowings in SEK impacts the income statement. Cross currency swaps are used to convert Euro denominated debt into Swedish krona debt exposure while plain currency swaps are used to minimise interest expenses charged by banks in the cash pool structures.

Sensitivity analysis
The Group's sales and results are subject to a variety of factors. The effect of changes in a number of key variables is shown below. Projections are based on the Group's operations in 2020 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 43 million (39 in 2019) in operating result.
Interest rate	+/– 1 percentage point	Decrease of approximately EUR 4 million (3 in 2019) in net financial income and expenses.
Currency rate EUR/SEK	+/– 10 percentage point	Increase/decrease of approximately EUR 26 (24 in 2019) million in revenue. Increase/decrease of approximately EUR 10 (7 in 2019) million in operating result.
Currency rate EUR/NOK	+/– 10 percentage point	Increase/decrease of approximately EUR 13 (13 in 2019) million in revenue. Increase/decrease of approximately EUR 6 (6 in 2019) million in operating result.

Capital structure
Asset management is aimed at ensuring that the Group's financial resources are used in an optimal way so as to guarantee future operations, provide security for lenders and generate a beneficial return for shareholders. Asset management additionally aims to ensure that the Group has sufficient funds to finance necessary investments for continued growth. This growth can be organic or via acquisition which means financial flexibility is required.

The credit facility includes covenants that must be fulfilled for the duration of the loans. The existing financial maintenance covenant applies only when drawings under the Revolving Credit Facility exceed EUR 100 million. When this incurs the ratio of Net Debt over adjusted portfolio EBITDA during the last two quarters annualised cannot exceed 5.0x (5.0x in 2019). As per end of year 2020 this ratio was 3.8x.

EUR thousand	2020	2019
Long-term borrowings (principal amount)	5,140,239	5,068,511
Short-term borrowings	102,238	91,726
Less accrued interest	(36,390)	(21,159)
Less cash and cash equivalents	(97,953)	(12,781)
Less financial receivable, current	(8)	(8)
Net debt	**5,108,126**	**5,126,289**
Less lease liability	(131,582)	(133,910)
Net debt per SFA lender documentation	**4,976,544**	**4,992,379**
Total assets	**3,919,615**	**3,673,739**
Adjusted EBITDA	**852,988**	**702,869**
Portfolio EBITDA	**1,255,774**	**1,075,348**

Details of borrowings are presented in note 25. For covenant purposes other definitions apply.

Note 21 Inventories

EUR thousand	2020	2019
Materials and consumables	161,190	126,977

Impairment for provision in inventories at year end totalled EUR 1,573 thousand (4,397 in 2019). The cost of materials recognised as an expense and included in "cost of sales" was EUR 74,488 thousand (57,620 in 2019) at December 31, 2020.

Not 22 Trade Receivables

Non-current

EUR thousand	2020	2019
Trade receivables before provision for bad debts	60,781	62,337
Provision for bad debts	(1,803)	(7,569)
Total	**58,978**	**54,768**

Current

EUR thousand	2020	2019
Trade receivables before provision for bad debts	239,437	207,421
Provision for bad debts	(78,290)	(53,346)
Total	**161,147**	**154,075**

Provision for bad debts

EUR thousand	2020	2019
Balance at beginning of year	60,915	49,234
Provision for bad debt during the year	29,727	25,073
Receivables written off during the year as uncollectible	(6,157)	(1,347)
Unused amounts reversed	(4,392)	(12,045)
Balance at end of year	**80,093**	**60,915**

Customer credit losses recognised in the income statement totalled EUR 32.4 million (28.4 in 2019) at December 31, 2020.

Due dates for trade receivables

EUR thousand	2020	2019
Past due 0–3 months	22,854	19,188
Past due 3–6 months	12,645	10,217
Past due 6–9 months	9,604	7,090
Past due 9–12 months	8,954	6,634
Past due >12 months	63,596	44,403
Total	**117,653**	**87,532**

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Note 23 Derivative Financial Instruments

Derivative financial instruments are held in relation to the Group's treasury policy. The Group does not hold or issue derivatives for speculative purposes. The Group's objective is to minimise the risk of adverse impact on the income statement due to interest rates rises. For this purpose, the Group will enter into interest rate derivatives to minimise this risk. The carrying amounts of derivative financial instruments held by the Group were as follows:

	2020			2019		
EUR thousand	Assets	Liabilities	Net	Assets	Liabilities	Net
Hedging activities						
Currency forwards	1,589	35,226	**(33,637)**	28,168	75	**28,093**
Interest rate swaps	-	18,149	**(18,149)**	-	17,720	**(17,720)**
Total	**1,589**	**53,375**	**(51,786)**	**28,168**	**17,795**	**10,373**
Classified as						
Non-current	-	45,509	**(45,509)**	23,410	17,720	**5,690**
Current	1,589	7,865	**(6,276)**	4,758	75	**4,683**
Total	**1,589**	**53,375**	**(51,786)**	**28,168**	**17,795**	**10,373**

Currency derivatives

As of December 31, 2020, the notional principal amount of outstanding foreign exchange contracts used to manage the Group's cash pool was EUR 133.5 million (215.4 in 2019), foreign exchange contracts used to hedge the Group's purchases in USD was EUR 123.9 million (nil in 2019) and cross currency swaps was EUR 275.0 million (275.0 in 2019). The contracts used to hedge purchases in USD is designated for hedge accounting purposes and all gains and losses deemed as effective is recognised in the OCI. All other gains and losses related to derivatives are recognised in the income statement. Such amounts are included in financial income and expenses as disclosed in note 11.

Note 24 Share Capital

Verisure Topholding 2 AB's share capital totalled EUR 6,577 at December 31, 2020 and December 31, 2019, distributed among 2,260 shares with a quotient value of EUR 2.91. All shares are of the same class. All shares issued by the company were fully paid.

