



ANNUAL REPORT

Verisure Midholding AB

PROUD TO PROTECT

2021

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We are the leading provider of professionally monitored alarms in Europe and growing in Latin America

MORE THAN

4.2

MILLION CUSTOMERS

€1,477

MILLION PORTFOLIO SERVICES
ADJUSTED EBITDA

TOTAL REVENUE

€2,509
MILLION

ONE NEW
CUSTOMER
EVERY

10
SECONDS

MORE THAN

22,000
DEDICATED
COLLEAGUES

OPERATING IN

16

COUNTRIES IN EUROPE
AND LATIN AMERICA

A year of acceleration

2021, year 2 of COVID. But also a year that felt quite different and more nuanced compared to 2020. Economies remained much more open. Vaccines became used widely, giving society more hope for the future. For Verisure, 2021 proved a year of acceleration. And record financial performance.

2021 was another challenging year for individuals, families, and communities. Countries went through additional waves of COVID infections, restrictions and continued loss of human lives. In Verisure too. This year again, we sadly mourn lost teammates.

Yet, 2021 was also a year of much greater hope. While it was turbulent from a health perspective, it was a more nuanced picture. There has been an amazing progress on vaccines, boosters and new treatments. Lessons learnt in 2020 on how to keep our employees and customers safe, how to work remotely whenever prudent, and how to continue providing our services, served us well this year too. We were able to maintain our business, continuing to offer and install our security solutions for customers who were looking for peace of mind. We were also able to provide our critical monitoring and maintenance services to all our customers, as we promise to do, every day.

As a result, even against the backdrop of a continued pandemic, I am pleased to report that we were able to deliver another record year.

Our portfolio once again proved its resilience, and our attrition improved to 6.4%. This was our 7th year in a row with attrition below 7%, and remains we believe best-in-class in the industry. We will continue working hard to maintain the trust and loyalty of our customer base. Latent demand also remained strong throughout the year for our security proposition. During 2021, we added close to 770,000 new customers,

an increase of 19% over 2020 which held our previous sales record. We passed the 4 million customer mark during the year and closed with a total customer portfolio slightly shy of 4.3 million.

We continue to be the leading provider of professionally monitored alarms for residential and small business customers in Europe, and the leader in each of our top ten geographies. We are also the leading provider of connected video

surveillance systems to these same segments, through our Arlo Europe camera business. We offer full-security, professionally monitored alarms, but also simpler camera-based systems to customers who prefer this. And we increasingly sell in multiple channels, wherever customers shop. We keep driving penetration so that more families can be protected in their homes and places of business. We keep striving for innovation, on products and services. In



“In spite of a continuing pandemic, 2021 was a year of acceleration and record financial performance.”

2021 we continued rolling out our new alarm proposition, integrating a fast-increasing number of Arlo catalogue cameras but also new custom-made motion detectors. The power of our innovation program is evident in our business results, and also in the external recognition we received. Amongst others, our new alarm suite and cameras won no fewer than six Red Dot awards for their design last year.

During 2021, we grew our total revenue by 17% compared to 2020 reaching EUR 2,509 million. This was yet another year of margin expansion, and our portfolio services adjusted EBITDA reached a new high of EUR 1,477 million, an increase of 17.7% over the previous year and 37.4% over pre-COVID 2019. This would have been a strong achievement in any year. I regard it as remarkable in the difficult current external environment.

Everything achieved in this year was, once again, thanks to our Verisure people. They are high-performing, engaged, accountable, focused and innovative. And have proven their resilience and commitment repeatedly throughout these past two years. As an organisation, we were honoured and remain humbled to have received several recognitions, once again voted 'Top Employer' and/or 'Great Place to Work' in Spain, Belgium, France and Brazil amongst others. Being recognised as an attractive place to work makes us proud, and is particularly important when labour markets tighten.

Last year we also joined the United Nations Global Compact (UNGC), the world's largest voluntary corporate sustainability initiative. This is a significant milestone in our sustainability journey as we continue to build on the work already done across our countries and functions, and as we continue to

shape a sustainable future. We are people who protect people. This is our purpose. It's what defines us as an organisation.

As I look to 2022 and beyond, I am as confident as ever in our prospects. These last years have shown us that providing peace of mind is a very serious mission, and our delivery of that mission was valued in these serious times. According to health experts, this year may see the pandemic turn endemic, returning our lives to some normality. Verisure provides an important service, a service valued by our customers. Latent demand for security and peace of mind remains strong throughout our geographies. And we continue innovating and enriching our proposition. I am optimistic about our future as a company.

Regards,
Austin Lally, Group CEO
Geneva, March 2022



“Everything achieved in this year was, once again, thanks to our Verisure people. They are high-performing, engaged, accountable, focused and innovative.”



Our Vision

We believe it is a human right to feel safe and secure. We bring peace of mind to families and small business owners, anytime and anywhere.



Committed to Our Mission

We take full responsibility to protect what matters most, offering safety and security for all.

People Protecting People

We are the leading provider of professionally monitored alarms, and the leading provider of camera video surveillance systems for residential households and small businesses in Europe.

Peace of mind for families and small businesses

We believe it is a human right to feel safe and secure. We now protect close to 4.3 million families and small businesses. Our service includes 24/7 monitoring, expert verification and response, customer care, maintenance, and professional technical support. As well as protecting against intrusion, we protect against fire, attack, theft, life-threatening emergencies and other hazards. Verisure people are dedicated and committed, and provide what we believe is the best customer service in the industry.

More than 30 years of experience

We have been protecting what matters most since 1988. Over that time, we have expanded beyond our roots in the Nordics. We now serve most of Europe and have also established a strong presence in Latin America. In November 2019, we formed a strategic partnership with Arlo Inc., a world leader in connected cameras, and acquired Arlo Inc.'s European operations. Over the past two years this has allowed us to offer camera video surveillance services as a standalone service as well as a complement to our professionally monitored home security proposition. It also allows us to access new go-to-market opportunities in retail and e-commerce, channels we are now piloting for our core alarm services.

Leading across a broad footprint

We are the leading provider of residential and small business monitored alarms in Europe, and the 2nd-largest worldwide. We operate in 16 countries across Europe and Latin America. We are also, through Arlo Europe, the leading provider of camera video surveillance systems in Europe. Our business is driven by organic growth, based on our differentiated business model. We attract high quality



customers. We work hard to ensure that our customers are happy. This contributes to an industry leading level of attrition and a long customer lifetime.

A technology-enabled human services company

Our more than 22,000 teammates are the foundation of our company. Our business model combines technology and human expertise to protect people. We are a

human services company. More than 80% of our colleagues interact with customers every day. This connection provides the insight that inspires our innovation. These insights are an advantage. We leverage these insights with the significant investment we make into product and service innovation. The close customer contact also fuels pride which drives engagement.



Proud to Protect Across 16 Countries

We protect more than 4.2 million families
and small businesses in 16 countries
across Europe and Latin America.



Peace of Mind

We are a service company that promises to protect our customers. Innovative technology enables our superior service.

Strategy = Clarity and Focus

Our Verisure group strategy fits on a single piece of paper. We call it our “SOAP” (for Strategy On A Page). We believe in the importance of making clear choices. The SOAP contains our Vision and Objectives for the Company, Where To Play and Where Not To Play, and How To Win. Here we discuss four important themes.

Increase penetration for security services.

Our strategy is a customer-centred growth strategy. We have a demonstrated track record. We have grown strongly in the past and yet we still see major opportunities ahead. This remains a very under-penetrated service. There are still significant growth opportunities in all countries in Europe and Latin America. To further grow our subscriber base, we will continue to refine and execute our differentiated business model: innovation, category-

creating marketing, go-to-market excellence, customer centred service, superior verification and response. The strategic partnership with Arlo Inc. and the acquisition of the Arlo Europe operations has also allowed us to enter the connected camera segment. This creates further opportunities to accelerate penetration growth. Further opportunities to bring Peace of Mind to families and small business owners throughout our geographies.

Provide the best security products and services available and do our utmost to protect our customers.

We have a strong, long-term track record of innovation. Our in-house development teams cooperate closely with our technology partners in Israel, Silicon Valley and France to design and deliver award-winning security products and services. This is driven by insights gained because we are

vertically integrated across key stages of our value chain. We focus our technology investment choices on where we can deliver clear differentiation to customers. And we intend to continue investing to support our premium positioning and extend our leadership position.

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

We have a responsibility to do everything we can to keep our customers secure. This also creates a strong business. A world-class customer experience drives loyalty. And feedback from happy customers leads to referrals. We want to have the happiest and most loyal portfolio of customers in the industry. To achieve

this, we analyse how we perform at important “moments of truth” during sales, installation, service, monitoring and response. We continue every day to try to improve our operating processes and our performance. We know that tomorrow we can always do things better than today.

Create value for shareholders, customers and colleagues with excellence in innovation, service and operations.

Our investment in innovation to create differentiated security propositions allows us to offer premium solutions to customers which are seen as great value. And we aim to provide a service which delights customers, exceeds their expectations and leads the industry. This also builds pride in our people. We innovate on process

improvements and leverage our scale to enhance operational efficiency without compromising the customer experience. This approach creates value for our shareholders, our customers and our colleagues.

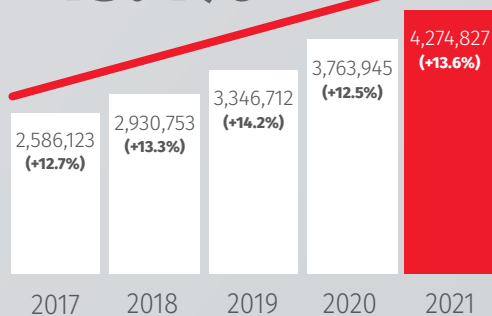


Continuous Strong Portfolio Growth

NUMBER OF SUBSCRIBERS

UNITS

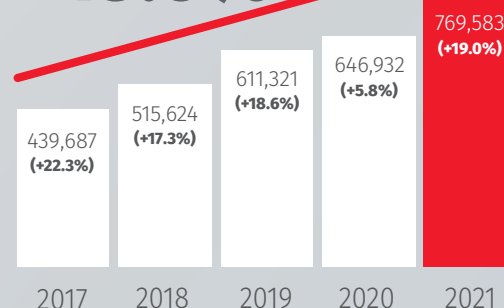
CAGR

+13.4%


NEW SUBSCRIBERS ADDED

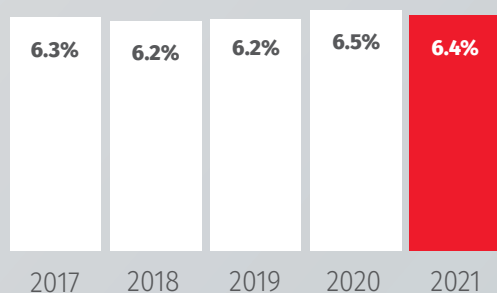
UNITS

CAGR

+15.0%


ATTRITION RATE (LTM)

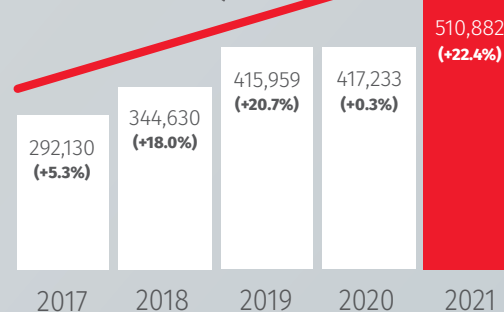
%



NET SUBSCRIBER GROWTH

UNITS

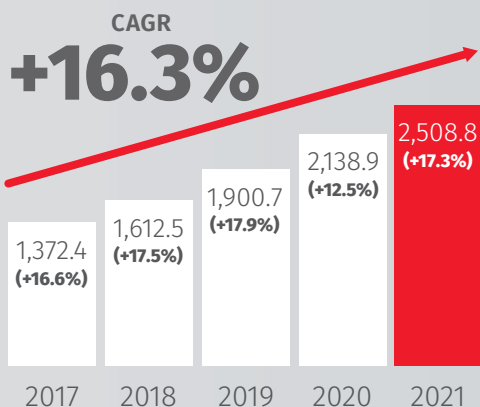
CAGR

+15.0%


Strong Growth in Sales, Profitability and Unit Economics

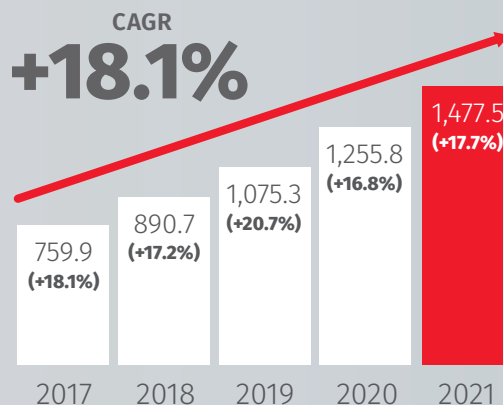
REVENUE

EUR MILLION



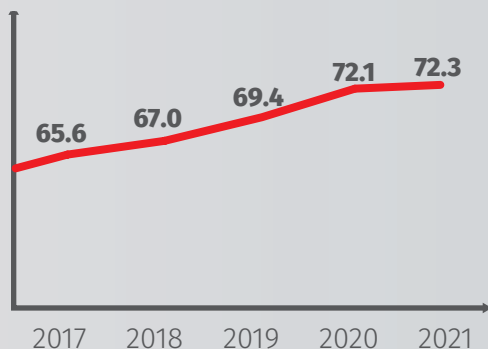
PORTFOLIO SERVICE ADJUSTED

EBITDA, EUR MILLION



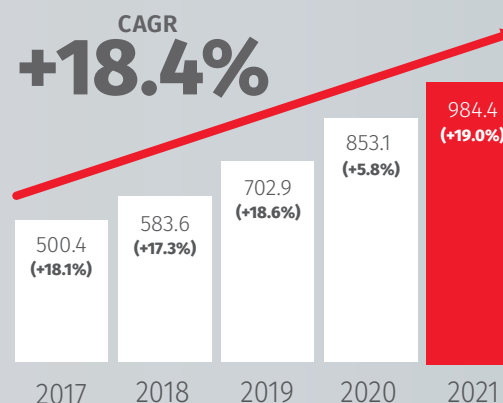
PORTFOLIO SERVICE ADJUSTED EBITDA MARGIN

%



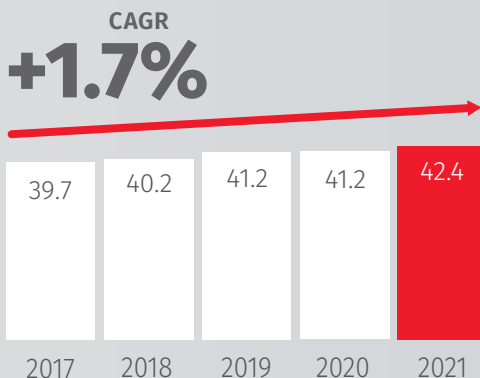
ADJUSTED EBITDA INCL. SDI

EUR MILLION



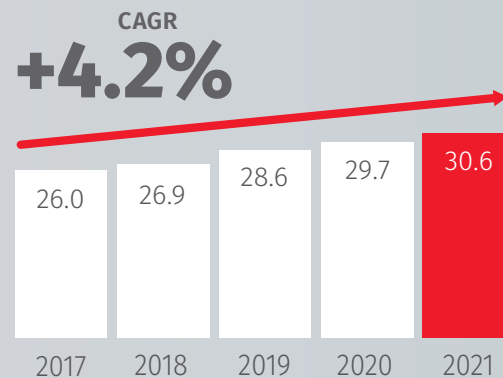
ARPU

EUR



EPC

EUR



Another Strong Year of Acceleration

2021 was another strong year of acceleration for the Verisure Group. A year of record financial performance. We continued to deliver double-digit growth in the portfolio and increased profitability, ahead of our ambitious plan. Given the unprecedented external environment, we are very pleased with this continued strong performance.

During 2021 we passed the milestone of 4 million customers, and we now provide peace of mind to nearly 4.3 million customers (4,274,827) across 16 countries in Europe and Latin America. We added 769,583 new customers to our customer portfolio, which represents a 19.0% increase versus 2020. This is a strong acceleration in our new customer addition pace points versus 2020, and represents an acceleration as well versus 2019, when we increased our new customer additions by 18.6%. All the growth was organic.



Total revenues increased to EUR 2,508.9 million. This is up 17.3% versus 2020. In constant currencies revenues grew by 16.6%. The revenue growth was driven by the larger portfolio and higher average revenue per customer.

Portfolio services adjusted EBITDA, our key profit and cash flow measure, increased 17.7% versus 2020, reaching EUR 1,477.5 million in 2021. Adjusted for currency effects, the increase was 16.8%. Annualized portfolio services adjusted EBITDA is now over EUR 1.5 billion. Portfolio services adjusted EBITDA margin strengthened further to 72.3% for the year, an increase of 15 basis points versus 2020 and an all-time high. This margin expansion is a strong performance, even more so considering prior years margin expansion. The portfolio services adjusted EBITDA margin has improved by 530 basis points in the last three years.