Change in number of shares

	2020	2019
Number of shares at beginning of year	2,260	2,260
Number of shares at end of year	**2,260**	**2,260**

Note 25 Borrowings

EUR thousand	2020 Principal amount	2020 Adjustment amortised costs	2020 Carrying amount	2019 Principal amount	2019 Adjustment amortised costs	2019 Carrying amount
Non-current liabilities						
Secured						
Senior Secured Notes	1,500,000	(10,820)	**1,489,180**	500,000	(1,709)	**498,291**
Term Loan B[1]	2,292,000	(48,893)	**2,243,107**	3,092,000	(106,035)	**2,985,965**
Revolving Credit Facility	-	-	-	126,954	(2,815)	**124,139**
Unsecured						
Senior Unsecure Notes	1,244,436	(6,968)	**1,237,468**	1,237,942	(9,153)	**1,228,789**
Liabilities to other creditors	10,375	-	**10,375**	14,565	-	**14,565**
Lease liability	93,428	-	**93,428**	97,051	-	**97,051**
Long-term borrowings	**5,140,239**	**(66,681)**	**5,073,558**	**5,068,511**	**(119,711)**	**4,948,800**
Current liabilities						
Accrued interest expenses	36,390	-	**36,390**	21,159	-	**21,159**
Other liabilities	27,694	-	**27,694**	33,708	-	**33,708**
Lease liability	38,154	-	**38,154**	36,859	-	**36,859**
Short-term borrowings	**102,238**	-	**102,238**	**91,726**	-	**91,726**
Total	**5,242,477**	**(66,681)**	**5,175,796**	**5,160,237**	**(119,711)**	**5,040,526**

1) Of the total amount regarding adjustment amortised costs 2020, EUR (27,756) thousands, ((70,717) in 2019), relates to a non-cash adjustment derived from the modification of loan terms during the loans contract period calculated according to IFRS 9.

The Group's secured borrowings are jointly and severally, irrevocably and fully and unconditionally guaranteed by certain of the Company's direct and indirect subsidiaries and secured by liens on substantially all of their assets. An analysis of the security given is presented in note 28.

Net Debt Bridge

EUR thousand	2020	2019
Total principal amount (as above)	5,242,477	5,160,237
Less accrued interest	(36,390)	(21,159)
Indebtedness	**5,206,087**	**5,139,078**
Less financial receivable, current	(8)	(8)
Less cash and cash equivalents	(97,953)	(12,781)
Net debt	**5,108,126**	**5,126,289**
Less lease liability	(131,582)	(133,910)
Net debt per SFA lender documentation	**4,976,544**	**4,992,379**

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Note 25 cont.

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			
2020	EUR thousand	Weighted average interest rate %	EUR thousand	Weighted average interest rate %	Weighted average period for which rate is fixed, years	Total EUR thousand
EUR	717,000	11.6%	3,880,000	2.9%	2.9	**4,597,000**
SEK	438,585	4.6%	-	-	-	**438,585**
Total	**1,155,585**	-	**3,880,000**	-	-	**5,035,585**

	Floating interest rate		Fixed interest rate			
2019	EUR thousand	Weighted average interest rate %	EUR thousand	Weighted average interest rate %	Weighted average period for which rate is fixed, years	Total EUR thousand
EUR	1,492,227	6.8%	3,080,000	2.6%	3.3	**4,572,227**
SEK	432,943	4.6%	-	-	-	**432,943**
Total	**1,925,170**	-	**3,080,000**	-	-	**5,005,170**

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%.

Cash flows related to borrowings

			Non-Cash changes					
EUR thousands	Carrying amount Jan 1, 2020	Cash flows	Change in adjustment amortised cost	New lease contracts	Lease contracts terminated in advance	Foreign exchange movement	New accrued interest	Carrying amount Dec 31, 2020
Long-term borrowings	4,851,749	68,856	53,030	-	-	6,494	-	**4,980,130**
Short-term borrowings	33,708	(6,014)	-	-	-	-	-	**27,694**
Accrued interest	21,159	(21,159)	-	-	-	-	36,390	**36,390**
Lease liabilities	132,380	(42,059)	-	51,331	(10,256)	186	-	**131,582**
Total liabilities	**5,038,996**	**(376)**	**53,030**	**51,331**	**(10,256)**	**6,680**	**36,390**	**5,175,796**
Cash and cash equivalents	(12,781)	(87,449)	-	-	-	2,277	-	**(97,953)**
Total cash	**(12,781)**	**(87,449)**	-	-		**2,277**	-	**(97,953)**
Total	**5,026,215**	**(87,825)**	**53,030**	**51,331**	**(10,256)**	**8,957**	**36,390**	**5,077,843**

			Non-Cash changes					
EUR thousands	Carrying amount Jan 1, 2019	Cash flows	Change in adjustment amortised cost	New lease contracts	Lease contracts terminated in advance	Foreign exchange movement	New accrued interest	Carrying amount Dec 31, 2019
Long-term borrowings	4,572,423	244,116	38,169	-	-	(2,959)	-	**4,851,749**
Short-term borrowings	26,914	6,794	-	-	-	-	-	**33,708**
Accrued interest	20,700	(20,700)	-	-	-	-	21,159	**21,159**
Lease liabilities	129,024	(34,589)	-	41,800	(3,716)	(139)	-	**132,380**
Total liabilities	**4,749,061**	**195,621**	**38,169**	**41,800**	**(3,716)**	**(3,098)**	**21,159**	**5,038,996**
Cash and cash equivalents	(8,629)	(4,151)	-	-	-	(2)	-	**(12,781)**
Total cash	**(8,629)**	**(4,151)**	-	-	-	**(2)**	-	**(12,781)**
Total	**4,740,432**	**191,470**	**38,169**	**41,800**	**(3,716)**	**(3,100)**	**21,159**	**5,026,215**

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Note 26 Other Provisions

EUR thousand	2020	2019
Balance at beginning of year	25,141	3,278
Additional provisions	41,804	23,882
Utilised provisions	(4,493)	(2,019)
Reversal of provisions not used	(8,560)	-
Balance at end of year	**53,892**	**25,141**

Breakdown

EUR thousand	2020	2019
Provision for staff related costs	4,440	3,724
Provision for marketing related costs	-	5,458
Provision for service related costs	6,898	10,000
Provisions for litigations	36,000	-
Other items	6,554	5,959
Total	**53,892**	**25,141**

Note 27 Accrued Expenses and Deferred Income

EUR thousand	2020	2019
Subscription fees invoiced in advance	209,542	190,250
Staff-related costs	160,557	111,229
Marketing-related costs	25,337	15,435
Goods received	9,642	14,493
Audit assignments and other services	1,377	1,239
Risk reserves	7,371	5,771
External services	36,574	30,694
Other items	71,912	57,483
Total	**522,312**	**426,594**

When the Group receives a payment but has not delivered the promised service a contract liability arises which consists of deferred income for prepaid installation and services. A contract liability is accounted for until the performance obligation is performed or falls due for the customer to use and is then reported as a revenue. Refer to note 3 for more information.

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Note 28 Pledged Assets and Contingent Liabilities

Pledged assets

EUR thousand	2020	2019
Endowment insurance	666	658
Shares in subsidiaries	2,054,531	2,100,193
Bank accounts	79,705	696
Trademark	43,333	48,333
Accounts receivables	96,092	93,684
Inventories	557	67,088
Motor vehicles	9	18

Contingent liabilities

EUR thousand	2020	2019
Guarantees	24,001	29,645

The Group has pledged shares in subsidiaries, certain bank accounts, certain trade receivables, certain IP rights, certain inventory assets, certain intra-group loans, intra-group equity certificates, rights under certain insurances, certain rights under the acquisition agreements regarding the purchase of the Group and certain rights under reports in relation to the acquisition of the Group as collateral for bank borrowings, as disclosed in note 25. Guarantees relate primarily to guarantees provided to suppliers.

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Note 29 Changes in Accounting Policy

On January 1, 2019 the Group changed the accounting principles for leases, by applying IFRS 16 Leases, which supersedes IAS 17 Leases. IFRS 16 was issued in January 2016 and the standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. In accordance with the new standard, the Group recognises a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease terms (i.e. the right of use asset).

The Group has decided to apply the simplified transition approach and therefore has not restated the comparative amounts for the year prior to first adoption.

IFRS 16 results in most leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The exceptions to this are short-term and low-value leases which instead are reported as lease payments and as operating expenses in the income statement.

The Group's lease agreements are mainly attributable to buildings and vehicles. As from the transition to IFRS 16, they are accounted for as right of use assets and long-term and short-term lease liabilities (included in long-term borrowings and short-term borrowing) in the consolidated balance sheet. The lease liabilities on January 1, 2019 have been measured at the present value of the remaining lease payments, discounted by using the incremental borrowing rate. The incremental borrowing rate is dependent on a number of factors such as length of lease period and asset type and it is also specific for each country. Extension clauses are evaluated for each lease agreements and are applied based on our best estimate at each closing.

The effects on the consolidated income statement and the consolidated statements of financial position from the adoption of IFRS 16 are specified in the table below.

Effects on consolidated income statement

EUR thousand	2019
Adjusted EBITDA	**41,431**
Amortisation and write off	(38,367)
Operating profit	**3,064**
Financial items	(4,656)
Income before tax	**(1,592)**

Effects of consolidated statements of financial position

EUR thousand	Dec 31, 2018 – As reported	Adjustment – IFRS 16 – As of Jan 1, 2019	Jan 1, 2019 – Adjusted
Right of use assets	–	131,438	131,438
Total non-current assets	**3,145,181**	**131,438**	**3,276,619**
Prepayments and accrued income	34,553	(2,414)	32,139
Total current assets	**305,313**	**(2,414)**	**302,899**
Total assets	**3,450,494**	**129,024**	**3,579,518**
Total equity	**(2,048,783)**	**-**	**(2,048,783)**
Long-term borrowings	4,573,202	99,710	4,672,912
Total non-current liabilities	**4,957,640**	**99,710**	**5,057,350**
Short-term borrowings	47,913	29,314	77,227
Total current liabilities	**541,637**	**29,314**	**570,951**
Total equity and liabilities	**3,450,494**	**129,024**	**3,579,518**

Bridge between operating leases and lease liability under IFRS 16

EUR thousand	Jan 1, 2019
Assumption for operational leasing as of December 31, 2018	**150,849**
Liability for financing leases as of December 31, 2018	1,078
Short-term leases and low value leases	(8,805)
Adjustments due to other handling of options to extend or terminate agreements	179
Discounting with the Group's marginal borrowing rate (3.35% average)	(14,277)
Lease liability as of January 1, 2019	**129,024**

Note 30 Events After the Reporting Period

In January 2021, we executed a refinancing of approximately EUR 4.5 billion to address the Group's capital structure following the new buyout of the Group in December 2020, led by our majority shareholder Hellman & Friedman. We raised EUR 1,150 million of Senior Secured Notes with maturity in 2027 as well as EUR 1,175 million and SEK 1,500 million in Senior Unsecured Notes with maturity in 2029. In addition, we also raised EUR 2,000 million of Floating rate Term Loan B with maturity in 2028. While the Senior Secured Notes and the Senior Unsecured Notes were settled in January 2021, the Floating rate Term Loan B will be settled in March 2021. As part of the refinancing exercise, we also put in place a new EUR 700 million Revolving Credit Facility, which will replace the existing EUR 300 million Revolving Credit Facility in March 2021.

The proceeds of the Senior Secured Notes and Senior Unsecured Bonds, net of fees and transaction costs, were used in January 2021 to repay in full outstanding Senior Unsecured Notes and approximately EUR 1.1 billion of the existing Term Loan B1E tranche with maturity in 2022. The proceeds of the new Floating rate Term Loan B, net of fees and transaction costs, will be used in March 2021 to repay remaining outstanding amounts of the Term Loan B1E tranche with maturity in 2022 and to finance a distribution to the Group's shareholders. Pro forma for this refinancing exercise, average maturity of our debt portfolio is extended to 6.3 years, and most of our debt now matures in 2026 or beyond.