Total reported adjusted EBITDA increased to EUR 984.4 million in 2021. This represents an improvement of 15.4% versus 2020. Adjusted for currency effects, total adjusted EBITDA grew 14.4%.

Our customer loyalty has remained high. We put our customers at the heart of everything we do. Our industry-leading attrition closed the year at 6.4%, compared to 6.5% in 2020.



In June 2021 Verisure joined the United Nations Global Compact, the world's largest corporate voluntary sustainability initiative. This is a significant milestone in our sustainability journey as we continue to shape a sustainable future.

In parallel with continued strong operational and financial performance, the Group continued to invest in developing award-winning technology and in enhancing the customer experience.

In January 2021 the Group successfully accessed the debt capital markets to address its capital structure, increasing the average debt maturity and securing an attractive cost of debt in historical terms for the upcoming years. Most of our debt now matures in 2026 or beyond.

We believe our business is well positioned in attractive markets for continued strong growth.



EUR million (if not otherwise stated)	2021	2020	Change
Total subscribers (year-end), units	4,274,827	3,763,945	13.6%
Net subscriber growth, units	510,882	417,233	22.4%
Revenue	2,508.8	2,138.9	17.3%
Portfolio services adjusted EBITDA excl. SDIs	1,477.5	1,255.8	17.7%
Portfolio services adjusted EBITDA margin	72.3%	72.1%	-
Adjusted EBITDA incl. SDIs	984.4	853.1	15.4%
Cash flow from operating activities	816.9	941.7	(13.3%)
Capital expenditures	762.4	635.0	20.1%
Average monthly revenue per user (ARPU), EUR	42.4	41.2	2.9%
Monthly adjusted EBITDA per subscriber (EPC), EUR	30.6	29.7	3.0%



Protecting Families and Small Business

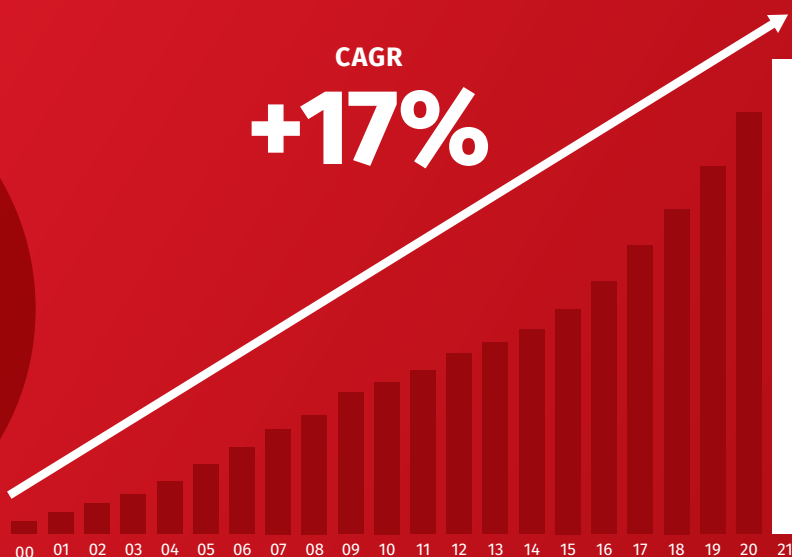
CUSTOMER BREAKDOWN BY CONSUMER TYPE

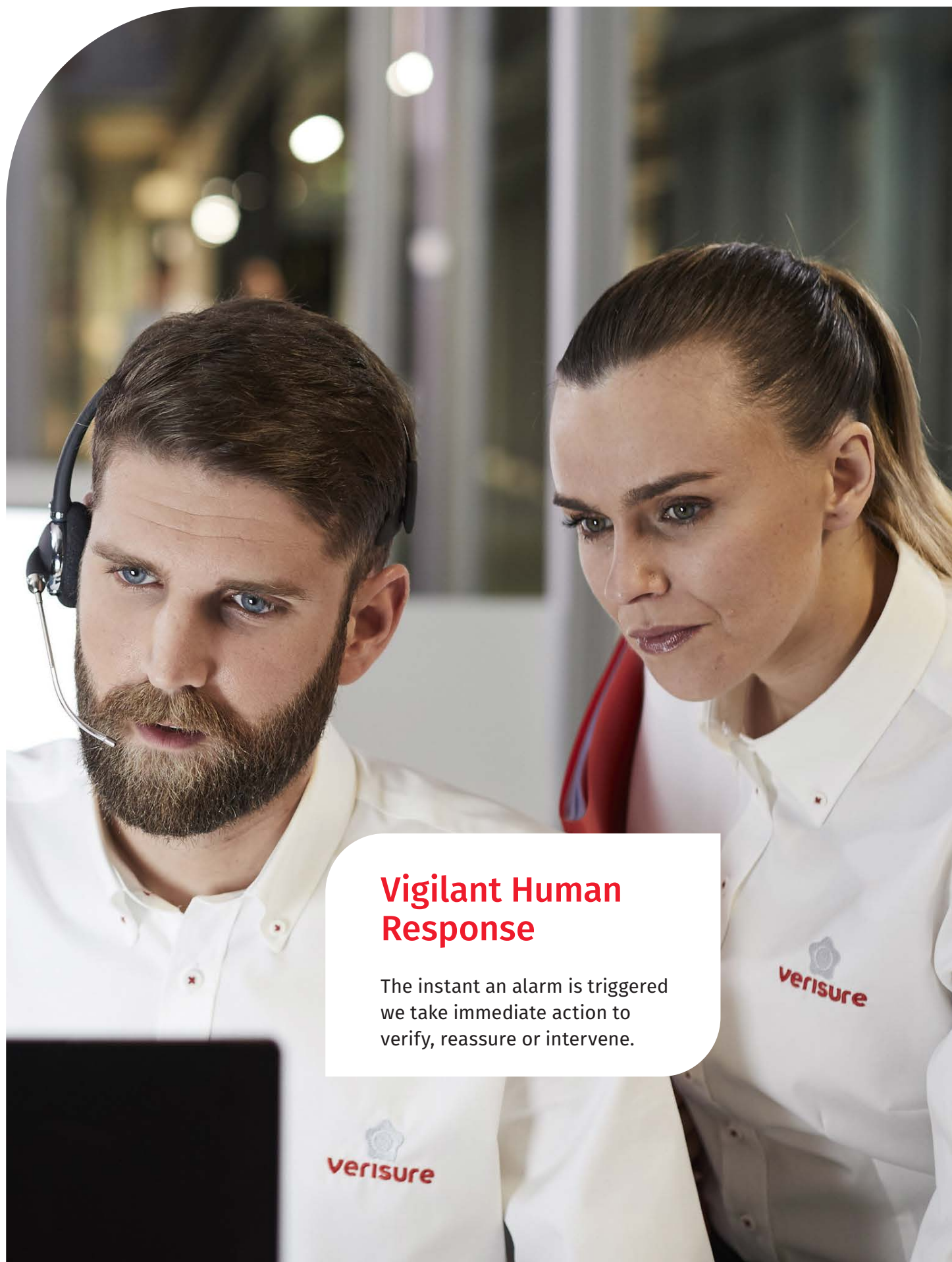
END OF YEAR 2021



STRONG CUSTOMER PORTFOLIO GROWTH

END OF YEAR 2000-2021





Vigilant Human Response

The instant an alarm is triggered we take immediate action to verify, reassure or intervene.

A Business Model For Sustainable Profitable Growth

We operate subscription-based security service businesses, designing, installing and monitoring alarm and video surveillance systems to bring peace of mind to our customers.

Our business model combines growing, predictable cash flows, based on strong customer loyalty, with high quality subscriber growth. We are able to reinvest the cash flows from our subscriber portfolio into innovation on technology and superior propositions, category-creating marketing and brand recognition, and go-to-market excellence that in turn allow us attract and retain high quality new customers.

Portfolio services

The portfolio services segment provides a full security service to our customers for a monthly subscription fee. Our service includes 24/7 monitoring, expert verification and response, customer care, maintenance, and professional technical support to existing customers. We operate personally all our monitoring centres. We have a diverse and high-quality subscriber base with low attrition which contributes to growing, predictable cash flows.

A majority of the costs in the portfolio services segment are either variable or partially variable in nature. We do have

some fixed costs such as longer-term facility rentals. We gain operating leverage as we grow from our fixed costs and the partially variable costs mentioned earlier. As a result, we have historically been able to increase our portfolio operating margin and cash flows as we add new customers to our existing operations.

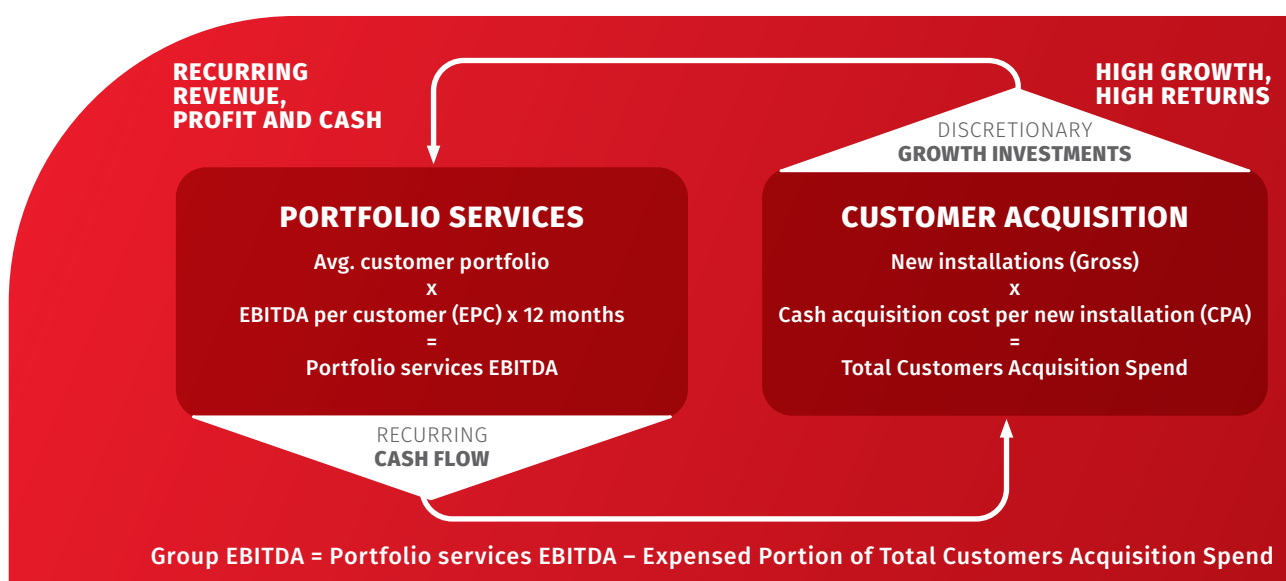
The recurring monthly fees in portfolio services represent approximately 78% of Group revenue. As of December 31, 2021, we had close to 4.3 million connected subscribers. In 2021, this segment generated EUR 2,044 million of revenue and EUR 1,477 million of adjusted EBITDA. This was an increase of 17.4% and 17.7% compared to 2020. The portfolio services adjusted EBITDA operating margin improved to 72.3%. This was up 0.2% margin points compared to the 72.1% in 2020.

Customer acquisition

We deliberately chose to invest a significant part of the cash generated from our growing subscriber base to continue the growth cycle. We invest to acquire new high-quality customers. We pay careful attention to the long-term value and return on investment from these new customers. Given our investments in new customer acquisition are largely discretionary, as we demonstrated in 2020 during the first wave of the pandemic, we do have the ability to be flexible on the pace of growth and customer acquisition. We have the levers to manage both growth targets and cash flow objectives.

Adjacencies

Additionally, we classify certain non-core businesses under our adjacencies segment. This segment mainly represents the sale of remote monitoring and assistance devices and services for senior citizens, as well as the sale of Arlo cameras and video surveillance services in retail and online channels across Europe.





Smart Thinking for Small Business Owners

The Verisure business alarm offers solutions to protect working environments and assets.



Arlo Cameras

A watched-over space is a safer space. Our security proposition now includes a full range of high-tech cameras.

Arlo Cameras

In November 2019, we formed a strategic partnership with Arlo Technologies, Inc. (Arlo Inc), a world leading camera and video surveillance innovator. We acquired all rights to Arlo Inc's European business (Arlo Europe), secured continued access to the entire catalogue of products and video analytics services, and initiated a fruitful collaboration with Arlo Inc.'s Silicon Valley R&D labs on custom-made cameras for our professionally monitored security proposition.

Arlo catalogue cameras

Two years in, results are encouraging. Total revenue for Arlo Europe cameras and services through retail and online channels grew nearly 50% in 2021. Sales of Arlo catalogue cameras through Verisure's direct-to-home sales force, as a complement to an alarm proposition, grew exponentially during the year and have now come to match the retail and online channels.

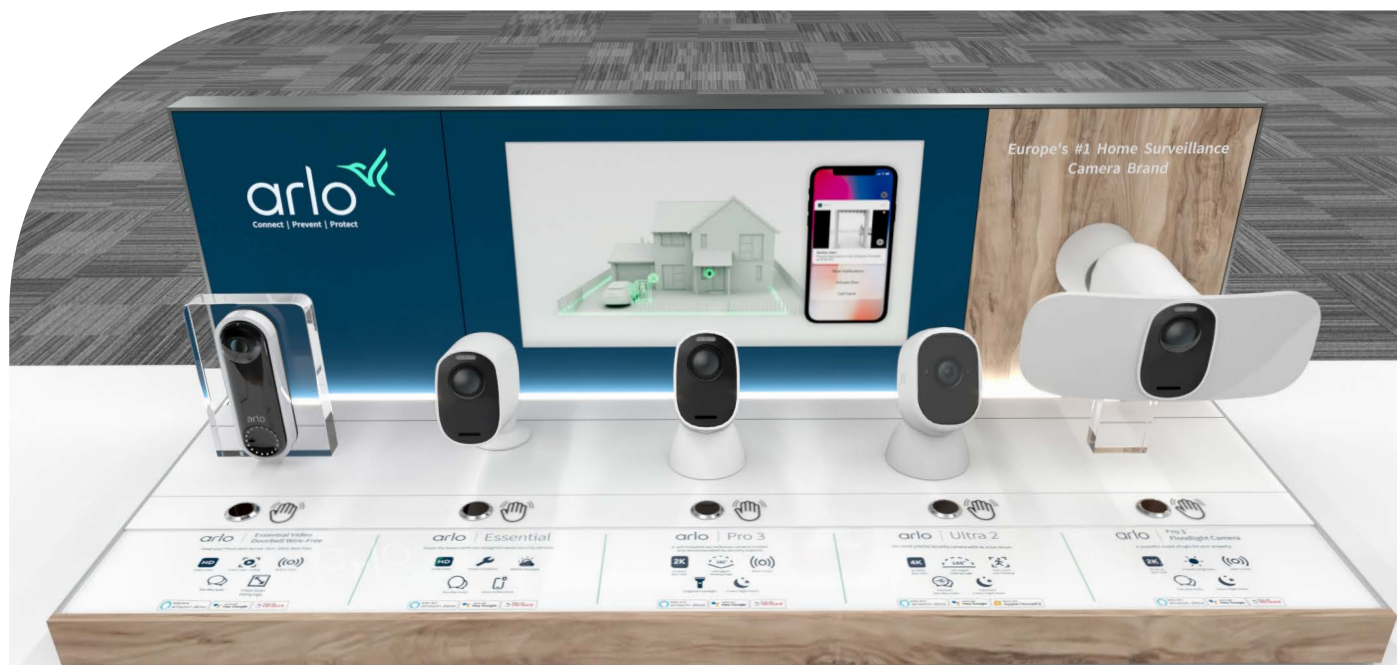
We have now also opened a direct-to-consumer online shop on the Arlo UK website to strong initial success and are expanding this new go-to-market option to other countries.

Protecting customers through video-surveillance

In terms of customers served and families protected, 2021 has been a spectacular year for Arlo Europe. Total number of paying subscribers to our cloud-based services has increased more than five-fold and closed the year at nearly a quarter million subscribers. The total user base for Arlo Europe is even larger, reaching close to one million registered users across all of Europe, including but not limited to Verisure's core geographies.

Synergetic contribution to our core

Our Arlo Europe business is also playing an increasing role as an enabler for our core Verisure business. Custom-made, high performance motion activated cameras, designed jointly with Arlo Inc. in California but branded Verisure, are being deployed as part of our core Verisure alarm proposition. New Arlo Europe customers are being offered an upgrade to a full-security Verisure protection. And Arlo Europe and Verisure are starting to cooperate on presence in retail stores, opening a new sales channel for Verisure.



“A watched-over space is a safer space.”