Parent Company Financial Statement

Parent Company Income Statement

EUR thousand	Note	2020	2019
Administrative expenses		(142)	-
Operating profit		**(142)**	-
Financial income	2	-	10
Financial expenses	2, 4	(14)	(5)
Group contribution	4	-	(10)
Result before tax		**(156)**	**(5)**
Income tax expense and benefit		-	-
Result for the period		**(156)**	**(5)**

Parent Company Statements of Financial Position

EUR thousand	Note	2020	2019
Assets			
Non-current assets			
Long-term investments			
Investments in subsidiaries	3	2,417,323	2,416,079
Total non-current assets		**2,417,323**	**2,416,079**
Current assets			
Cash and cash equivalents		12	12
Total current assets		**12**	**12**
Total assets		**2,417,335**	**2,416,091**

EUR thousand	Note	2020	2019
Equity and liabilities			
Equity	24		
Share capital		7	7
Retained earnings		2,185,424	2,184,336
Total equity		**2,185,431**	**2,184,343**
Non-current liabilities			
Other non-current liabilities	4	231,899	231,748
Total non-current liabilities		**231,899**	**231,748**
Current liabilities			
Accrued cost and prepaid income		5	–
Total current liabilities		**5**	**–**
Total equity and liabilities		**2,417,335**	**2,416,091**

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Parent Company Statements of Changes in Equity

EUR thousand	Share capital	Retained earnings	Total
	Attributable to equity holders of the parent company		
Balance at January 1, 2020	**7**	**2,184,336**	**2,184,343**
Shareholder contribution	-	1,244	**1,244**
Result for the period	-	(156)	**(156)**
Balance at December 31, 2020	**7**	**2,185,424**	**2,185,431**

EUR thousand	Share capital	Retained earnings	Total
	Attributable to equity holders of the parent company		
Balance at January 1, 2019	**7**	**2,184,172**	**2,184,179**
Shareholder contribution	-	169	**169**
Result for the period	-	(5)	**(5)**
Balance at December 31, 2019	**7**	**2,184,336**	**2,184,343**

Parent Company Statement of Cash Flows

EUR thousand	2020	2019
Operating activities		
Operating profit	(142)	(158)
Cash flow from operating activities before change in working capital	**(142)**	**(158)**
Cash flow from change in working capital	-	-
Cash flow from operating activities	**(142)**	**(158)**
Investing activities		
Cash flow from investing activities	-	-
Financing activities		
Loans from Group companies	142	155
Cash flow from financing activities	**142**	**155**
Cash flow for the period	-	**(3)**
Cash and cash equivalents at start of period	12	15
Cash and cash equivalents at end of period	**12**	**12**

Notes to the Parent Company Financial Statements

Note 1 Accounting Policies

The Parent Company Verisure Topholding 2 AB's financial statements are prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 2 Accounting for Legal Entities. RFR 2 states that the Parent Company should apply International Financial Reporting Standards (IFRS) approved by the EU, as long as it is consistent with the Swedish Annual Accounts Act, the Swedish Act on Safeguarding of Pension Commitments and the connection between Swedish tax regulation and accounting. The Parent Company thus follows the same accounting principles as the Group, which are described in the Group's note 1. There are no relevant differences between the Group's and the Parent Company's accounting principles.

2019 is the first year that Verisure Topholding 2 AB applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 2 Accounting for Legal Entities, but there are no relevant differences in previous applied accounting standard BFNAR 2012:1 – Annual report (K3).

Note 2 Financial Income and Expenses

EUR thousand	2020	2019
Other financial income	-	10
Financial income	**-**	**10**
Interest expense	(5)	-
Interest expense to Group companies	(9)	(5)
Financial expenses	**(14)**	**(5)**

Note 3 Investments in Subsidiaries

EUR thousand	2020	2019
Opening acquisition value	2,416,079	2,415,910
Capital increase	1,244	169
Closing accumulated acquisition value	**2,417,323**	**2,416,079**

Subsidiary name	Reg. no	Reg. office	No. of shares	Share of share capital and voting rights	2020	2019
Verisure Midholding AB	556854-1402	Malmö, Sweden	500,000	100%	2,417,323	2,416,079
Total					**2,417,323**	**2,416,079**

Subsidiary name	Reg. no	Reg. office	Share of share capital and voting rights
Verisure Midholding AB (publ)	556854-1402	Malmö, Sweden	100.00%
Verisure Holding AB (publ)	556854-1410	Malmö, Sweden	100.00%
Securitas Direct AB (publ)	556222-9012	Malmö, Sweden	100.00%
Verisure Sales Sverige AB	556955-2978	Linköping, Sweden	100.00%
Verisure Sverige AB	556153-2176	Linköping, Sweden	100.00%
Alert Alarm AB	556674-8975	Solna, Sweden	100.00%
Securitas Direct Sverige AB	556893-9010	Linköping, Sweden	100.00%
Verisure Logistics AB	556702-0747	Linköping, Sweden	100.00%
Verisure Innovation AB	556723-5329	Malmö, Sweden	100.00%
Verisure International AB	559132-9569	Malmö, Sweden	100.00%
ESML SD Iberia Holding S.A.U.	A85537363	Madrid, Spain	100.00%
Securitas Direct España S.A.U	A26106013	Madrid, Spain	100.00%
Verisure Perú S.A.C	12880228	Santiago de Surco, Peru	100.00%
Verisure Italy S.R.L.	12454611000	Rome, Italy	100.00%
Verisure Brazil Monitoramento de Alarmes LTDA	11660106000138	São Paulo, Brazil	100.00%
Securitas Direct Portugal Unip. LDA	505760320	Lisbon, Portugal	100.00%
Verisure Chile SPA	76058647-1	Santiago, Chile	100.00%
Verisure Argentina Monitoreo de Alarmas S.A	24704	Buenos Aires, Argentina	100.00%
Verisure	34500602700188	Antony, France	100.00%
Verisure Sàrl	CHE300209613	Versoix, Switzerland	100.00%
OPSEC International BV	KVK74814990	Amsterdam, The Netherlands	100.00%
Securitas Direct BV	KVK17158925	Amsterdam, The Netherlands	100.00%
Verisure Installation and Monitoring B.V.	KVK71133607	Amsterdam, The Netherlands	100.00%
Securitas Direct NV	KBO0459866904	Brussels, Belgium	100.00%
Securitas Direct Management BVBA	KBO0877035396	Brussels, Belgium	100.00%
Verisure Holding AS	997434366	Oslo, Norway	100.00%
Verisure AS	929120825	Oslo, Norway	100.00%
Falck Alarm by Verisure AS	918111638	Oslo, Norway	100.00%
Verisure A/S	25019202	Glostrup, Denmark	100.00%
Falck Alarm by Verisure A/S	38049380	Glostrup, Denmark	100.00%
Verisure Oy	1773522-2	Helsinki, Finland	100.00%
Verisure Services (UK) Limited	08840095	Brentford, United Kingdom	100.00%
Verisure Ireland DAC	658538	Dublin, Ireland	100.00%
Verisure Deutschland GmbH	HRB85120	Düsseldorf, Germany	100.00%