Our DNA is at the Core of our Company

Everything we do is driven by our unique DNA – five deeply-held values which guide us all.



Always On, Always Ready

We receive and process more than 1 trillion electronic signals from our devices every year.

High-performing and Resilient Organisation

Our people are the foundation of our success

Verisure is a technology-enabled human services company. Behind the innovative technology which shields our customers' homes and businesses, our people stand ready to respond in an instant, to protect what matters most. Our people differentiate our business by living and role-modelling our DNA every day. They are Verisure.

In 2021, we were able to expand the Verisure family by more than 2,000 additional FTE positions. In the past five years, we have created more than 11,000 jobs, more than doubling the size of our employee base.

Investing in talent

We continue to invest in our people and to develop their full potential. Because we know people are fundamental to the service we provide, we are focused on building the very best team.

Over the past year, we have continued to develop and nurture a high-performance team, with an "owner's mentality", always operating with integrity and accountability. Our DNA is the foundation of all decision making in Verisure, fully integrated in our people processes and policies (e.g. recruitment, development, performance management and rewards), and amplified by our owner's mindset and entrepreneurial spirit.

In the last year we have continued to leverage and develop further our world-class, harmonized people processes (e.g. STAR), systems (Workday) and policies at a global level, supporting each of our colleagues so they can unleash their full potential. For example, our approach to performance management, STAR, ensures that colleagues "Set their priorities" in the context of our strategy, review their performance in "Talk achievements" (from both a 'What' and a 'How' perspective), and put together a development plan in "Accelerate your growth" so they can "Reach their goals".

In 2021, we have accelerated the development of online training. A new learning platform is currently being deployed throughout all our countries

and group functions, empowering employees to take ownership of personal development at their desired pace and enabling to leverage content and know-how across functions and countries. Professional Growth and Development score in the Sustainable Engagement survey has further increased (up by ten points in the last 6 years).

As we grow, we offer our people the chance to develop their careers, both domestically and internationally. In the past two years, close to 75% of our leadership positions have been filled by internal candidates. As a growing global company, many of our people take the opportunity to develop an international career. Our continued expansion is fuelled by exporting expertise from established countries to new ones. In the last three years, we have more than trebled the number of international moves, now exporting talent from all 16 countries. As we grow, we are able to develop even more of our people this way, accelerating their careers. And this knowledgeable and diverse talent base will drive our growth in the years to come.

Sustainable engagement

Every year we ask our people to tell us how they feel about working at Verisure in our global Sustainable Engagement survey. The Sustainable Engagement framework is designed to help us understand how engaged, energised and enabled our people are, and to measure these results for improvement over time. Our goal is for our people to feel Verisure is the best place for them both personally and professionally. We put detailed action plans in place across every area to address the feedback we receive from the survey and to drive engagement forward.

In 2021, we maintained our very high participation rate, with more than 90% of our people taking part. Our overall engagement score remained high and stable versus 2020, as most categories have either maintained or improved their scores. All countries have been able to maintain the significant number of highly engaged and committed colleagues, with one of the highest

scores in the survey related to the willingness to go the extra mile.

We analyse our people's likelihood to recommend Verisure as an employer and to recommend our products and services with a metric called the 'Employee Net Promoter Score' (eNPS). Our eNPS score as an employer remained strong, and the overall company score for products and services increased further. Last year, we have also been honoured with a number of external workplace awards. For example, in Spain, we have received a Top Employer Certification for four years running, and we are proud to add France to this certification this year. Great Place to Work has certified five of our markets – Spain, Peru, Argentina, Belgium, and then Brazil, where we received the certification for three years running.

New Ways of Working

In the last two years we continued to advance our flexible and agile ways of working. This included introducing a hybrid working model in several of our geographies with relevant audiences, focusing on flexibility combined with the benefits of in-office collaboration and connection. Our New Ways of Working model empowers managers and colleagues to find a balance that works for individuals, teams and the business needs.

A place for everyone

We want to be representative of the customers we protect and serve around the world. We believe diverse teams produce stronger results and enhance innovation, which leads to better business results.

We want every colleague to feel supported, and as such, we have a broad approach to Diversity, Equity & Inclusion (DEI); welcoming and embracing people of different race, gender, age, religious belief, ethnicity, marital or family status, economic circumstance, human capacity and sexual orientation as well as different experiences, skills and capabilities. We are committed to creating an inclusive environment where everyone can bring 100% of themselves to work. We have made DEI a business

priority and have included it as an objective in our five-year strategic plan since 2015. We remain committed to further strengthening and expanding our DEI programs and reject any form of discrimination.

In the last years, gender diversity has been a particular focus as this is where we had the clearest opportunities, especially in the Sales organisation and in Leadership. We almost doubled the overall representation of women in the company (from 20% in 2015 to currently 36%), and more than doubled the

percentage of women in field sales roles. We have also significantly improved the share of women leaders, trebling the numbers in absolute terms, including in our Group Management Team. We have continued to advance people and business processes addressing potential barriers to attract or retain female talent, or to enable their success.

Our people recognise and endorse the direction we are taking, which is also reflected in the continued improvement of our Sustainable Engagement survey scores related to ethics, as well as DEI

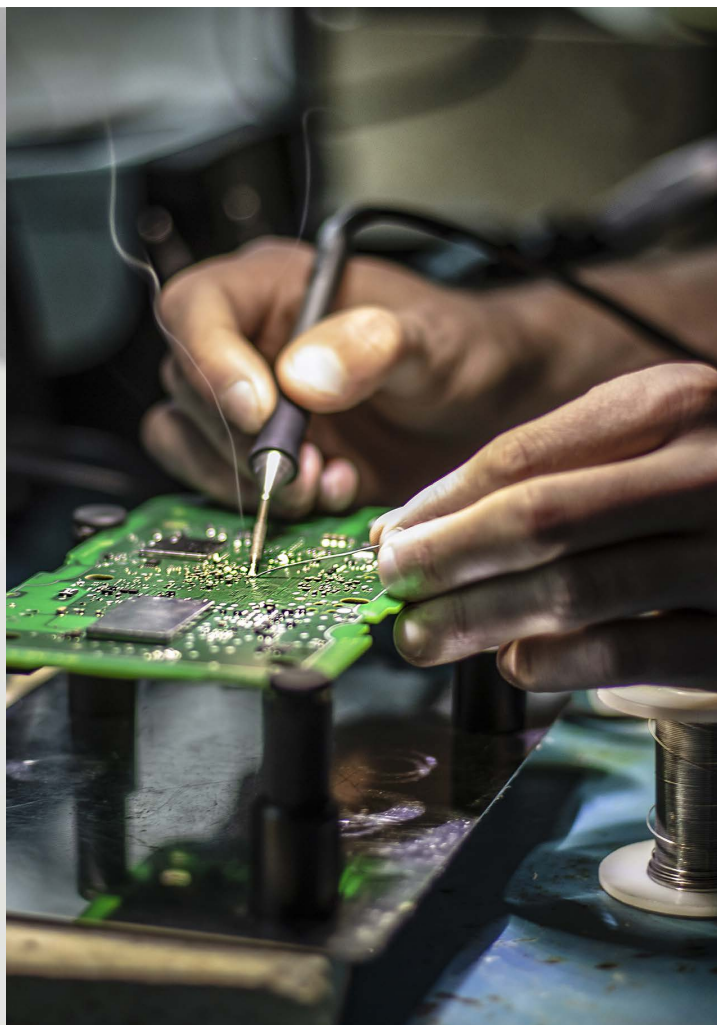
(up by twelve and ten points, respectively, over the past six years). In addition, rating for the statement “I can be myself at work and be accepted by everyone” is one of the highest scores from our survey, and ahead of benchmark.

While significant advances on in DEI area have already been made, our ambition is to further increase our impact on the communities we serve, our customers as well as our people, creating an ever more welcoming, diverse and effective organisation.

A Technology-Enabled Human Service Company

We protect what matters most by combining talented people and innovative technology.

Technology Is At Our Core



We are a technology-enabled human services company. Our technology is at the core of the service we provide our customers, and key to our success. We are vertically integrated in technology, with employees in our Information Technology, Security, Quality, and R&D organisations, mainly based in Malmö, Sweden and Madrid, Spain. We also work with best in class external partners to support our development efforts, mainly out of Israel, Silicon Valley and France.

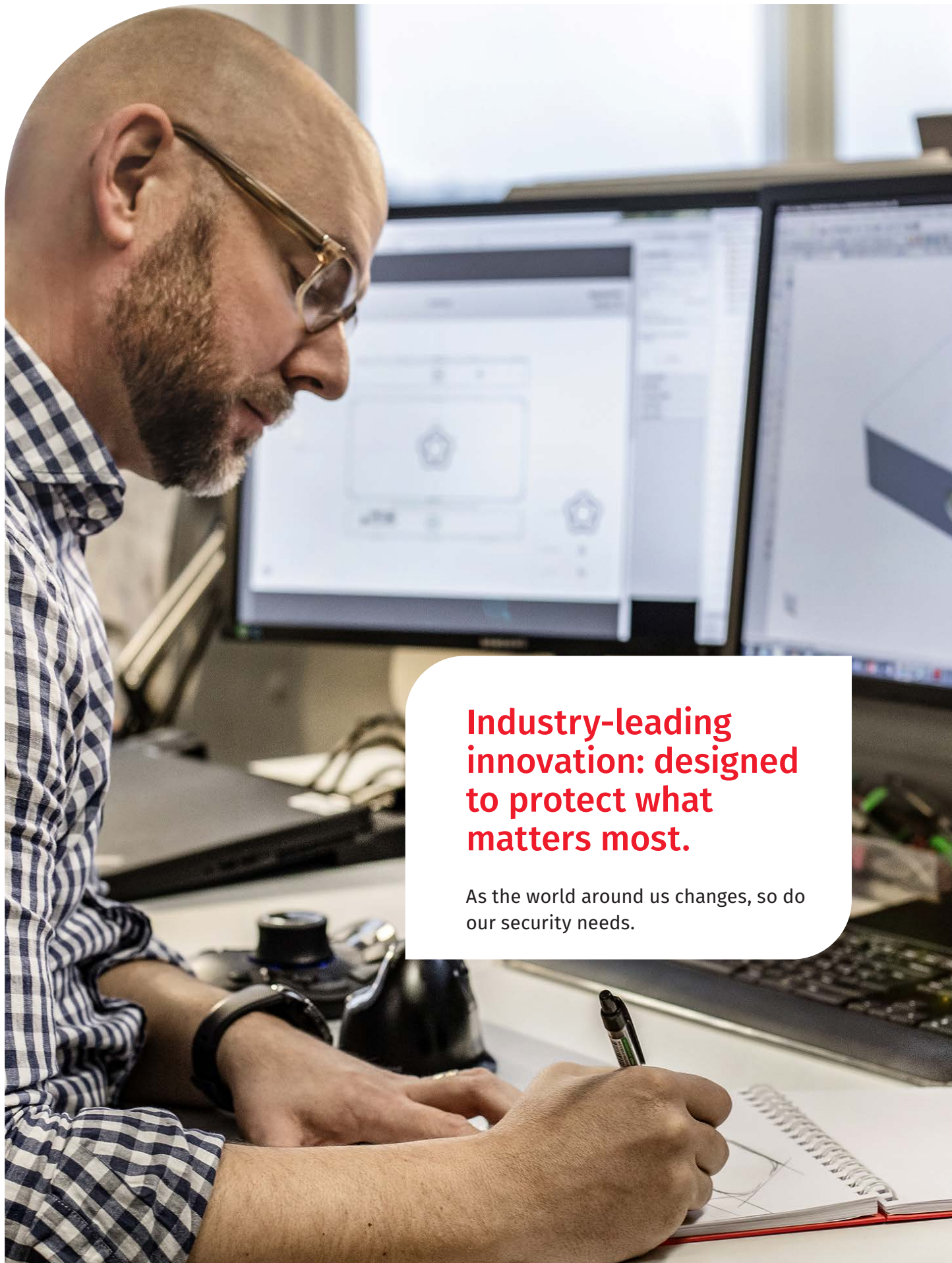
A year of accelerating innovation

2021 was a year of acceleration for our technology and innovation program. Operationally, the size of the estate we manage continues to grow rapidly. In 2021, our teams managed a deployed network of about 45 million 'Internet of Things' devices, operating 24 hours a day, 7 days a week, generating more than

1 trillion signals. While we continued to provide an outstanding stable service to our customers, we also launched several landmark innovations during the year to strengthen further our service proposition. For example, we launched GuardVision™, our new indoor camera custom-designed with Arlo Inc, as well as VoicePad™, our innovative new user interface device, and a new smart wearable watch as part of our remote monitoring and assistance service for senior citizens. During this year, we additionally applied to protect a record number of 20 inventions using patent and utility model applications. The integration of Arlo catalogue cameras also continued at pace during 2021, allowing our Verisure customers to link their Arlo cameras with their Verisure service.

External recognition

While the best recognition of our innovation is in the protection and service we provide our customers, we were honoured with several awards in 2021. For example, our new alarm suite was recognised with three Red Dot Awards, the prestigious international design prize, while our Arlo product suite (coming from our strategic partnership with Arlo Inc.) has been awarded with an additional three Red Dot Awards. The Swedish Innovation Index ranked us in the top five most innovative companies in Sweden, and for the third year running as the most innovative security company in Sweden. We also received recognition from industry bodies and strong public reviews of our product suite, such as from Le Fonti in Italy for "Excellence for Innovation and Leadership in Security Systems".



**Industry-leading
innovation: designed
to protect what
matters most.**

As the world around us changes, so do
our security needs.

Group Management



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

AUSTIN LALLY GROUP CHIEF EXECUTIVE OFFICER



Anthony Loizeau joined Verisure in 2012 as Managing Director for Latin America, developing our operations across the region and most recently opening our Argentina business. In 2020, Anthony was appointed to lead our Nordics Cluster. Before Verisure Anthony held several senior positions in a range of industries including CEO of Pages Jaunes and of Kompass across France, Iberia and Benelux. He was previously a VP of Orange in France and at Nestlé. Anthony holds an Executive MBA from HEC Business School in Paris.

ANTHONY LOIZEAU GENERAL MANAGER NORDICS



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

ANTONIO ANGUITA PRESIDENT OF IBERIA & LATIN AMERICA



Cristina Rivas was appointed as Group Chief Technology Officer in February 2020. She joined Verisure as Technology Director for Iberia and Latin America in 2016 from Vodafone, where she was Head of Group Technology Strategy and Governance, having held several senior positions in Vodafone Spain in customer service, sales and marketing. Before Vodafone, Cristina worked on strategy, marketing and operational efficiency projects across telecommunications, banking and energy at McKinsey. Cristina holds a Master's degree in Telecommunications Engineering from the Universidad Politécnica in Madrid.

CRISTINA RIVAS GROUP CHIEF TECHNOLOGY OFFICER



Luis Gil is a founder of the company, joining in 1993. He has served as the President of Expansion since 2014. He established our Spanish business in 1993. He also led our expansion efforts in Portugal, Brazil, Peru and Chile and most recently in Italy, the UK and the Netherlands. He was previously President of Esabe Ingeniería de Seguridad SA. Luis holds a Master's degree in Industrial Engineering.

LUIS GIL PRESIDENT OF EXPANSION



Marta Panzano joined the company as Group Chief Human Resources Officer in 2014. Prior to joining the company, Marta was HR Director for Orange Spain. Previously, she worked for CEMEX in Spain, Mexico and Australia among other geographies, holding progressively more senior positions culminating in her role as Vice-President for Human Resources across Europe, Middle East, Africa, Asia and Australia. Marta has also held various positions in Finance at Hewlett Packard and in strategic consultancy at BCG. She holds a Bachelor's degree in Business Administration and Economics from the Universidad Carlos III Madrid.

MARTA PANZANO GROUP CHIEF HUMAN RESOURCES OFFICER



Nina Cronstedt joined Verisure as Group Chief Legal Officer in 2018 from Nestlé, where she was General Counsel and Vice President Legal, Compliance & Creating Shared Value for Cereal Partners Worldwide, a joint venture between Nestlé and General Mills. She was previously General Counsel Strategic Business Units and COE's for Nestlé. Prior to Nestlé, Nina worked for Philip Morris International, where she held positions of increasing responsibility, including Assistant General Counsel Brand Building and Assistant General Counsel EMEA Region. Nina studied law at Stockholm University, followed by a Master's in Commercial & European Law at the University of Cambridge.

NINA CRONSTEDT GROUP CHIEF LEGAL OFFICER



Olivier Allender joined Verisure as Managing Director for France in 2012. He was promoted to General Manager for France, Belgium & Netherlands in January 2015. Prior to joining the company, he was the Commercial Director at Cofidis France from 2007 to 2012. He has also acted as General Manager for CBB-Paris, a subsidiary of the L'Oréal Group, in the US and Japan and has held various senior positions in the direct marketing industry in France and Germany. He was appointed to lead our Arlo Europe business in 2020.

OLIVIER ALLENDER GENERAL MANAGER FRANCE, BELGIUM & ARLO EUROPE



Olivier Horps was appointed Chief Marketing Officer in January 2022. He joined Verisure in 2017 in France, as the marketing leader for our Digital and Contact centres. His role expanded to include responsibility for all the commercial teams. Before joining the company, Olivier was Managing Director Asia-Pacific and CEO Greater China for Club Med. Prior to that, he held various marketing leadership positions with Procter & Gamble and L'Oréal across Europe, Asia and Japan. Olivier holds an MBA from ESSEC Business School in Paris.

OLIVIER HORPS GROUP CHIEF MARKETING OFFICER



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

VINCENT LITRICO GROUP CHIEF FINANCIAL OFFICER



What it Means to Wear the Star

You will see the sentinel star on our uniforms. It shows we are Proud to Protect. We are the people behind the star. We deliver our promise: to protect what matters most.

Corporate Governance

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

Board of Directors

Composition of the Board

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

Rules of Procedure

The Board, which for the purposes of this and the following subsections refers to the board of Verisure Topholding AB (previously Verisure Topholding 2 AB), has established Rules of Procedure that are reviewed once a year or when necessary. These Rules set rules for the holding of Board meetings, the frequency of Board meetings and agenda items to cover. Extraordinary meetings are held when necessary. In light of COVID-19 related safety measures and travel restrictions, the Board held three meetings during 2021, which is fewer than what it would normally hold but deemed sufficient under the circumstances.

Board Committees

The Board has established an Audit Committee, a Remuneration Committee and a Valuation Committee. The members of the committees are appointed by the Board. The major tasks of these committees are preparatory and advisory, but the Board may on occasion delegate authorisation to the

committees to determine in specific matters. All committee meetings must be recorded in minutes.

Audit Committee

The primary function of the Audit Committee is to monitor the company's financial reporting, internal controls, compliance program and risk management. In this regard, the Audit Committee reviews the reports delivered by the company's external auditors, evaluates the external auditors, monitors accounting and tax matters and monitors the company's compliance program, including its data privacy program. In 2021, for COVID-19 related reasons, only two Audit Committee meeting was held. Nevertheless, the reporting took place and the Audit Committee was able to perform its function. The members of the Audit Committee are Stefan Götz, Adrien Motte and Henry Ormond. Meetings are generally also attended by Austin Lally, Vincent Litrico and Nina Cronstedt.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board regarding the Group's framework for executive remuneration and the accompanying costs. It reviews and determines, on behalf of the Board, the remuneration and incentive packages of management in order to ensure that they are appropriately rewarded for their individual contributions to the Group's overall performance.

The Remuneration Committee also formulates the remuneration policy with respect to the strategic objectives and operational performance of the Group. The members of the Remuneration Committee are Stefan Götz, Austin Lally, Marta Panzano, Adrien Motte and Henry Ormond.

Executive Compensation

Our executive compensation program has the following objectives: recruit and retain key leadership;

- link compensation to an executive's individual performance and our financial performance; and
- align the executives' compensation opportunities with our short term and long term financial objectives.

In furtherance of these objectives, the Group's executive compensation package includes (i) fixed compensation in the form of base salary and benefits and (ii) variable compensation based on the executive's performance and our financial performance, in the form of annual cash bonus awards and, in some cases, equity incentive programs.

Base Salary

We aim to pay base salaries consistent with the scope of each executive's responsibilities and such that base salaries reflect the fixed compensation necessary to recruit key leadership.

Benefits

We aim to provide our executives with a benefits package in line with those of other companies in our sector and appropriate for the respective jurisdictions.

Annual Cash Bonus Awards

Our executives are eligible to receive incentive compensation in the form of annual cash bonuses, which are determined based on performance objectives established on a periodic basis.

Valuation Committee

The primary responsibility of the Valuation Committee, is to assist the board in calculating the fair market valuation of the securities comprised in the Group's management equity plan on a quarterly basis. The members of the Valuation Committee are Francois Cornelis, Adrien Motte and Vincent Litrico.



Protecting Against more than just Intrusion

As well as intervening in burglaries, we monitor and respond to fires, medical emergencies and flooding events.

Board of Directors

Verisure Midholding AB

Name	Position
Austin Lally	Director and Chief Executive Officer
Cecilia Hultén	Director and Chairman
Daniel Bruzaeus	Director
Elizabeth Henry	Director
Vincent Litrico	Director

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

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

Daniel Bruzaeus, Head of Internal Control, has been with the company since 2019. Prior to joining Verisure, he has had different roles in Risk Management at PwC, Group Risk Officer at Ikano Bank, and Senior Internal Auditor at E.ON. Daniel holds a Master's Degree in Business Administration from Lund's University.

Elizabeth Henry, HR and Communications Director for Nordics, has held a variety of HR and Communication roles with Verisure since 2015. Prior to joining the company, Liz grew her career in Human Resources with Procter and Gamble and previously the Gillette Company in the United States, the United Kingdom and in the Nordic region. She holds a Bachelor of Science in Industrial and Labor Relations from Cornell University.

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

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Directors' Report

Operations

The Group is the leading provider of professionally monitored alarms, and the leading provider of camera video surveillance systems for residential households and small businesses in Europe. We operate in 16 countries across Europe and Latin America. We conduct our business through two primary segments, portfolio services and customer acquisition. Additionally, we classify certain non-core business under our adjacencies segment.

The following table shows 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.

Key figures

EUR thousand (if not otherwise stated)

	2021	2020
Consolidated		
Non-IFRS and IFRS financial data		
Revenue ¹	2,508,847	2,138,903
Organic revenue growth	16.7%	14.4%
Adjusted EBITDA excl. SDIs	1,047,995	919,569
Adjusted EBITDA margin excl. SDIs	41.8%	43.0%
Adjusted EBITDA incl. SDIs	984,388	853,128
Adjusted EBITDA margin incl. SDIs	39.2%	39.9%
Operating profit ¹	378,864	324,226
Capital expenditures	762,444	634,980
Net Debt per SFA	7,171,870	5,108,146
Unaudited operating data		
Payback period (in years)	3.4	3.3
Portfolio services segment		
Non-IFRS and IFRS financial data		
Portfolio services revenue ¹	2,043,673	1,740,581
Portfolio services adjusted EBITDA excl. SDIs	1,477,479	1,255,774
Portfolio services adjusted EBITDA margin	72.3%	72.1%
Unaudited operating data		
Total subscribers (year-end), units	4,274,827	3,763,945
Cancellation, units	258,701	229,699
Attrition rate (LTM)	6.4%	6.5%
Net subscriber growth, units	510,882	417,233
Subscriber growth rate, net	13.6%	12.5%
Monthly average number of subscribers during the period, units	4,017,721	3,518,094
Average monthly revenue per user (ARPU), in EUR	42.4	41.2
Adjusted EBITDA per customer (EPC), in EUR	30.6	29.7
Customer acquisition segment		
Non-IFRS and IFRS financial data		
Customer acquisition revenue ¹	373,492	338,138
Customer acquisition adjusted EBITDA excl. SDIs	(421,036)	(321,999)
Customer acquisition capital expenditures	546,440	451,374
Unaudited operating data		
New subscribers added gross, units	769,583	646,932
Cash acquisition cost per new subscriber (CPA), in EUR	1,257	1,195
Adjacencies segment		
Non-IFRS and IFRS financial data		
Adjacencies revenue ¹	91,682	60,184
Adjacencies adjusted EBITDA excl. SDIs	(8,448)	(14,206)

1) IFRS financial data.

Analysis of Operating Results

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

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

Results excluding SDIs

EUR million	2021	2020	Percentage change
Revenue	2,508.8	2,138.9	17.3%
Operating expenses	(1,466.1)	(1,224.4)	19.7%
Other income	5.3	5.1	3.2%
Adjusted EBITDA	1,048.0	919.6	14.0%
Adjusted EBITDA margin, %	41.8%	43.0%	-
Depreciation and amortisation	(347.4)	(274.2)	26.7%
Retirement of assets	(128.2)	(95.7)	34.0%
Operating profit	572.4	549.7	4.1%
Operating profit margin, %	22.8%	25.7%	-
Interest income and cost	(284.6)	(232.0)	22.7%
Other financial items	(5.7)	(2.6)	120.9%
Result before taxes and SDIs	282.0	315.0	(10.5%)

Revenue

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

EUR million	2021	2020	Percentage change
Revenue by segment			
Portfolio services	2,043.7	1,740.6	17.4%
Customer acquisition	373.5	338.1	10.5%
Adjacencies	91.7	60.2	52.3%
Total	2,508.8	2,138.9	17.3%

Revenue

Total revenue during 2021 increased by 17.3%, or EUR 369.9 million, to EUR 2,508.8 million, up from EUR 2,138.9 million last year, mainly driven by a higher customer base (we added more than 510 thousand customers to our portfolio in 2021) and increased average monthly revenue per user (ARPU) of 2.8%.

Portfolio services revenue for the year of 2021 increased by 17.4%, or EUR 303.1 million, to EUR 2,043.7 million, up from EUR 1,740.6 million last year. The increase was primarily driven by the increased number of customers in the portfolio and increased average monthly revenue per user (ARPU).

Customer acquisition revenue for the year 2021 amounted to EUR 373.5 million, which represents an increase of 10.5%, or EUR 35.4 million, compared to EUR 338.1 million last year. The increase was mainly driven by the higher number of new installations compared to the same period last year.

Operating expenses

Operating expenses for the year 2021, increased by 19.7%, or EUR 241.7 million, to EUR 1,466.1 million, up from EUR 1,224.4 million the same period last year. The increase was mainly driven by the customer portfolio growth as well as the higher number of new installations.

Adjusted EBITDA

Adjusted EBITDA for the year, 2021, increased by 14.0%, or EUR 128.4 million, to EUR 1,048.0 million, up from EUR 919.6 million compared to last year. The increase was mainly driven by the increased number of customers in the portfolio as well as higher monthly adjusted EBITDA per subscriber (EPC), which increased by 3.0% compared to last year.

Depreciation and amortisation

Depreciation and amortisation increased to EUR 347.4 million in 2021, up from EUR 274.2 million in the prior period. This is primarily related to the alarm equipment installed at our customers' premises and the capitalised direct cost related to the acquisition of customer contracts. Depreciation and amortisation have increased mainly due to the increased number of customers in our portfolio.

Retirement of assets

Retirements of assets increased to EUR 128.2 million in 2021, up from EUR 95.7 million last year. The cost corresponds mainly to the remaining balance of capitalised material and direct costs, at the time customers leave the portfolio or upgrade to our new platform.

Interest income and expenses

Interest income amounted to EUR 0.5 million in the twelve months ending December 31, 2021, compared to EUR 0.3 million in the same period last year. Interest expense amounted to EUR 285.2 million, compared to EUR 232.3 million last year, driven by an increase in gross debt.

Other financial items

Other financial items, mainly consisting of commitment fees for our Revolving Credit Facility and Ancillary Facilities, and charges for excess cash, amounted to a cost of EUR 5.7 million in the twelve months ending December 31, 2021, compared to 2.6 million in the same period last year. The increase is mainly driven by the increased size of our Revolving Credit Facility, which was upsized from €300 million to €700 million in March 2021.

Reported consolidated income statement

EUR million	2021			2020		
	Result excluding SDIs	SDIs	Reported	Result excluding SDIs	SDIs	Reported
Revenue	2,508.8	-	2,508.8	2,138.9	-	2,138.9
Operating expenses	(1,466.1)	(63.6)	(1,529.7)	(1,224.4)	(66.4)	1,290.9
Other income	5.3	-	5.3	5.1	-	5.1
Adjusted EBITDA	1,048.0	(63.6)	984.4	919.6	(66.4)	853.1
Depreciation and amortisation	(347.4)	(129.9)	(477.3)	(274.2)	(159.0)	(433.2)
Retirement of assets	(128.2)	-	(128.2)	(95.7)	-	95.7
Operating Profit	572.4	(193.5)	378.9	549.7	(225.4)	324.2
Interest income and cost	(284.6)	0.4	(284.2)	(232.0)	0.6	(231.4)
Other financial items	(5.7)	(27.1)	(32.9)	(2.6)	(137.8)	(140.5)
Result before tax	282.0	(220.2)	61.8	315.0	(362.7)	(47.6)
Income tax benefit and expense	-	-	(46.9)	-	-	(45.3)
Result for the period	-	-	14.9	-	-	(92.9)

Separately disclosed items (SDIs)

SDIs affecting operating expenses

SDIs affecting operating expenses typically include one-off costs related to various projects within the Group. In 2021, total costs amounted to EUR 63.6 million compared to EUR 66.4 million in the same period last year. Both 2021 and 2020 include costs related to a fine imposed by the Norwegian Competition Authority (the "NCA") in Norway, in addition to costs related to transformational projects. In 2020 we also incurred some COVID-19 related exceptional costs.

SDIs affecting depreciation and amortisation

The market value of the acquisition-related intangible assets is amortised over its expected useful life. Most of the EUR 129.9 million in 2021 and EUR 159.0 million in 2020 relate to amortisation of the contract portfolio acquired from Securitas DirectGroup in 2011. Year on year decrease is driven by the fact that part of the contract portfolios were fully amortised in Q3 2021.

SDIs affecting interest income and expenses and other financial items

SDIs affecting interest income and expenses and other financial items totalled a cost of EUR 26.7 million for the year ending December 31, 2021, compared to a cost of EUR 137.2 million during the same period last year. In 2021, other financial items consisted of a positive non-cash FX revaluation of debt items and unrealised hedges of EUR 36.2 million, offset by the write-off of prepaid financing fees of EUR 17.2 million, amortisation of prepaid financing fees of EUR 14.8 million, a call premia expense of EUR 17.2 million related to the amortisation of our Senior Unsecured debt during the refinancing conducted in January 2021, other bank charges of EUR 2.8 million, and an IFRS 9 adjustment regarding the modification of loan agreements of EUR 11.3 million. For the twelve months ending December 31, 2020, other financial items consisted of a negative non-cash FX revaluation of debt items and unrealised hedges of EUR 99.1 million, write-off of prepaid financing fees of EUR 12.7 million, amortisation of prepaid financing fees of 16.0 million, an IFRS 9 adjustment regarding a modification of a loan agreement of EUR 42.9 million, and other bank charges of EUR 1.0 million. On the other hand, realised hedges had a positive effect of EUR 33.9 million.

Income tax benefit and expense

Total tax expense was EUR 46.9 million for the year ending December 31, 2021, compared to EUR 45.3 million for the same period last year. Current tax expense was EUR 98.8 million in 2021 compared to EUR 58.1 million in 2020. Deferred tax generated a benefit of EUR 51.9 million in 2021 compared to a benefit of EUR 12.8 million in the same period last year.

Our segments

We operate subscription-based security service businesses, designing, installing and monitoring alarm and video surveillance systems to bring peace of mind to our customers. We operate 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 a full security service to our customers for a monthly subscription fee. Our service includes 24/7 monitoring, expert verification and response, customer care, maintenance, and professional technical support to existing customers. 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 operate personally all our monitoring centres which are located throughout Europe and Latin America to verify triggered alarms and initiate an appropriate response. We have a diverse and high-quality subscriber base and enjoy strong track record in customer retention, with an attrition rate of 6.4% in 2021 and 6.5% in 2020. 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 2021, the segment generated revenue of EUR 2,043.7 million (EUR 1,740.6 million in 2020), representing 81.5% (81.4% in 2020) of total revenue. The segment generated adjusted EBITDA of EUR 1,477.5 million (EUR 1,255.8 million in 2020), equivalent to a 72.3% (72.1% in 2020) adjusted EBITDA margin. As of December 31, 2021, the Group had close to 4.3 million (3.7 million in 2020) 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 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 believe we have a very 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 2021, the customer acquisition segment generated EUR 373.5 million (EUR 338.1 million in 2020) of revenue and negative adjusted EBITDA of EUR 421.0 million (EUR 322.0 million in 2020).

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 represents the sale of remote monitoring and assistance devices and services for senior citizens, as well as the sale of Arlo cameras and video surveillance services in retail and online channels across Europe. As these sales are not considered a part of our core alarms business, they are reported under a separate reporting segment.

Cash flow

The following table shows a summary of our cash flow on an historical basis for the years ending December 31, 2021 and 2020:

EUR million	2021	2020
Cash flow from operating activities before change in working capital	922.8	843.5
Change in working capital	(105.9)	98.2
Cash flow from operating activities¹	816.9	941.7
Cash flow from investing activities	(764.2)	(637.6)
Cash flow from financing activities ²	(136.8)	(216.6)
Cash flow for the period	(84.0)	87.4
Cash and cash equivalents at beginning of the period	97.9	12.8
Translation differences on cash and cash equivalents	10.4	(2.3)
Cash and cash equivalents at the end of the period	24.3	97.9

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

2) Cash flow from financing activities includes paid interest.