A UK subsidiary in the Group has elected to make use of the audit exemption, for non-dormant subsidiaries, under section 479A of the UK Companies Act. In order to fulfil the conditions set out in the regulations, the Company has given a statutory guarantee of all outstanding liabilities to which the subsidiary is subject at the end of the financial year December 31, 2020 and 2019. The company which has made use of the audit exemption is Verisure Services (UK) Limited (Company number 08840095, registered office Unit 1, Brentside Executive Park, TW8 9DR Brentford).

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Note 4 Transaction with Related Parties

Related parties are members of companies that Verisure Topholding 2 AB owns directly or indirectly. They also include members of the parent company's Board of Directors, Executive management and close members of their families. Related parties are also entities that are directly or indirectly owned by such individuals, or entities over which such persons can exercise significant influence. All transactions with related parties are at market rates.

Transactions with related parties

EUR thousand	2020	2019
Interest expense	(9)	(5)
Contribution	-	(10)

Balances with related parties

EUR thousand	2020	2019
Liabilities to Group companies, non-current	231,899	231,748

Note 5 Pledged Assets and Contingent Liabilities

Pledged assets

EUR thousand	2020	2019
Shares in subsidiaries	2,417,323	2,416,079

There are no contingent liabilities in 2020 and 2019.

Note 6 Events After the Balance Sheet Date

No relevant events have occurred after the balance sheet date regarding the Parent Company, other than the events reported for the Group in note 30.

Note 7 Proposed Appropriation of Profits and Losses

Non-restricted profits and losses at the disposal of the Annual General Meeting:

EUR	2020	2019
Retained earnings	2,185,579,773	2,184,340,942
Result for the year	(155,897)	(5,081)
Total	**2,185,423,876**	**2,184,335,861**
The Board of Directors proposes that the profits and losses are appropriated so that amount to be carried forward	2,185,423,876	2,184,335,861
Total	**2,185,423,876**	**2,184,335,861**

March 18, 2021, Malmö

Austin Lally

Antonio Anguita

Stefan Götz
Chairman

Patrick Healy

Adrien Motte

Henry Ormond

Luis Gil

Francois Cornelis

Carlos Ortega

Andrew Barron

Our auditor's report was issued on March 22, 2021, Stockholm
PricewaterhouseCoopers AB

Johan Rippe
Authorised Public Accountant

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Auditor's Report

Unofficial translation
To the general meeting of the shareholders of Verisure Topholding 2 AB, corporate identity number 559086-0333.

Report on the annual accounts and consolidated accounts
Opinions
We have audited the annual accounts and consolidated accounts of Verisure Topholding 2 AB for the year 2020.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 54-65. The Board of Directors are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors
The Board of Directors is responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors is also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors is responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

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Report on Other Legal and Regulatory Requirements
Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors of Verisure Topholding 2 AB for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors be discharged from liability for the financial year.

Basis for Opinions
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Responsibilities of the Board of Directors
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

Auditor's Responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Stockholm March 22, 2021

PricewaterhouseCoopers AB

Johan Rippe
Authorised Public Accountant

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Definitions

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

Adjusted EBITDA
Earnings before interests, taxes, depreciation and amortisation, write-offs and separately disclosed items.

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, (ARPU)
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, (CPA)
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 by 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.

Monthly Adjusted EBITDA Per Subscriber, (EPC)
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, excluding accrued interest less the sum of available cash and financial receivables.

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 which will no longer be used in the operations are recognised as a cost in the income statement.

Separately Disclosed Items (SDI)
Separately disclosed items (SDI) are income and costs 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.

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 local 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, most of our competitors offer lower installation and lower recurring fees, generally reflecting the product quality and service levels. Likewise, existing competitors may expand their current product and service offerings more rapidly, adapt to new or emerging technologies more quickly, take advantage of acquisitions or devote greater resources to the marketing and sale of their products and services, than we do. Our competitors may use lower pricing to increase their customer base and win market share. Our higher installation fees, 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 an adverse material effect on our business, financial condition, results of operations and cash flows.

We also face potential competition from improvements in 'Do it Yourself' ("DIY") self-monitoring 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 an adverse material effect on our business, financial condition, results of operations and cash flows.