Cash flow from operating activities

Cash flow from operating activities amounted to EUR 816.9 million and EUR 941.7 million for the year ending December 31, 2021 and 2020, respectively. Despite an improvement in cash flow from operating activities before changes in working capital of EUR 79.3 million, mainly driven by higher operating profit, the strong increase in working capital levels have resulted in a decrease in cash flow from operating activities of EUR 124.8 million. Such increase in working capital is mainly driven by increased inventory stocks due to the tense electronics environment context we are facing and the reversal of some positive impact enjoyed last year due the COVID situation, especially in payables.

Cash flow from investing activities

Cash flow from investing activities amounted to an outflow of EUR 764.2 million and EUR 637.6 million for the for the year ending, 2021 and 2020 respectively. The increase relates mainly to the higher number of new installations during the period.

Cash flow from financing activities

Cash flow from financing activities totalled an outflow of EUR 136.8 million and EUR 216.6 million for the year ending 2021 and 2020, respectively. Key components in 2021, include new financing of EUR 4,472.8 million, a repayment of financing of EUR 2,734.6 million, a paid distribution of EUR 1,703.8 million, a call premia payment of EUR 17.2 million related to the

amortisation of our Senior Unsecured debt during the refinancing conducted in January 2021, paid bank and advisory fees of EUR 74.1 million, mainly related to January's refinancing also, and changes in borrowings of EUR 190.6 million. In addition, net interest paid amounted to EUR 263.0 million, an increase of EUR 43.6 million year on year driven by higher gross debt.

Capital expenditures

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

The following table shows a summary of our capital expenditures on December 31, 2021 and 2020:

EUR million	2021	2020
Customer acquisition capital expenditures, material	307.0	246.5
Customer acquisition capital expenditures, direct costs	239.4	204.9
Portfolio services expenditures	68.7	51.5
Adjacencies capital expenditures	9.8	7.8
Other capital expenditures	137.6	124.2
Total	762.4	635.0

The increase in capital expenditure is mainly due to the growth in acquisition of new customers as well as capitalisation of new material to our existing customers and increase in capitalised development costs.

Liquidity, liabilities and financing agreements

The primary sources of liquidity in our business is cash flow from operations, while our primary needs are purchases of new equipment, funding of our customer acquisition operations, operating expenses, capital expenditure, taxes and debt interests.

Our ability to generate cash flow from operations depends on future operating performance, which in turn depends on several factors including: general economic, competitive, legislative and regulatory. Several of the aforementioned factors are beyond our control, see the section Risk Factors on page 88 for more details.

The table below summarises our available funds as of December 31, 2021 and 2020.

EUR million	2021	2020
Revolving Credit Facility	700.0	300.0
Cash and cash equivalents	24.3	98.0
Drawn facility amount	(234.7)	-
Utilised letter of credit	(9.4)	(6.5)
Total	480.1	391.5

The following table summarises our total financial indebtedness as of December 31, 2021 and on December 31, 2020.

EUR million	2021	2020
Revolving Credit Facility	234.7	-
Term Loan B	2,800.0	2,292.0
Senior Secured Notes	2,650.0	-
Senior Unsecured Notes	1,321.3	1,244.4
Other liabilities	39.9	38.0
Lease liability (IFRS 16)	150.2	131.6
Total	7,196.2	5,206.0

Employees

The Group had an average of 20,233 (19,066 in 2020) full time equivalent employees (FTE) in 2021. Approximately 34% of the FTEs were women and 66% were men during 2021 and 2020. Approximately 36% (38% in 2020) of the employees were located in Spain and 15% in France 2021 and 2020. After Spain and France, the highest concentrations of employees were in Brazil, Sweden, UK, Italy and Chile. In Sweden and, to a lesser extent in 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. Legislation relating to consumer protection, fair competition, data privacy and other generally applicable areas are either EU or country-wide in scope. The laws and regulations specific to the industry can also be regional or municipal-wide in scope.

Regulation both poses threats and offers opportunities to the Group. The threats are described in the "Risk Factors" section on page 88. In terms of key opportunities, regulation and voluntary standards in our industry offer us the opportunity to set ourselves apart as 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 marketing. We do not currently encounter these regulations for security services 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. That said, the so-called EU Omnibus Directive establishes that door-to-door sales cannot be banned "as is" but that limitations to this activity can be adopted by Member States, for which the deadline to transpose the Directive into national law expired in 2021. We see no material risks with the transposition to date of this Directive into national law. See further "Risk Factors" on page 88. 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 as part of procedure to remove doubt. Spain, our largest country by revenue, has 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 (in three different installations areas) 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 of third party guard services to verify alarms, the installation of new monitoring equipment or the upgrade of existing equipment.

Monitoring

We have at least one 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 to the one they require to 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 depend on their respective roles and activities in a product's supply chain and the features of the relevant product.

For installations of alarms, some countries require that we are registered for this purpose. Some countries also 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.

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 88.

Events during 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 was settled in March 2021. As part of the refinancing exercise, we also put in place a new EUR 700 million Revolving Credit Facility, which replaced 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, were 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. The average maturity of our debt portfolio is 5.4 years as of December 31, 2021, and most of our debt matures in 2026 or beyond.

As previously reported, the NCA in November 2020 issued a decision to fine Verisure Norway AS and Verisure Midholding AB a total amount of approximately EUR 75 million (NOK 766 million). We filed an appeal with the Norwegian Competition Appeals Board (CAB), which in November 2021 issued a decision that upheld the NCA findings. We are disappointed with the outcome of the appeal process and firmly disagree with the CAB's decision. We nevertheless chose to not appeal the case to the Court of Appeal and to instead pay the fine, which we did in December 2021.

Events after the reporting period

In February 2022, the Oslo District's Court dismissal of a class action initiated by the newly-formed Alarm Customer Association against Sector Alarm AS and Verisure AS was appealed by the Alarm Customer Association to the Court of Appeal. The case was initiated in July 2021 and concerns alleged economic losses suffered by customers as a result of the claimed breaches of the Norwegian Competition Act that formed part of the NCA decision. The underlying claims have not been specified in any detail by the Alarm Customer Association and we firmly contest that the conditions for compensation are fulfilled. The District Court dismissed the case on procedural grounds in a ruling delivered in December 2021.

The recent Russian invasion of Ukraine has caused a major humanitarian crisis. At the time of writing of this report, it is unclear what the short term and long term impact of this war will be across the world socially, politically and economically. However, our Group has no operations in Russia, Belarus or Ukraine, nor any material vendor relationships. We are closely monitoring the situation. We are also staying close to the small number of Ukrainian citizens employed by the Group in other countries. We have also made a humanitarian donation to the UNHCR.

Consolidated Financial Statements

Consolidated Income Statement

EUR thousand	Note	2021	2020
Revenue	3, 4	2,508,847	2,138,903
Cost of sales	4, 6, 9, 10, 11	(1,375,534)	(1,094,978)
Gross profit		1,133,312	1,043,925
Selling expenses	4, 6, 9, 10, 11	(298,890)	(268,021)
Administrative expenses	4, 5, 6, 7, 8, 10, 11	(460,821)	(456,806)
Other income	4	5,263	5,128
Operating profit		378,864	324,226
Financial income	12, 14	978	911
Financial expenses	12	(318,049)	(372,767)
Result before tax		61,793	(47,630)
Income tax expense and benefit	13	(46,859)	(45,313)
Result for the year		14,933	(92,943)
Whereof attributable to:			
– Parent company		14,933	(92,943)
– Non-controlling interest		-	-

Consolidated Statement of Comprehensive Income

EUR thousand		2021	2020
Result for the year			
Other comprehensive income			
Items that subsequently may not be reclassified to the income statement			
Remeasurements of defined benefit plans		1,623	(688)
Income tax related to these items	13	18	16
Items that subsequently may not be reclassified to the income statement		1,641	(672)
Items that subsequently may be reclassified to the income statement			
Change in hedging reserve		17,517	(7,865)
Currency translation differences on foreign operations		(17,648)	7,783
Income tax related to these items	13	(3,671)	1,683
Items that subsequently may be reclassified to the income statement		(3,802)	1,601
Other comprehensive income		(2,161)	929
Total comprehensive income for the year		12,772	(92,015)
Whereof attributable to:			
– Parent company		12,772	(92,015)
– Non-controlling interest		-	-

Consolidated Statement of Financial Position

EUR thousand	Note	2021	2020
Assets			
Non-current assets			
Property, plant and equipment	15	1,169,952	1,005,923
Right of use assets	16	146,864	129,112
Goodwill	17	867,680	866,819
Customer portfolio	18	1,011,677	990,060
Other intangible assets	19	282,831	265,154
Deferred tax assets	13	27,860	24,016
Trade and other receivables	21, 23	311,653	315,147
Total non-current assets		3,818,516	3,596,231
Current assets			
Inventories	22	252,086	161,190
Trade receivables	14, 21, 23	147,629	161,147
Current tax assets		15,896	16,053
Derivatives	21	9,651	1,589
Prepayments and accrued income	20	59,097	77,325
Other current receivables	21	35,288	40,027
Cash and cash equivalents	21	24,283	97,941
Total current assets		543,930	555,272
Total assets		4,362,446	4,151,503

Consolidated Statement of Financial Position

EUR thousand	Note	2021	2020
Equity and liabilities			
Equity			
Share capital	24	56	56
Other paid in capital		624,686	624,686
Translation reserve		22,795	40,443
Hedging reserve		7,664	(6,182)
Retained earnings		(4,628,446)	(2,915,240)
Equity attributable to equity holders of the parent company		(3,973,245)	(2,256,237)
Non-controlling interest		-	-
Total equity		(3,973,245)	(2,256,237)
Non-current liabilities			
Long-term borrowings	21, 25	7,029,477	5,073,558
Derivatives	21	-	45,509
Other non-current liabilities	21	86,792	105,102
Deferred tax liabilities	13	175,474	219,250
Other provisions	26	22,437	53,892
Total non-current liabilities		7,314,180	5,497,311
Current liabilities			
Trade payables	21	190,682	183,115
Current tax liabilities		85,203	47,809
Short-term borrowings	21, 25	129,919	102,238
Derivatives	21	30,853	7,865
Accrued expenses and deferred income	27	545,839	522,308
Other current liabilities	21	39,015	47,094
Total current liabilities		1,021,511	910,429
Total equity and liabilities		4,362,446	4,151,503

Consolidated Statements of Changes in Equity

EUR thousand	Attributable to equity holders of the parent company and non-controlling interest							Total equity
	Share capital	Other paid in capital	Translation reserve	Hedging reserv	Retained earnings	Total	Non-controlling interest	
Balance at January 1, 2021	56	624,686	40,443	(6,182)	(2,915,240)	(2,256,237)	-	(2,256,237)
Result for the period	-	-	-	-	14,933	14,933	-	14,933
Other comprehensive income	-	-	(17,648)	13,846	1,641	(2,161)	-	(2,161)
<i>Total comprehensive income</i>	-	-	(17,648)	13,846	16,574	12,772	-	12,772
Transactions with owners								
Transaction with non-controlling interest	-	-	-	-	(1,000)	(1,000)	-	(1,000)
Dividend	-	-	-	-	(1,729,796)	(1,729,796)	-	(1,729,796)
Share based payment expense	-	-	-	-	1,016	1,016	-	1,016
<i>Total transaction with owners</i>	-	-	-	-	(1,729,780)	(1,729,780)	-	(1,729,780)
Balance at December 31, 2021	56	624,686	22,795	7,664	(4,628,446)	(3,973,245)	-	(3,973,245)

EUR thousand	Attributable to equity holders of the parent company and non-controlling interest							Total equity
	Share capital	Other paid in capital	Translation reserve	Hedging reserv	Retained earnings	Total	Non-controlling interest	
Balance at January 1, 2020	56	624,686	32,645	-	(2,821,173)	(2,163,786)	-	(2,163,786)
Result for the period	-	-	-	-	(92,943)	(92,943)	-	(92,943)
Other comprehensive income	-	-	7,798	(6,182)	(688)	929	-	929
<i>Total comprehensive income</i>	-	-	7,798	(6,182)	(92,387)	(90,770)	-	(90,770)
Transactions with owners								
Repurchase of share options on behalf of parent company	-	-	-	-	76	76	-	76
<i>Total transaction with owners</i>	-	-	-	-	(1,680)	(1,680)	-	(1,680)
Balance at December 31, 2020	56	624,686	40,443	(6,182)	(2,915,240)	(2,256,237)	-	(2,256,237)

Consolidated Statement of Cash Flows

EUR thousand	Note	2021	2020
Operating activities			
Operating profit		378,864	324,226
Reversal of depreciation and amortisation	11	477,294	433,189
Other non-cash items	9	128,230	119,714
Paid taxes		(61,589)	(33,676)
Cash flow from operating activities before change in working capital		922,800	843,453
Change in working capital			
Change in inventories		(89,186)	(37,423)
Change in trade receivables		21,640	(7,124)
Change in other receivables		(5,874)	(19,416)
Change in trade payables		7,753	45,644
Change in other payables		(40,212)	116,563
<i>Cash flow from change in working capital</i>		<i>(105,878)</i>	<i>98,245</i>
Cash flow from operating activities		816,922	941,698
Investing activities			
Purchase of intangible assets	18, 19	(378,151)	(327,194)
Purchase of property, plant and equipment	15	(385,016)	(308,797)
Settlement of deferred consideration		-	(1,630)
Acquisition of non-controlling interest		(1,000)	-
Cash flow from investing activities		(764,168)	(637,621)
Financing activities			
Change in borrowings		190,620	(179,218)
Paid bank and advisory fees		(74,077)	(20,973)
New financing		4,472,783	1,800,000
Repayment of financing		(2,734,562)	(1,600,000)
Net interest paid		(263,031)	(219,409)
Call cost old debt		(17,175)	-
Other financial items		(7,536)	28,123
Loan to group companies		-	(25,152)
Paid distribution ¹		(1,703,787)	-
Cash flow from financing activities		(136,764)	(216,629)
Cash flow for the year		(84,009)	87,448
Cash and cash equivalents at start of period		97,941	12,770
Exchange difference on translating cash and cash equivalents		10,350	(2,277)
Cash and cash equivalents at end of year		24,283	97,941

1) Out of the total dividend, EUR 1,703,787 thousand was paid in cash. The remaining part of the dividend was paid in kind with a receivable.

Notes to the Consolidated Financial Statements

Note 1 Accounting Policies

Information regarding Verisure Midholding AB (publ)

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

Verisure Midholding AB (publ) is directly and wholly owned by Verisure Topholding AB.

Nature of operations

Verisure Midholding Group, hereafter referred to as the Group, is the leading provider of professionally monitored alarm solutions for residential households and small businesses in Europe. We are also, through Arlo Europe, the leading provider of camera video surveillance systems in Europe. We offer premium monitored alarm services to our portfolio of over 4.2 million customers and design, sell, install and monitor alarm and video surveillance systems across 16 countries in Europe and Latin America.

The Group operates 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 as well as the sale of Arlo cameras and video surveillance services across 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 accounting policies are unchanged compared with those applied in 2020.

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).

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 / IFRS 10 & IFRS 12

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

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. The Group generally controls a company by a shareholding of more than 50% of the voting rights referring to all shares and participations.

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

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

Foreign currency translation / IAS 21

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.

Note 1 cont.

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 / IFRS 8

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 a full security service to our 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. Our service includes 24/7 monitoring, expert verification and response, customer care, maintenance, and professional technical support to existing customers. We operate personally all our monitoring centres. A majority of the costs in the portfolio services segment are either variable or partially variable in nature. We do have some fixed costs for example longer-term facility rentals. We gain operating leverage as we grow from our fixed costs and the partially variable costs mentioned earlier. As a result, we have historically been able to increase our portfolio operating margin and cash flows as we add new customers to our existing operations.

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 as well as the sale of Arlo cameras and video surveillance services in retail and online channels across Europe. As these sales are not considered part of our core alarm business, these revenues are categorised as adjacencies.

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

Revenue recognition / IFRS 15

The Group's revenue is generated mainly from the recurring monthly fees in the portfolio segment. This is approx. 80% of the Group revenue. The remaining part of the revenue is generated from the installation fee in the customer acquisition segment and from invoiced services and sale of products.

Within our customer contracts we have identified two performance obligations, installation and monitoring. For installation the revenue is recognised at the point in time when the products are installed at our customers premises. Revenues from monitoring services are recognised on a linear basis over the contract period.

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. The stand-alone selling price for the installation is calculated based on cost for the installation with a margin based on external benchmark. Any amount invoiced as installation fee exceeding the calculated stand-alone selling price for the installation service is recognised on a linear basis over the contract period.

Revenues from the sale of products and services are recognised when the product is transferred to the customer or when the service is performed.

Financing

To enhance the payment plan flexibility to our 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

In the case of 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

Note 1 cont.

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

In the case of 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 / IFRS 3

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. The consideration also includes fair value on the acquisition date of the assets or liabilities arising from an agreement concerning contingent consideration. Acquisition related costs are recognised in the income statement during the period in which they are incurred.

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.

Operating expenses

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

Employee benefit expense / IAS 19

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 Group participate in an equity plan, which allows them to acquire shares at fair market value in 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 / IFRS 2

Certain employees of the Group are granted share options in Aegis Lux 2 S.à.r.l. The Share Option Plan is settled through equity and disclosed accordingly. Hence, the options are recognised as an employee benefits expenses, with a corresponding increase in equity during the vesting period. The total amount to be expensed is determined by reference to the fair value of the options granted. The fair value at grant date is determined using an adjusted form of the Black-Scholes model which includes a Monte Carlo simulation model.

Taxes / IAS 12

Income taxes

Income taxes include current and deferred tax. These taxes have been calculated at a nominal amount according to each country's tax rates that have been defined or announced and are highly likely to become affected.

Current tax

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 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

Note 1 cont.

between the tax bases of assets and liabilities and their carrying amounts. 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. Even though no statutory profits are forecasted, deferred tax asset (resulting from both deductible temporary differences, unused tax losses and unused tax credits) is recognised up to the amount of deferred tax liability if the reversals of deferred tax asset occur during the same period of the reversals of deferred tax liability. 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.

Property, plant and equipment / IAS 16 & IAS 36

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	5–14 years
Other machinery and equipment	3–10 years

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

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 / IFRS 16

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

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

Lease payments included in the measurement of the lease liability are comprised 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

Note 1 cont.

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 | IAS 36 & IAS 38

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.

Customer portfolio

The customer portfolio includes contract portfolios and customer acquisition costs. The customer acquisition costs are the incremental costs of obtaining a contract i.e. the costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, a sales commission). 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 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 and 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	5-23 years
Computer software	3-10 years
Other intangible assets	3-18 years

Impairment of non-financial assets | IAS 36

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.

Financial instruments | IFRS 9

The Group classifies its financial instruments as:

- Financial assets at fair value through profit or loss
- Financial assets at fair value through Other Comprehensive Income (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 OCI. All other financial assets are classified as and measured at fair value with fair value changes in the income statement. Management determines the designation of its financial instruments at initial recognition and re-evaluates this designation at each reporting date. Purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Gains and losses arising from changes in the fair value of financial assets and liabilities carried at fair value through profit or loss are recognised as a financial item as incurred. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and re-wards of ownership.

Financial assets at fair value through profit or loss

The Group has financial assets at fair value through profit or loss consisting of derivatives. Derivatives are classified as fair value through profit or loss whether they are subject to hedge accounting or not. Assets in this category are classified as current or non-current assets depending on time to maturity.

Financial assets at fair value through OCI

The group currently has no financial instruments in this category.

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

Note 1 cont.

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. 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 time to maturity.

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.

Financial risk management and hedge accounting

The Group's business activities expose the Group 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, which is approved by the board of directors. The Group treasury policy provides written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

The Group currently uses the following derivatives:

- Interest rate swaps to hedge cash flows due to interest rate risk on the Group's long-term debt. The contracts are classified as financial assets/financial liabilities at fair value through profit or loss and all gains and losses related to the derivatives are included in financial income and expenses (as disclosed in note 12).
- Cross currency swaps to hedge our foreign exchange risk in our financing operations by increasing our exposure to SEK. The contracts are classified as financial assets/financial liabilities at fair value through profit or loss and all gains and losses related to the derivatives are included in financial income and expenses (as disclosed in note 12).

- FX swaps to hedge cash flows in foreign currencies. The contracts are classified as financial assets/financial liabilities at fair value through profit or loss and all gains and losses related to the derivatives are included in financial income and expenses (as disclosed in note 12).
- FX forward contracts to lock in the exchange rate of future cash flow in a foreign currency different to each subsidiary's functional currency. The forward contracts the Group enters are used to hedge material purchases in USD. The transaction aims to limit the risk that currency fluctuations affect the company's cash flow and EBIT results. FX forward contracts are classified as financial assets/financial liabilities at fair value through profit or loss and when all criteria are met, are subject for hedge accounting. By being in scope for hedge accounting the effect of all gains and losses deemed as effective for the contracts is recognised in the OCI when unrealised, and reclassified to the income statement upon realisation, affecting cost of material and further capitalisation of material.

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 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 in IFRS 13. The company uses observable market inputs based on the type of derivative and the nature of the underlying instrument.

Hedge accounting

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

As presented above, the derivatives that are subject to hedge accounting are FX forward contracts entered with the purpose to hedge material purchases in USD. The transaction aims to limit the risk that currency fluctuations affect the company's cash flow and EBIT results. All unrealised gains and losses deemed as effective for these contracts are recognised in the OCI. In the event of deemed inefficiency the gains and losses from the contracts are booked in the income statement. The use of hedge accounting will effectively result in recognising inventory and material costs to the fixed foreign currency rate for the hedged purchases.

Inventories / IAS 2

Inventories are recognised at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable direct selling expenses. The cost of inventories is determined by using the first-infirst-out method. Provisions for obsolescence are included in the value for inventory.

Note 1 cont.

Provisions / IAS 37

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 impact from the IBOR reform is not expected to be material. The group is currently exposed to EURIBOR/STIBOR reference rates and since these rates will not cease to exist in the foreseeable future, we have not had any impact yet and do not believe we will have in the foreseeable future. Verisure will continue to monitor any changes to EURIBOR/STIBOR as a reference rate and update together with counterparties, the relevant financial contract accordingly as and when these occur. Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 17).
- Measurement of deferred income tax assets and deferred income tax liabilities (note 13).
- Measurement of provisions and allocation for accrued expenses (note 26 and 27).
- Depreciation period for alarm equipment and amortisation period for customer portfolio (note 15 and 18).
- Estimates regarding leases (note 10 and 16).

Revenue recognition

Revenue recognition in the Group requires management to make judgements and estimates, mainly to determine the stand alone selling prices. Determining whether revenues should be recognised immediately or be deferred require management to make judgements on the stand alone selling price of each deliverable. The stand alone selling price of the installation revenue is dependent of the estimated installation cost and a margin based on a benchmark.

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 prepares and approves formal long-term management plans for operations. Five years of the long-term management plan 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 based on the resilient business model and the strong historical performance of the Group; and
- A five year projected long-term compound annual growth rate for adjusted EBITDA is normally used with extended years for developing countries. Since the Groups business is stable and includes recurring revenue it is deemed correct to include a longer period than five years.

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

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

Measurement of deferred income tax assets and deferred income tax liabilities

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

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

Note 2 cont.

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

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

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

Measurement of provisions and allocation for accrued expenses

The Group exercises judgement in connection with significant estimates in relation to employee 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 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 e.g. 2G/3G network shutdown and macroeconomic factors.

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. A change in +/- 10 percentage points in depreciation and amortisation would impact the operating result of approximately EUR 48 million (43 in 2020).

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. Separate disclosed items (SDIs), depreciation and amortisation, retirement of assets, financial items and taxes are not reported per segment. More information about SDIs are disclosed in the Directors report on page 37.

EUR thousand	2021					
	Customer acquisition	Portfolio services	Adjacencies	Total Group – Excl SDIs	SDIs	Total Group
Revenue	373,492	2,043,673	91,682	2,508,847	-	2,508,847
Adjusted EBITDA	(421,036)	1,477,479	(8,448)	1,047,995	(63,607)	984,388
Depreciation and amortisation	-	-	-	(347,364)	(129,928)	(477,293)
Retirement of assets	-	-	-	(128,232)	-	(128,232)
Financial items	-	-	-	(290,381)	(26,691)	(317,072)
Result before tax	-	-	-	282,019	(220,227)	61,793

EUR thousand	2020					
	Customer acquisition	Portfolio services	Adjacencies	Total Group – Excl SDIs	SDIs	Total Group
Revenue	338,138	1,740,581	60,184	2,138,903	-	2,138,903
Adjusted EBITDA	(321,999)	1,255,774	(14,206)	919,569	(66,441)	853,128
Depreciation and amortisation	-	-	-	(274,186)	(159,003)	(433,189)
Retirement of assets	-	-	-	(95,714)	-	(95,714)
Financial items	-	-	-	(234,636)	(137,220)	(371,856)
Result before tax	-	-	-	315,033	(362,663)	(47,630)

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	2021	2020
Revenue	2,508,847	2,138,903
Other income	5,263	5,128
Total operating income	2,514,110	2,144,031
Employee benefit expense	(940,520)	(802,289)
Depreciation and amortisation expense	(477,294)	(433,189)
Retirement of assets	(128,232)	(95,714)
Cost of materials	(86,050)	(74,488)
Marketing-related costs	(198,189)	(128,102)
Other cost	(304,961)	(286,023)
Total operating cost	(2,135,246)	(1,819,805)
Operating profit	378,864	324,226

EUR thousand	2021	2020
Currency translation differences included in operating profit	4,562	6,443

Currency translation differences included in financial income and expenses are shown in note 12.

Note 5 Audit Fees

EUR thousand	2021	2020
PwC		
Audit assignments	1,662	1,291
Audit work apart from the audit assignment	219	322
Tax consultancy	128	233
Other services ¹	421	814
Total PwC	2,430	2,660
Other auditors		
Audit assignments	16	16
Total other auditors	16	16
Total for the Group	2,446	2,676

1) The main part of the work is related to refinancing.

Note 6 Employee Benefit Expense

EUR thousand	2021	2020
Wages and salaries including restructuring costs and other termination benefits	725,141	630,851
Social security costs	174,934	145,959
Pension costs	40,445	25,479
Total	940,520	802,289

Note 7 Remuneration of Directors and other Key Executive Management

EUR thousand	2021	2020
Short-term employee benefits	5,571	5,759
Post-employment benefit	233	211
Total	5,805	5,970

The directors and the other key executive management have 6 to 12 months' notice period corresponding to an amount of EUR 7,317 thousand (5,739 in 2020).

Note 8 Employee Option Plan

Certain employees of the Group participate in a management option plan and are granted options in Aegis Lux 2 S.à r.l. as a part of their compensation. The options vests in installments over a period of maximum five years.

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

Number of options	2021	2020
As at January 1	-	335,292
Granted during the year	1,309,166	99,300
Forfeited during the year	-	(21,037)
Exercised during the year	-	(413,555)
As at December 31	1,309,166	-

No options are exercisable at December 31, 2021. No options expired during 2021.

Fair value of options granted

The fair value at grant date is independently determined using an adjusted form of the Black-Scholes model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected

price volatility of the underlying share, the risk-free interest rate for the term of the option, and the correlations and volatilities of the peer group companies. Total expenses arising from options issued under employee option plan recognised during the period was EUR 1,110 thousand (1.244 in 2020).

Note 9 Non-Cash Items

EUR thousand	2021	2020
Retirement of assets ¹	128,232	95,714
Increased provision ²	-	24,000
Other	(2)	-
Total	128,230	119,714

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

2) The provision in Dec 2020 was released in Dec 2021 when the fine to NCA was paid.

Note 10 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 2021 and 2020:

EUR thousand	2021	2020
Amortisation charge of right of use assets	48,401	44,340
Interest expense ¹	4,915	4,895
Expense relating to short-term leases ²	606	277
Expenses relating to leases of low-value assets that are not shown above as short-term leases ²	1,114	850
Total	55,036	50,362

1) Included in financial expenses.

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

Out of the total amount related to amortisation above, EUR 21,147 thousand (19,222 in 2020) related to lease buildings, EUR 26,940 thousand (24,814 in 2020) to leased vehicles and EUR 314 thousand (304 in 2020) to other leased assets.

EUR thousand	2021		2020	
	Short-term leases	Low-value leases	Short-term leases	Low-value leases
Term to maturity <1 year	107	1,239	142	700
Term to maturity 1–5 years	-	750	-	335
Term to maturity >5 years	-	-	-	-

The total cash outflow for leases in 2021 was EUR 52.6 million (48.1 in 2020). The maturity of the lease liability is shown in note 21 and the changes during the year in the right of use assets is shown in note 16.

Note 11 Depreciation and Amortisation

EUR thousand	2021	2020
Property, plant and equipment	148,673	107,630
Right of use assets	48,401	44,340
Customer portfolio	186,774	206,677
Other intangible assets	93,447	74,542
Total	477,294	433,189

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

EUR thousand	2021	2020
Cost of sales	233,744	182,341
Selling and administrative expenses	243,550	250,848
Total	477,294	433,189

Note 12 Financial Income and Expenses

EUR thousand	2021	2020
Interest income, other	978	911
Finance income	978	911
Interest cost on borrowings	(251,905)	(201,196)
Interest cost, leasing	(4,915)	(4,895)
Interest cost, other	(16,783)	(15,192)
Interest cost on interest rate swaps	(11,588)	(11,020)
Fair value changes in currency derivatives	3,662	(16,910)
Fair value changes in interest rate derivatives	9,406	(429)
Net currency translation differences	23,126	(47,788)
Bank charges	(40,267)	(32,054)
Other items	(28,785)	(43,283)
Financial expenses	(318,049)	(372,767)
Financial income and expenses	(317,071)	(371,856)

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 13 Taxes

Income statement Tax expense

EUR thousand	2021		2020	
Current tax	(98,770)	(159.8%)	(58,120)	122.0%
Deferred tax	51,911	84.0%	12,807	(26.9%)
Total	(46,859)	(75.8%)	(45,313)	95.1%

The Swedish rate of corporate income tax in 2021 was 20.6% compared to 21.4% in 2020.

Difference between Swedish tax rate and actual tax for the Group

EUR thousand	2021		2020	
Tax calculated at Swedish tax rate	(12,729)	(20.6%)	10,193	(21.4%)
Difference between tax rate in Sweden and weighted tax rates applicable to foreign subsidiaries	10,503	17.0%	10,335	(21.7%)
Non-recognised deferred tax assets on losses carried forward, new losses as well as utilised losses ¹	24,210	(39.2%)	(2,837)	6.0%
Non-taxable/non-deductible income statement items, net	(53,094)	(85.9%)	(45,022)	94.5%
Effect of tax rates changed	14,460	23.4%	-	-
Other	(30,208)	(48.9%)	(17,982)	37.8%
Total	(46,859)	(75.8%)	(45,313)	95.1%

1) Whereof EUR 51,870 thousand (64,593 in 2020) is related to utilised tax losses carried forward not previously recognised as a deferred tax asset.

Note 13 cont.

Other comprehensive income
Tax on other comprehensive income

EUR thousand	2021	2020
Deferred tax on remeasurements of defined benefit pension plans	18	16
Deferred tax on hedging reserve	(3,671)	1,683
Total	(3,653)	1,699

Balance sheet
Deferred tax assets attributable to:

EUR thousand	2021	2020
Temporary differences arising between the tax bases and carrying amounts	12,692	13,401
Pension provisions and employee related liabilities	1,808	2,669
Risk reserves	1,992	2,028
Tax loss carry-forwards	87,852	53,110
Acquisition-related intangible assets	905	1,281
IFRS 15	25,716	24,517
Other temporary differences	19,486	24,642
Total deferred tax assets	150,451	121,648
Netting	(122,591)	(97,633)
Total	27,860	24,016

Deferred tax liabilities attributable to:

EUR thousand	2021	2020
Temporary differences arising between the tax bases and carrying amounts	42,058	53,161
Acquisition-related intangible assets	34,240	61,132
Customer acquisition costs	177,715	163,788
IFRS 15	14,090	8,505
Other temporary differences	29,962	30,297
Total deferred tax liabilities	298,065	316,883
Netting	(122,591)	(97,633)
Total	175,474	219,250

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, 2021, the Group has tax loss carried-forward of EUR 728.2 million (637.2 in 2020). As of December 31, 2021, tax loss carry-forwards for which deferred tax assets had been recognised amounted to

EUR 388.3 million (311.0 in 2020) and deferred tax assets related to the tax loss amounted to EUR 87.9 million (53.1 in 2020). 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 14 Transactions 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	2021	2020
Interest income	420	610
Shareholders contribution	1,016	1,244

Balances with related parties

EUR thousand	2021	2020
Group contribution	231,588	231,588
Financial receivable, non-current	428	312
Financial receivable, current	-	25,601

Note 15 Property, Plant and Equipment

EUR thousand	2021		
	Alarm equipment	Other	Total
Balance at beginning of year	1,472,576	160,190	1,632,766
Investments	358,958	26,058	385,016
Disposals/retirement of assets	(109,906)	(1,976)	(111,882)
Translation differences	627	94	721
Balance at end of year	1,722,255	184,366	1,906,621
Depreciation at beginning of year	(519,882)	(106,961)	(626,843)
Disposals/retirement of assets	37,221	1,814	39,035
Depreciation charge for the year	(131,402)	(17,271)	(148,673)
Translation differences	(188)	-	(188)
Accumulated depreciation at end of year	(614,251)	(122,418)	(736,669)
Net book value at end of year	1,108,004	61,948	1,169,952

EUR thousand	2020		
	Alarm equipment	Other	Total
Balance 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)
Balance at end of year	1,472,576	160,190	1,632,766
Depreciation at beginning of year	(467,308)	(95,883)	(563,191)
Disposals/retirement of assets	33,592	4,755	38,347
Depreciation charge for the year	(91,156)	(16,474)	(107,630)
Translation differences	4,990	641	5,631
Accumulated depreciation at end of year	(519,882)	(106,961)	(626,843)
Net book value at end of year	952,694	53,229	1,005,923

Refer to Note 1 Accounting Policies for more information.