With respect to competition from potential new entrants, we believe that players operating in the connected home market and telecommunications market, who may have existing access and relationships with subscribers and highly recognised brands, are best situated to move into the security and safety industry. While within the connected home market, security and safety is the largest growing segment, the connected home market itself is growing quickly and covers many different products and services in segments such as utility management, entertainment, wellness management and smart appliances. If competitors in these alternative segments move into the security and safety segment of the connected home market, such action could have an adverse material effect on our business, financial condition and results of operations and cash flows. Additionally, large players in adjacent or overlapping industries, such as Amazon, Google, Apple and Microsoft, have launched smart home platforms. Such players could leverage their well-known brand names and technological superiority to enter or further expand the security and safety segment of the connected home market. For example, Google acquired Dropcam (a manufacturer of security cameras) in June 2014, and merged the company with Nest (a manufacturer of smart thermostats) and subsequently launched a DIY home alarm platform in the U.S. Though Nest's home alarm offering is not yet present in Europe and Google remains focused on addressing the U.S. market (for example, through its strategic alliance with U.S. security services provider ADT), Nest may launch its home alarm offering in the European market and Google may form similar alliances with European security services providers. As another example, Amazon acquired Blink in December 2017 and Ring in February 2018, and subsequently proceeded to launch a Ring Alarm product suite initially in the U.S., followed by launches in the U.K. and most European countries. Such actions could impact our ability to attract new customers through pricing pressure or erode our existing customer portfolio, each of which could have an adverse material effect on our business, financial condition and results of operations and cash flows. Telecommunications players have already shown significant interest in entering the security and safety market in Europe and Comcast has already done so successfully in the United States and Telefonica in Spain and Orange in France have both re-entered the alarm category in the past year. Given the extensive customer base of larger telecommunications players, if they can 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 rapid changes in our industry and provide customers with technological features that meet their expectations.

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

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

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

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

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

The outlook for the world economy remains subject to uncertainty, particularly considering the impact of the COVID-19 pandemic, which may lead to prolonged periods of economic uncertainty in many of our geographies. The International Monetary Fund ("IMF") predicts positive global growth in 2021 (an improvement over the negative global growth experienced in 2020), as the global recovery is expected to strengthen gradually throughout the year. The IMF expects the recovery to be characterised by persistent social distancing until health risks are addressed and the potential need for countries to renew mitigation efforts (including lockdowns) in response to infection rates. Despite the IMF's positive outlook for global recovery in 2021, there is no assurance such recovery will occur and a renewed or future recession could lead to increases in our attrition rate and could reduce the inflow of new customers purchasing our services. Periods of economic downturn, particularly those that affect Europe, can also negatively impact our ability to sell new alarm systems. Furthermore, in our response to the COVID-19 pandemic, we have utilised certain generally-available governmental support measures including in conjunction with the temporary suspension or part time work of a portion of our employees. Any government action relating to funds received by the Group under such governmental support measures, or actions otherwise targeted at profitable corporations (such as the introduction of additional corporate taxes to fund economic recovery), could have an adverse material effect on the financial condition and results of operations of the Group.

Additionally, on March 29, 2017, the Prime Minister of the United Kingdom officially triggered Article 50 of the Treaty of Lisbon, signalling the start of a two year period in which the United Kingdom would negotiate the terms of its exit ("Brexit") from the European Union. The transition period ended on December 31, 2020, before which the United Kingdom and the European Commission reached an agreement on the future trading relationship between the parties (the "UK-EU Trade and Cooperation Agreement" or "TCA"). On December 30, 2020, the UK Parliament approved the European Union (Future Relationship) Bill, thereby ratifying the TCA. The TCA is subject to formal approval by the European Parliament and the Council of the European Union before it comes into effect and has been applied provisionally since January 1, 2021. While it is difficult to predict the effect of Brexit on the European and global economy, uncertainty regarding new or modified arrangements between the United Kingdom and the European Union could result in additional volatility in the markets, increased costs and an adverse material effect on the buying behaviour of commercial and individual customers. The resulting political and economic uncertainty could also lead to further calls for other governments of other European Union Member States to consider withdrawal from the European Union or the abandonment of the euro as a currency. Such developments, or the perception that any such developments could occur, could have an adverse material 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 could have a negative impact on the Group's revenues and increase the Group's financing costs, circumstances that could have an adverse material effect on the business, financial condition and results of operations of the Group.

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

The Group contracts with customers on standard terms within each country. In some countries, our customer contracts have minimum periods of duration—typically ranging from 12 to 36 months—during which cancellation fees or payments may be payable if the contract is terminated by the customer. Following the expiration of any initial minimum period, a customer may cancel a subscription on giving the requisite period of notice (typically one to three months) without payment of a cancellation fee. For residential customers, the main reasons for cancelling a subscription include factors such as moving to a new home, financial distress, or dissatisfaction with our service or prices. For small businesses, attrition is usually related to financial distress, the failure, closure or relocation of the business or dissatisfaction with our service or prices. Our overall attrition rates were 6.3%, 6.2% and 6.2% in the years ended December 31, 2017, 2018 and 2019, respectively, and 6.5% for the year ended December 31, 2020. As we continue to expand, including into new countries, our new customers may have different economic and other characteristics to our current customers, which may lead to increased attrition rates. While it is difficult to assess the impact that public health initiatives and the economic uncertainty as a result of COVID-19 may have on our attrition rates, our subscription-based portfolio services segment has proven resilient and our attrition rates have not been materially impacted to date.

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

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

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

A significant portion of our operations occur in Iberia (Spain and Portugal). The Iberian segment accounted for 41% of our revenue for the year ended December 31, 2020. In light of this concentration, our business is particularly sensitive to developments that materially impact the Iberian economy or otherwise affect our operations in Iberia. Negative developments in, or the general weakness of, the Iberian economy may have a direct negative impact on the spending patterns of potential new customers, our current customers and the willingness of small businesses to make investments. We have a higher percentage of small business customers in Iberia than in our other geographies and such small business customers tend to be more sensitive to economic conditions. A recession, or public perception that economic conditions are deteriorating, could substantially decrease the demand for our products and adversely affect our business. The impact of public health measures instituted or to be instituted in Iberia as a result of COVID-19, such as lockdowns or states of alarm, could have a significant macroeconomic effect on the economic health of the region. While the impact of an economic slowdown or recession on our business in Iberia is uncertain, it could result in a decline in our revenues which could have an adverse material effect on our business, financial condition and results of operations and cash flows.