Note 16 Right of Use Assets

EUR thousand	2021			
	Buildings	Vehicles	Other assets	Total
Balance at beginning of year	116,738	74,060	1,549	192,347
New lease contracts	35,609	34,192	247	70,048
Terminations of lease contracts	(9,835)	(20,819)	(40)	(30,694)
Translation differences	76	188	41	304
Balance at end of year	142,588	87,621	1,796	232,005
Depreciation at beginning of year	(28,735)	(34,223)	(277)	(63,235)
Depreciation charge for the year	(21,149)	(26,939)	(313)	(48,401)
Terminations of lease contracts	7,416	19,026	11	26,453
Translation differences	125	(75)	(8)	42
Accumulated amortisation at end of year	(42,343)	(42,211)	(586)	(85,141)
Net book value at end of year	100,245	45,409	1,209	146,864

EUR thousand	2020			
	Buildings	Vehicles	Other assets	Total
Balance 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)	(18,502)
Translation differences	(652)	(392)	(50)	(1,094)
Balance 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 amortisation 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

Refer to Note 1 Accounting Policies for more information.

Note 17 Goodwill

EUR thousand	2021	2020
Balance at beginning of year	866,819	884,261
Adjustment of purchase price allocation	-	(11,350)
Translation differences	861	(6,092)
Balance at end of year	867,680	866,819

Refer to Note 1 Accounting Policies for more information.

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	2021	2020
Brazil	15,944	15,817
Chile	15,713	15,713
Denmark	10,949	10,950
Finland	60,231	60,231
France	51,895	51,895
The Netherlands	14,038	14,038
Norway	260,171	259,317
Portugal	46,265	46,265
Spain	238,423	238,423
Sweden	154,052	154,170
Total	867,680	866,819

Impairment tests

The conclusion from the annual impairment test is that no need for impairment of goodwill or other intangible assets has been identified. 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 and operating margin. Applied pre-tax WACC varies between different countries in the Group. In 2021, the lowest rate was 8.8% (10.0% in 2020 in Denmark) in Denmark and the highest rate was 42.8% (29.3% in 2020 in Argentina) in Argentina. In Norway and Spain, the countries with the most significant Goodwill values, the WACC was 9.2% (10.2% in 2020) and 9.9% (11.3% in 2020) 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 2020). 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. A sensitivity analysis has been performed on the impairment test with the conclusion that 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.

Note 18 Customer Portfolio

EUR thousand	2021	2020
Cost at beginning of year	2,523,395	2,356,856
Investments	266,704	225,417
Disposals/retirement of assets	(75,289)	(49,606)
Translation differences	473	(9,272)
Cost at end of year	2,715,283	2,523,395
Amortisation at beginning of year	(1,533,335)	(1,339,991)
Disposals/retirement of assets	17,381	9,004
Amortisation charge for the year	(186,774)	(206,677)
Translation differences	(878)	4,329
Accumulated amortisation at end of year	(1,703,607)	(1,533,335)
Net book value at end of year	1,011,677	990,060

Intangible assets arising on acquisitions are principally represented by acquired customer relationships and have finite useful lives. Out of total net book value, EUR 824,479 thousand (683,289 in 2020) 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 17. Refer to Note 1 Accounting Policies for more information.

Note 19 Other Intangible Assets

EUR thousand	2021	2020
Balance at beginning of year	603,270	503,604
Investments	111,447	101,777
Disposals/retirement of assets	(1,079)	(4)
Translation differences	(236)	(2,107)
Balance at end of year	713,402	603,270
Amortisation at beginning of year	(338,116)	(264,428)
Disposals/retirement of assets	882	4
Amortisation charge for the year	(93,447)	(74,542)
Translation differences	110	850
Accumulated amortisation at end of year	(430,571)	(338,116)
Net book value at end of year	282,831	265,154

Out of the total book value, EUR 208,572 thousand (171,391 in 2020) relates to internally developed intangible assets.

Note 20 Prepayments and Accrued Income

EUR thousand	2021	2020
Accrued sales income	1,017	1,229
Prepaid expenses	57,951	75,915
Other accrued income	128	181
Total	59,097	77,325

Note 21 Financial Risk Management

The Group's business activities create exposure to financial risks, such as credit risk, liquidity risk, refinancing risk, interest rate risk and foreign currency risk, as detailed in the sections below. The Group treasury policy describes key principles to manage financial risks. Where appropriate risk management is carried out using derivative financial instruments in accordance with the guidelines and limitations set out in the Group treasury policy. The management of financial risks is centralised within the competences of Group treasury.

Credit risk

Credit risk is the risk that losses are incurred as a result of a counterparty's inability to partially or totally meet its commitment. These risks are apportioned between credit risk from trade receivables and credit risk from financial receivables.

Financial instruments by category and valuation level

EUR thousand	2021		2020	
	Financial Asset	Financial Liability	Financial Asset	Financial Liability
Hedge accounting				
FX Forwards ¹	9,651	-	-	7,865
Fair value through profit or loss				
FX Swaps ¹	-	3,479	1,589	-
Cross currency swaps ¹	-	18,630	-	27,361
Interest rate swaps ¹	-	8,744	-	18,149
Amortised cost				
Trade and other receivables	311,653	-	315,147	-
Trade receivables, current ^{2, 4}	147,629	-	161,147	-
Other current receivables ^{2, 4}	35,288	-	40,028	-
Cash and cash equivalent	24,283	-	97,941	-
Long-term borrowings ^{2, 3}	-	7,029,477	-	5,073,558
Other non-current liabilities ²	-	86,792	-	105,102
Trade payables ^{2, 4}	-	190,682	-	183,115
Short-term borrowings ^{2, 4}	-	129,919	-	102,238
Other current liabilities ^{2, 4}	-	39,015	-	47,094

1) All derivatives measured at fair value are classified in level 2. All significant inputs are observable.

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 4,010 million (2,786 in 2020), fair value for the Term Loan B is EUR 2,780 million (2,290 in 2020), which is the quoted market price at the balance sheet day. Since it is a quoted market price in an active market it is classified as level 1.

4) 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.

Note 21 cont.

Credit risk from trade receivables

The Group has no significant concentrations of credit risk in relation to trade receivables. Maximum credit exposure representing the value of the Group trade receivables at the end of December 2021 was EUR 198,194 thousand (220,125 in 2020). 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 23.

Financial credit risk

Verisure's objective is to minimise the counterparty risk of financial transactions without compromising flexibility. The Company limits financial credit risk by operating with external banks and financial counterparties that meet, to the extent possible, investment grade credit ratings. Investment of excess liquid funds are only made in securities issued by governments, with a minimum long-term sovereign credit rating by Moody's of Aa1 and/or Standard & Poor's of AA+. Alternatively, deposits may also be arranged with banks bearing a short-term investment grade credit rating.

Interest bearing liabilities per currency

EUR thousand	2021	2020
Long-term borrowings (principal amount)		
EUR liabilities	6,959,911	4,948,740
SEK liabilities	152,979	172,773
Other currencies	16,226	18,726
Total	7,129,116	5,140,239
Short-term borrowings		
EUR liabilities	119,982	92,120
SEK liabilities	3,769	3,806
Other currencies	6,168	6,312
Total	129,919	102,238

Credit facilities as per December 31, 2021

Line of credit	Currency	Facility amount	Available amount	Maturity
Revolving Credit Facility (RCF)	Multicurrency (EUR)	700,000	465 285	2027
Term loan B	EUR	2,000,000	-	2028
Term loan B	EUR	800,000	-	2026
Bond	EUR	500,000	-	2023
Bond	EUR	200,000	-	2025
Bond	EUR	800,000	-	2026
Bond	EUR	1,150,000	-	2027
Senior Unsecured Notes (SUN)	EUR	1,175,000	-	2029
Senior Unsecured Notes (SUN)	SEK	1,500,000	-	2029

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

Note 21 cont.

Liquidity risk

Liquidity risk is the risk that the Group's funds and borrowing facilities become insufficient to meet the business needs or that extra costs are incurred in order to arrange the financing needed. The Group's liquidity is closely monitored against forecast requirements and managed to maintain enough liquidity in the Group. 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.

Refinancing risk

Refinancing risk is defined as the risk that a too large proportion of the Group's funding matures within a limited time frame

during which funding sources are limited or expensive. The risk is minimised by actively managing the maturity profile of external funding.

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.

EUR thousand	2021			
	Less than 1 year	1–4 years	5 years or more	Total
Liabilities to credit institutions, principal amounts	(28,729)	(2,124,595)	(4,878,663)	(7,031,987)
Interest payments borrowings	(264,030)	(947,137)	(239,761)	(1,450,928)
Interest payments derivatives ²	(7,870)	-	-	(7,870)
Other non-current liabilities	-	86,792	-	86,792
Lease liabilities	(41,102)	(77,693)	(28,064)	(146,859)
Trade payables	(190,682)	-	-	(190,682)
Derivatives, cross-currency swaps	(8,641)	-	-	(8,641)
Other current liabilities	39,015	-	-	39,015
Total outflow	(580,069)	(3,236,217)	(5,146,488)	(8,962,774)
Other non-current receivables	-	311,030	623	311,653
Trade receivables	147,629	-	-	147,629
Derivatives, cross-currency swaps	6,645	-	-	6,645
Interest derivatives ²	125	-	-	125
Other current receivables	35,288	-	-	35,288
Total inflow	189,687	311,030	623	501,339
Net cash flow, total¹	(390,383)	(2,925,187)	(5,145,865)	(8,461,435)

EUR thousand	2020			
	Less than 1 year	1–4 years	5 years or more	Total
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, cross-currency swaps	(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	-	314,481	666	315,147
Trade receivables	161,147	-	-	161,147
Derivatives, cross-currency swaps	8,250	6,645	-	14,895
Interest derivatives ²	155	125	-	280
Other current receivables	40,028	-	-	40,028
Total inflow	209,580	321,251	666	531,497
Net cash flow, total^{1,3}	(309,603)	(3,790,184)	(1,660,116)	(5,759,903)

1) All contractual cash flows per the balance sheet date are included, including future interest payments.

2) Including interest rate swaps.

3) The table does not reflect changes in contractual cash flows in connection with the financing in January 2021.

Refer to events during the reporting period on page 41.

Note 21 cont.

Interest rate risk

Interest rate risk is the exposure of a company to adverse movements in interest rates. 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 2021 and 2020, the Group's borrowings at variable interest rates were denominated in Euro and Swedish krona. To reduce the interest rate risk the Group is exposed to, the Group enters interest rate swap contracts to economically hedge cash flows arising from the Groups' long-term debt contracts. The Group seek to operate on a 50-75% fixed rate range. Currently all interest rate swaps are used to exchange future interest payments from floating to fixed. In addition, currency swaps are used to actively manage our cash and minimise interest expenses charged by banks in our cash pool structures. Refer to note 25 for more information.

As of December 31, 2021, with current financing terms and existing derivatives in place (including derivatives), an increase of EURIBOR/ STIBOR fixings of 100 basis points would impact the Group's total interest expenses by a positive EUR 2 million.

Foreign currency risk*Transaction risk*

The Group's foreign currency risk is primarily generated by commitments to pay material purchases in USD. The Group's exposure is mainly in EUR/USD and SEK/USD and it is

continuously monitored and partly hedged through foreign exchange forwards. Currently the Group targets to hedge 50% of its material purchases in USD on a 12-month rolling basis. Where all relevant criteria are met, hedge accounting is applied to these contracts. As of December 31, 2021, the total exposure in USD in trade payables for the Group was USD 66.5 million (44.5 in 2020), whereof USD 61,5 million (37.1 in 2020) is recalculated in EUR and USD 5.0 million (7.4 in 2020) is recalculated in SEK. The Group has SEK denominated loans. The translation of borrowings in non-EUR currencies into EUR impacts the Group's income statement.

Translation risk

The Group operates in 16 countries in Europe and Latin America and is therefore exposed to foreign exchange risk arising from various currency exposures, 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. Net assets/debt in the subsidiaries functional currency different than the Group's reporting currency (EUR) may generate foreign currency risk. To the extent possible, financing in subsidiaries, external and internal, consists of debt and equity in its local currency.

Derivative summary & classification

		2021			
		Non-Current		Current	
EUR thousand	Notional	Asset	Liability	Asset	Liability
FX-Forwards	229,001	-	-	9,651	-
FX-Swaps	224,720	-	-	-	3,479
Cross Currency Swaps	275,000	-	-	-	18,630
Interest Rate Swaps	1,500,000	-	-	-	8,744
Total	2,228,721	-	-	9,651	32,270

		2020			
		Non-Current		Current	
EUR thousand	Notional	Asset	Liability	Asset	Liability
FX-Forwards	144,967	-	-	-	7,865
FX-Swaps	133,348	-	-	1,589	-
Cross Currency Swaps	275,000	-	27,361	-	-
Interest Rate Swaps	1,500,000	-	18,149	-	-
Total	2,053,315	-	45,510	1,589	7,865

Note 21 cont.

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 2021, including derivatives in place, and should be viewed as an estimate of the effect of an isolated change in each variable.

Variable	Change	Effect
Financing risk		
Interest rate	+/- 1 percentage point	Increase of approximately EUR 2 million (increase of 4 in 2020) in net result and equity if interest rates increase by 1 percentage point. If interest rates decrease by 1 percentage point, net result and equity would decrease by EUR 15 million (decrease of 15 in 2020).
Transaction risk		
Currency rate SEK/USD	+/- 10 percentage point	Increase/decrease of approximately EUR 0.5 (0.6 in 2020) million in net result and 0.6 (0.4 in 2020) million in equity.
Currency rate EUR/USD	+/- 10 percentage point	Increase/decrease of approximately EUR 5.4 (3.1 in 2020) million in net result and 6.3 (2.5 in 2020) million in equity.
Translation risk		
Currency rate EUR/SEK	+/- 10 percentage point	Increase/decrease of approximately EUR 10 (10 in 2020) million in both net result and equity.
Currency rate EUR/NOK	+/- 10 percentage point	Increase/decrease of approximately EUR 6 (6 in 2020) million in both net result and equity.

Capital structure

Asset management is aimed at ensuring that the Group's financial resources are used in an optimal way 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. We have complied with all covenants during the reporting period. The existing financial maintenance covenant applies only when drawings under the Revolving Credit Facility exceed 40% (EUR 280 million). When this occurs, Portfolio Net Leverage Ratio (defined as total net debt / Portfolio services adjusted EBITDA) during the last two quarters annualised) cannot exceed 8.9x. As of year-end 2021 this ratio was 4.7x.

EUR thousand	2021	2020
Long-term borrowings, principal amount	7,129,115	5,140,239
Short-term borrowings	129,919	102,238
Less accrued interest	(62,882)	(36,390)
Indebtness	7,196,153	5,206,087
Less cash and cash equivalents	(24,283)	(97,941)
Net debt per SFA lender documentation	7,171,870	5,108,146
Total assets	4,362,446	4,151,503
Adjusted EBITDA incl. SDIs	984,388	853,128

Note 22 Inventories

EUR thousand	2021	2020
Materials and consumables	252,086	161,190

Impairment for provision in inventories at year end totalled EUR 3,032 thousand (1,573 in 2020). The cost of materials recognised as an expense and included in "cost of sales" was EUR 86,050 thousand (74,488 in 2020) at December 31, 2021.

Not 23 Trade Receivables

Non-current

EUR thousand	2021	2020
Trade receivables before provision for bad debts	53,442	60,781
Provision for bad debts	(2,876)	(1,803)
Total	50,565	58,978

Current

EUR thousand	2021	2020
Trade receivables before provision for bad debts	255,543	239,437
Provision for bad debts	(107,914)	(78,290)
Total	147,629	161,147

Provision for bad debts

EUR thousand	2021	2020
Balance at beginning of year	80,093	60,915
Provision for bad debt during the year	39,573	29,727
Receivables written off during the year as uncollectible	(8,157)	(6,157)
Unused amounts reversed	(719)	(4,392)
Balance at end of year	110,790	80,093

Customer credit losses recognised in the income statement totalled EUR 31.3 million (32.4 in 2020) at December 31, 2021.