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

We may not be able to compete effectively with companies that integrate or bundle security offerings similar to ours with the other general services they provide. For example, home insurance companies (many of which offer reduced premiums for homes with security alarms), telecommunications companies or utility companies (all of which may already have a relationship with our potential customers) may decide to expand into security and safety services and bundle their existing offerings with such services. For example, Google acquired Dropcam (a manufacturer of security cameras) in June 2014, and merged the company with Nest (a manufacturer of smart thermostats) and subsequently launched a DIY home alarm platform in the U.S. Though Nest's home alarm offering is not yet present in Europe and Google remains focused on addressing the U.S. market (for example, through its strategic alliance with U.S. security services provider ADT), Nest may launch its home alarm offering in the European market and Google may form similar alliances with European security services providers. As another example, Amazon acquired Blink in December 2017 and Ring in February 2018, and subsequently proceeded to launch a Ring Alarm product suite initially in the U.S., followed by launches in the U.K. and most European countries. The existing access to and relationship with customers that these companies have could give them a substantial advantage over us, especially if they are able to offer customers a lower price by bundling these services. These potential competitors may subject us to increased pricing pressure, slower growth in our customer base, higher costs and increased attrition rate among our customers. If we are unable to sufficiently respond to these competitors or otherwise meet these competitive challenges, we may lose customers or experience a decrease in demand for our products and services, which could have an adverse material effect on our business, financial condition and results of operations and cash flows.

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

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

As part of our operations, we or our partners, collect and retain a large amount of private information from our customers, including name, address, bank details, credit card information, images, voice recordings and other personal data. If we were to experience a breach of our data security, we might find ourselves in a position where personal data about our customers was at risk of exposure. To the extent that any such exposure leads to credit card fraud or identity theft, or the misuse or distribution of other personal data, including images taken by our photo detectors and cameras, we may experience a general decline in consumer confidence in our business, which may lead to an increase in our attrition rate or make it more difficult to attract new customers. In addition, if technology upgrades or other expenditures are required to prevent security breaches of our network, boost general consumer confidence in our business, or prevent credit card fraud and identity theft, we may be required to make unplanned capital expenditures or expend other resources. Furthermore, as we expand the automation of our services and offer increasingly centralised 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 an adverse material effect on our business, financial condition and results of operations and cash flows.

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

Notwithstanding our efforts to protect personal data, we are exposed to the risk that data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection regulation, by us or on our behalf. Furthermore, in the aftermath of temporary personnel initiatives implemented as a result of the COVID-19 pandemic, such as a reliance on remote working and an increased amount of employee health data being processed, our exposure to this risk is temporarily heightened.

Additionally, if we fail to comply with any regulations or legislation applicable to our collection and processing of personal data, we may be exposed to judicial proceedings or fines, any of which could have an adverse material effect on our business, reputation, financial condition and results of operations.

Potential disputes or other events relating to the brand name SECURITAS may negatively impact our operating results in countries where we use the Securitas Direct brand.

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

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

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

We regard our brand names as critical to our success. Failure to protect our brand names or to prevent unauthorised 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 an adverse material effect on our business, financial condition and results of operations and cash flows.

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

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

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

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

In late 2014, we began a group wide operational improvement plan, FOG (Funding Our Growth), with the aim of optimising our cost structure and improving productivity, which is still ongoing and has become embedded in our culture. The program seeks to leverage our scale and share best practices across our global footprint in order to reduce costs and improve our margins. We have, since the program's implementation, monitored the obtained savings through the implementation of a diligent bottom up process with quarterly reporting to country and Group management teams. In recent months, we have introduced a new detailed bottom-up cost savings plan comprised of approximately 80 global initiatives and over 600 initiatives at the local level, which we believe will enable us to achieve targeted gross aggregate cost savings of over €200 million between January 1, 2020 and December 31, 2025.

We expect our incremental EBITDA savings will be at least EUR 35 million from January 1 to December 31, 2021. There can be no guarantee that such benefits will be realised or that additional costs will not be incurred. The continued success of the program is contingent on many factors, including the implementation of initiatives in daily operations, follow ups by management, effective leverage of successful strategies across jurisdictions, assumptions regarding local and macroeconomic conditions, engagement with third parties (including contract counterparties), timely launch of various request for proposals, foreign exchange rates, successful training with respect to customer care efficiency initiatives and effective rollout of automation of various systems, some of which may not materialise 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 labour costs in the jurisdictions in which we operate, especially in Spain, and adverse developments in our relationships with our employees, may adversely affect our business and profitability.

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

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

A disruption to one or more of our 20 monitoring centre locations could constrain our ability to provide alarm monitoring services and serve our customers, which could have an adverse material effect on our business. Our alarm systems are linked to our monitoring centres 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 centres as well as larger scale power failures or other catastrophes with respect to our monitoring centres. 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 both our operations and customer services operations. For example, if any of our monitoring centres were to be affected by earthquake, flood, fire or other natural disaster, act of terrorism, cyber-attack, power loss or other catastrophe, our operations and customer relations could be, in turn, materially and adversely affected. We attempt to mitigate this risk by maintaining auxiliary facilities that can support full monitoring capabilities. For example, as part of our initial contingency plan for the COVID-19 pandemic, most of our employees, including our monitoring staff, transitioned to a remote work environment while maintaining consistent service and response levels. Nevertheless, such facilities may not remain operational or we may not be able to transfer our monitoring function in a timely manner. In addition, an auxiliary facility typically does not have all the same capabilities and functionalities as the main centre, such as invoicing. Any significant disruption to our operations could have an adverse material effect on our business, financial condition and results of operations and cash flows.

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

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

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

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

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

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

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

Our business depends on our reputation and our ability to maintain good relationships with our customers, suppliers, employees and local regulators. Our reputation may be harmed either through product defects, such as the failure of one or more of our alarm systems, or shortfalls in our customer service, such as a failure to provide reliable product maintenance. Any harm done to our reputation or business relationships as a result of our actions or the actions of third parties could have a significant negative effect on us. Our relationships with our customers are of particular importance. Customers generally judge our performance through their interactions with the staff at our monitoring centres, 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 an adverse material effect on our business, financial condition and results of operations and cash flows.

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

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

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

Our operations and employees are subject to various laws and regulations. We are subject to EU and local laws, rules and regulations in the geographic regions in which we operate. These regulations govern our operations, from the sales and installation process through to the monitoring and alarm verification process. Relevant regulation for our operations 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 centres, and provide specified levels of training to our employees at those centres. We are also governed by regulations relating to when we can forward alarms to emergency providers and may in certain countries be subject to consequences if we forward false alarms to such emergency providers. Any failure to comply with the laws, rules or regulations (local or otherwise) in jurisdictions in which we operate may result in fines, penalties or a suspension or termination of our right to sell, install and/or monitor alarm systems in the relevant jurisdiction.

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

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

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

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

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

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

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

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

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

Many of our customer agreements provide for warranties with longer coverage periods than the warranties offered to us from suppliers of our component parts. Therefore, we may be liable for defects in our suppliers' component parts that manifest after the term of the manufacturer's warranty expires. Further, our suppliers' warranties also have limitations on the extent of their liability for repairs or replacements. Additionally, we may encounter situations where we believe a product is defective, but the manufacturer may not honour 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 an adverse material effect on our business, financial condition and results of operations and cash flows.

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

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

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

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

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

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

Our growth plan includes expansion into new or recently entered regions in Europe and Latin America. Expanding into these geographies involves significant expenditures, over a period of several years, on development of monitoring and backup centres, 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 local markets areas, which may decrease our margins and profitability;
- challenges relating to developing and maintaining appropriate, and risk of non-compliance with, risk management and internal control structures for operations in new geographies and understanding and complying with new regulatory schemes;
- reduced ability to predict our performance because we will have less experience in the new geographies than in our existing geographies;
- trade barriers such as export requirements, which could cause us to experience inventory shortages or an inability to offer our full set of products;
- tariffs, taxes and other restrictions and expenses, which could increase the prices of our products and make us less competitive in some countries;
- currency effects, such as future currency devaluations; and
- political, regulatory and other local risks.

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

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

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

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

We present our consolidated financial statements in euro. As a result, we must translate the assets, liabilities, revenue and expenses of all of our operations with a functional currency other than the euro into euro at then applicable exchange rates. Consequently, increases or decreases in the value of certain other currencies (the Swedish krona (SEK) and Norwegian krone (NOK) in particular) against the euro may affect the value of these items with respect to our non-euro businesses in our consolidated financial statements, even if their value has not changed in their original currency. Our primary exposure is to the SEK and NOK. For the year ended December 31, 2020, 69% of our revenue was denominated in euro, 19% was denominated in SEK and NOK and 11% of revenue was denominated in other currencies. Historically, the euro/SEK exchange rate fluctuated significantly, as it averaged SEK 9.3248 = EUR 1.0 in 2015, SEK 9.4648 = EUR 1.0 in 2016, SEK 9.6464 = EUR 1.0 in 2017, SEK 10.2937 = EUR 1.0 in 2018, SEK 10.5824 = EUR 1.0 in 2019, and SEK 10.4815 = EUR 1.0 for the twelve months ended December 31, 2020. In the period subsequent to December 31, 2019, exchange rate volatility has increased, and there can be no guarantee that past exchange rates between SEK, NOK and EUR are representative of future exchange rates.

Foreign exchange rate fluctuations can significantly affect the comparability of our results between financial periods and result in significant changes to the carrying value of our assets, liabilities and stockholders' equity. In addition, certain of our supply contracts in non-euro denominated countries contain clauses that reset the prices at which we buy our goods based on fluctuations in exchange rates, which can increase our costs if rates move in a manner that is unfavourable 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 unfavourable movement in currency exchange rates, including as a result of the devaluation of a currency in a particular country we operate in, could have an adverse material effect on our business, financial condition and results of operations and cash flows.

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

We have a significant amount of goodwill. We evaluate goodwill for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is evaluated for impairment by computing the fair value of a cash generating unit and comparing it with its carrying value. If the carrying value of the cash generating unit exceeds its fair value, a goodwill impairment is recorded. Significant judgement 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 an adverse material 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 judgement or a settlement agreement, we could be obligated to make substantial payments, which could have an adverse material effect on our business, financial condition and results of operations and cash flows. In addition, the costs related to litigation and arbitration proceedings may be significant. Furthermore, in the aftermath of both public health measures implemented or to be implemented in the jurisdictions in which we operate as well as our temporary personnel initiatives due to the impact of the COVID-19 pandemic, we could be subject to an increase in litigation, in particular in relation to our vendors and our employees. Any increase in litigation, even in the case of a positive outcome in such proceedings, may still result in increased costs to us as we will have to bear part or all of our advisory and other costs to the extent they are not reimbursed by the opponent. All of which could have an adverse material effect on our business, financial condition and results of operations and cash flows.

We are dependent on our experienced senior management team, which 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 labour costs in order to attract and retain qualified managers and personnel from time to time. Also, our business model is specific and differentiated. So, we need to ensure new personnel have the time and training to become fully effective. We also are dependent on continuing to retain the very experienced managers across the Company who are experts in our specific and differentiated business model. We have had new personnel join our management every year from 2014 through to 2020, 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 organisational and reporting structures, the need to recruit additional new personnel or the departure of existing personnel. For example, in 2014, we increased the size and responsibility of our management team and we hired a new Chief Executive Officer and Chief Human Resources Officer. In 2015, we hired a Chief Marketing Officer and Chief Legal Officer. We continued to add new talent to our senior leadership in 2016 with the hiring of a new Chief Financial Officer and Chief Information Officer. In 2017, we hired a Chief Product and Services Officer to lead our Research & Development organisation, and in 2018 we replaced our Chief Marketing Officer and our Chief Legal Officer 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 an adverse material effect on our business, financial condition and results of operations and cash flows.

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

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

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

Should the euro dissolve entirely, the legal and contractual consequences for holders of euro denominated obligations and for parties subject to other contractual provisions referencing the euro such as supply contracts would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect our trading environment and the value of the Notes, and could have adverse consequences for us with respect to our outstanding euro denominated debt obligations, which could adversely affect our financial condition.

Furthermore, the New Senior Facilities Agreement, the 2020 Senior Facilities Agreement, the Existing Senior Secured Notes Indentures and the Indentures contain or will contain covenants restricting our and our subsidiaries' corporate activities. 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.

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