Due dates for trade receivables

EUR thousand	2021	2020
Past due 0–3 months	33,000	22,854
Past due 3–6 months	9,504	12,645
Past due 6–9 months	7,159	9,604
Past due 9–12 months	9,128	8,954
Past due >12 months	75,324	63,596
Total	134,115	117,653

Note 24 Share Capital

Verisure Midholding AB's (publ) share capital totalled EUR 56,104 at December 31, 2021 and December 31, 2020, distributed among 500,000 shares with a quotient value of EUR 0.1122. All shares are of the same class. All shares issued by the company were fully paid.

Change in number of shares

	2021	2020
Number of shares at beginning of year	500,000	500,000
Number of shares at end of year	500,000	500,000

Note 25 Borrowings

EUR thousand	2021			2020		
	Principal amount	Adjustment amortised costs	Carrying amount	Principal amount	Adjustment amortised costs	Carrying amount
Non-current liabilities						
Secured						
Senior Secured Notes	2,650,000	(21,472)	2,628,528	1,500,000	(10,820)	1,489,180
Term Loan B ¹	2,800,000	(51,445)	2,748,555	2,292,000	(48,893)	2,243,107
Revolving Credit Facility	234,715	(11,749)	222,966	-	-	-
Unsecured						
Senior Unsecured Notes	1,321,337	(14,972)	1,306,365	1,244,436	(6,968)	1,237,468
Liabilities to other creditors	14,014	-	14,014	10,375	-	10,375
Lease liability	109,049	-	109,049	93,428	-	93,428
Long-term borrowings	7,129,115	(99,638)	7,029,477	5,140,239	(66,681)	5,073,558
Current liabilities						
Accrued interest expenses	62,882	-	62,882	36,390	-	36,390
Other liabilities	25,935	-	25,935	27,694	-	27,694
Lease liability	41,102	-	41,102	38,154	-	38,154
Short-term borrowings	129,919	-	129,919	102,238	-	102,238
Total	7,259,034	(99,638)	7,159,397	5,242,477	(66,681)	5,175,796

1) Of the total amount regarding adjustment amortised costs 2021, EUR (16,482) thousand, ((27,756) in 2020), 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 per SFA

EUR thousand	2021	2020
Total principal amount (as above)	7,259,034	5,242,477
Less accrued interest	(62,882)	(36,390)
Indebtedness	7,196,153	5,206,087
Less cash and cash equivalents	(24,283)	(97,941)
Net debt (per SFA)¹	7,171,870	5,108,146

1) Starting in Q1 2021 and in compliance with our Senior Facilities Agreement ("SFA") dated January 25th, 2021, Net Debt per SFA is reported on a post-IFRS basis. In order to be consistent with this agreement, 2020 figures have been adjusted and therefore differ from the figures reported in previous reports.

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			Total EUR thousand
	EUR thousand	Weighted average interest rate %	EUR thousand	Weighted average interest rate %	Weighted average period for which rate is fixed, years	
2021						
EUR	1,459,700	7.4%	5,125,000	2.9%	3.9	6,584,700
SEK	421,493	4.5%	-	-	-	421,493
Total	1,881,193	-	5,125,000	-	-	7,006,193

	Floating interest rate		Fixed interest rate			Total EUR thousand
	EUR thousand	Weighted average interest rate %	EUR thousand	Weighted average interest rate %	Weighted average period for which rate is fixed, years	
2020						
EUR	717,000	11.6%	3,880,000	2.9%	2.9	4,597,000
SEK	438,585	4.6%	0	-	-	438,585
Total	1,155,585	-	3,880,000	-	-	5 035,585

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

EUR thousand	Carrying amount Jan 1, 2021	Cash flows	Non-Cash changes					Carrying amount Dec 31, 2021
			Change in adjustment amortised cost	New lease contracts	Lease contracts terminated in advance	Foreign exchange movement	New accrued interest	
Long-term borrowings	4,980,130	1,976,576	(32,957)	-	-	(3,320)	-	6,920,428
Short-term borrowings	27,694	(1,759)	-	-	-	-	-	25,935
Accrued interest	36,390	(36,390)	-	-	-	-	62,882	62,882
Lease liability	131,582	(45,976)	-	69,670	(5,216)	91	-	150,151
Total liabilities	5,175,796	1,892,451	(32,957)	69,670	(5,216)	(3,230)	62,882	7,159,397
Cash and cash equivalents	(97,941)	84,009	-	-	-	(10,351)	-	(24,283)
Total cash	(97,941)	84,009	-	-	-	(10,351)	-	(24,283)
Total	5,077,854	1,976 460	(32,957)	69,670	(5,216)	(13,581)	62,882	7,135,114

EUR thousand	Carrying amount Jan 1, 2020	Cash flows	Non-Cash changes					Carrying amount Dec 31, 2020
			Change in adjustment amortised cost	New lease contracts	Lease contracts terminated in advance	Foreign exchange movement	New accrued interest	
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 liability	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	(12,770)	(87,448)	-	-	-	2,277	-	(97,941)
Total cash	(12,770)	(87,448)	-	-	-	2,277	-	(97,941)
Total	5,026,226	(87,824)	53,030	51,331	(10,256)	8,957	36,390	5,077,855

Note 26 Other Provisions

EUR thousand	2021	2020
Balance at beginning of year	53,892	25,141
Additional provisions	9,059	41,804
Utilised provisions	(38,672)	(4,493)
Reversal of provisions not used	(1,842)	(8,560)
Balance at end of year	22,437	53,892

Breakdown

EUR thousand	2021	2020
Provision for staff related costs	2,818	4,440
Provision for service related costs	4,226	6,898
Provisions for litigations	-	36,000
Other items	15,393	6,554
Total	22,437	53,892

Note 27 Accrued Expenses and Deferred Income

EUR thousand	2021	2020
Subscription fees invoiced in advance	201,947	209,542
Staff-related costs	147,971	160,557
Marketing-related costs	29,547	25,337
Goods received	27,255	9,642
Audit assignments and other services	1,464	1,377
Risk reserves	11,331	7,371
External services	31,193	36,574
Other items	95,132	71,908
Total	545,839	522,308

Unsatisfied long-term customer contracts

When the Group receives a payment but has not delivered the promised service a contract liability arise 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.

Aggregate amount of the customer contracts revenue allocated to long-term customer contracts that are partially or fully unsatisfied as of December 31, 2021, amounts to EUR 637,208 thousand, compared to EUR 757,768 thousand as of December 31, 2020. As of December 31, 2021, the Group had non-cancellable customer contracts which resulted in partly

unsatisfied performance obligations at year-end. Management expect that 61.9% of the transaction price allocated to the partly unsatisfied contracts as of December 31, 2021 will be recognised as revenue during the year 2022, 30.5% is expected to be recognised during 2023 and 7.7% during 2024 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.

Note 27 cont.

Liabilities related to contracts with customers

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

EUR thousand	2021	2020
Opening balance	293,667	278,603
Prepayments taken as income	(225,820)	(225,668)
New prepayments	228,811	244,322
Translation effect	(214)	(3,590)
Closing balance	296,444	293,667
Closing balance consists of:		
Non-current liabilities	74,480	84,125
Current liabilities	221,964	209,542
Total liabilities	296,444	293,667

Note 28 Pledged Assets and Contingent Liabilities**Pledged assets**

EUR thousand	2021	2020
Shares in subsidiaries	2,393,895	2,054,531
Bank accounts	15,126	79,705
Accounts receivables	124,264	96,092
Inventories	729	557
Other operating assets	67,822	-
Trademark	66,925	43,333
Endowment insurance	622	666
Motor vehicles	-	9

Contingent liabilities

EUR thousand	2021	2020
Guarantees	36,769	24,001

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.

In February 2022, the Oslo District's Court dismissal of a class action initiated by the newly-formed Alarm Customer Association against Sector Alarm AS and Verisure AS was appealed by the Alarm Customer Association to the Court of Appeal. The case was initiated in July 2021 and concerns alleged economic losses suffered by customers as a result of the claimed breaches of the Norwegian Competition Act that formed part of the NCA decision. The underlying claims have not been specified in any detail by the Alarm Customer Association and we firmly contest that the conditions for compensation are fulfilled. The District Court dismissed the case on procedural grounds in a ruling delivered in December 2021.

Parent Company Financial Statements

Parent Company Income Statement

EUR thousand	Note	2021	2020
Administrative expenses		35,854	(36,004)
Operating profit		35,854	(36,004)
Financial income	2, 3	43,098	50,182
Financial expenses	2, 3	(99,013)	(75,743)
Dividend	3	295,868	1,433,928
Result before tax		275,807	1,372,363
Income tax expense and benefit		-	-
Result for the year		275,807	1,372,363

Parent Company Statements of Financial Position

EUR thousand	Note	2021	2020
Assets			
Non-current assets			
<i>Long-term investments</i>			
Investments in subsidiaries	4	1,190,969	1,191,365
Receivables from Group companies	3	704,210	708,518
Total non-current assets		1,895,178	1,899,883
Current assets			
Other receivables from Group companies	3	-	1,433,928
Accrued interest income from Group companies	3	20,766	4,781
Cash and cash equivalents		1,061	396
Total current assets		21,827	1,439,105
Total assets		1,917,005	3,338,988

EUR thousand	Note	2021	2020
Equity and liabilities			
Equity			
Share capital	5	56	56
Other paid in capital		569,170	569,170
Retained earnings		(61,878)	1,392,508
Total equity		507,349	1,961,734
Provisions			
Other provisions	6	-	36,000
Total provisions		-	36,000
Non-current liabilities			
Long-term borrowings	7	1,306,365	1,237,468
Liabilities to Group companies	3	77,387	97,979
Total non-current liabilities		1,383,752	1,335,447
Current liabilities			
Accounts payable		9	-
Accrued expenses and prepaid income	7	25,893	5,807
Other current liabilities		2	-
Total current liabilities		25,904	5,807
Total equity and liabilities		1,917,005	3,338,988

Parent Company Statements of Changes in Equity

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
Balance at January 1, 2021	56	569,170	1,392,508	1,961,734
Result for the period	-	-	275,807	275,807
Dividend	-	-	(1,729,796)	(1,729,796)
Shareholders contribution	-	-	1,016	1,016
Repurchase of share options	-	-	(1,413)	(1,413)
Balance at December 31, 2021	56	569,170	(61,878)	507,349

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
Balance at January 1, 2020	56	569,170	18,901	588,127
Result for the period	-	-	1,372,363	1,372,363
Shareholders contribution	-	-	1,244	1,244
Balance at December 31, 2020	56	569,170	1,392,508	1,961,734

Parent Company Statement of Cash Flows

EUR thousand	Note	2021	2020
Operating activities			
Operating profit		(146)	(36,004)
Other non-cash items	6	-	36,000
Cash flow from operating activities before change in working capital		(146)	(4)
Change in working capital			
Change in trade payables		9	1
Change in other receivables		2	(2)
<i>Cash flow from change in working capital</i>		11	(1)
Cash flow from operating activities		(134)	(5)
Investing activities			
Cash flow from investing activities		-	-
Financing activities			
New financing		1,322,783	-
Repayment of loan		(1,242,562)	-
Dividend received		1,703,787	-
Dividend paid ¹		(1,703,787)	-
New loans from Group companies		39,810	26,953
Repayment of loan from Group companies		(60,402)	-
Paid bank and advisory fees		(16,793)	(10)
Call cost old debt		(17,175)	-
Net interest received or paid		(24,862)	(26,661)
Cash flow from financing activities		798	282
Cash flow for the period		664	277
Cash and cash equivalents at start of period		396	119
Cash and cash equivalents at end of period		1,061	396

Notes to the Parent Company Financial Statements

Note 1 Accounting Policies

The parent company Verisure Midholding AB applies the Swedish Financial Reporting Board's recommendation "RFR 2". The parent company basically applies the same accounting policies for recognition and measurement as the Group. The accounting policies applied by the parent company deviate

from the accounting policies set out in note 1 to the consolidated financial statements in the annual report. The accounting policies are unchanged compared with those applied in 2020.

Note 2 Financial Income and Expenses

EUR thousand	2021	2020
Interest income from Group companies	43,098	48,570
Other financial income	-	1,612
Financial Income	43,098	50,182
Interest expense	(70,392)	(71,416)
Interest expense to Group companies	(1,671)	(2,130)
Other financial cost	(26,950)	(2,197)
Financial expenses	(99,013)	(75,743)

Note 3 Transactions with Related Parties

Transaction with related parties

EUR thousand	2021	2020
Interest income	43,098	48,570
Interest expense	(1,671)	(2,130)
Dividend	295,868	1,433,928

Balances with related parties

EUR thousand	2021	2020
Group contribution claim	43,239	44,082
Financial receivable, non-current	660,971	664,436
Accrued interest income	20,766	4,781
Dividend	-	1,433,928
Financial liabilities, non-current	(51,234)	(71,826)
Group contribution liability	(26,153)	(26,153)
Accrued interest expense	(1,671)	-

Note 4 Investments in Subsidiaries

EUR thousand	2021	2020
Opening acquisition value	1,191,365	1,190,121
Capital increase	1,016	1,244
Write down of shares	(1,412)	-
Closing accumulated acquisition value	1,190,969	1,191,365

Subsidiary name	Reg. no	Reg. office	No. of shares	Share of share capital and voting rights	2021	2020
Verisure Holding AB	556854-1410	Malmö	500,000	100%	1,190,969	1,191,365
Total					1,190,969	1,191,365

Subsidiary name	Reg. no	Reg. office	Share of share capital and voting rights
Verisure Holding AB (publ)	556854-1410	Malmö, Sweden	100.00%
Securitas Direct AB (publ)	556222-9012	Malmö, Sweden	100.00%
Verisure Sales Sverige AB	556955-2978	Linköping, Sweden	100.00%
Verisure Sverige AB	556153-2176	Linköping, Sweden	100.00%
Alert Alarm AB	556674-8975	Solna, Sweden	100.00%
Securitas Direct Sverige AB	556893-9010	Linköping, Sweden	100.00%
Verisure Logistics AB	556702-0747	Linköping, Sweden	100.00%
Verisure Innovation AB	556723-5329	Malmö, Sweden	100.00%
Verisure International AB	559132-9569	Malmö, Sweden	100.00%
ESML SD Iberia Holding S.A.U.	A85537363	Madrid, Spain	100.00%
Securitas Direct España S.A.U	A26106013	Madrid, Spain	100.00%
Verisure Perú S.A.C	12880228	Santiago de Surco, Peru	100.00%
Verisure Italy S.R.L.	12454611000	Rome, Italy	100.00%
Verisure Brazil Monitoramento de Alarmes LTDA	11660106000138	São Paulo, Brazil	100.00%
Securitas Direct Portugal Unip. LDA	505760320	Lisbon, Portugal	100.00%
Verisure Chile SPA	76058647-1	Santiago, Chile	100.00%
Verisure Argentina Monitoreo de Alarmas S.A	24704	Buenos Aires, Argentina	100.00%
Verisure	34500602700188	Antony, France	100.00%
Verisure Sàrl	CHE300209613	Versoir, 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%
Verisure NV	KBO459866904	Brussels, Belgium	100.00%
Verisure Security BV	KBO877035396	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 Arlo Europe DAC	658538	Cork, Ireland	100.00%
Verisure Deutschland GmbH	HRB85120	Düsseldorf, Germany	100.00%
Verisure Ireland DAC	696619	Cork, Ireland	100.00%

Note 5 Share Capital

Verisure Midholding AB's (publ) share capital totalled EUR 56,104 at December 31, 2021 and December 31, 2020, distributed among 500,000 shares with a quotient value of EUR 0.1122. All shares are of the same class. All shares issued by the company were fully paid.

Change in number of shares

	2021	2020
Number of shares at beginning of year	500,000	500,000
Number of shares at end of year	500,000	500,000

Note 6 Other Provisions

The parent company reported a provision related to the Norwegian Competition Authority (the "NCA") case in Dec 2020. The fine was paid on December 29, 2021. Refer to the description in the section 'Events during the reporting period' for the Group on page 41 for more information.

Note 7 Borrowings

EUR thousand	2021		
	Principal amount	Adjustment amortised costs	Carrying amount
Non-current liabilities			
Unsecured			
Senior Unsecured Notes	1,321,337	(14,972)	1,306,365
Long-term borrowings	1,321,337	(14,972)	1,306,365
Current liabilities			
Accrued interest expenses	24,208	-	24,208
Short-term borrowings	24,208	-	24,208
Total	1,345,545	(14,972)	1,330,573

EUR thousand	2020		
	Principal amount	Adjustment amortised costs	Carrying amount
Non-current liabilities			
Unsecured			
Senior Unsecured Notes	1,244,436	(6,968)	1,237,468
Long-term borrowings	1,244,436	(6,968)	1,237,468
Current liabilities			
Accrued interest expenses	5,790	-	5,790
Short-term borrowings	5,790	-	5,790
Total	1,250,226	(6,968)	1,243,258

Note 8 Pledged Assets and Contingent Liabilities

Pledged assets

EUR thousand	2021	2020
Shares in subsidiaries	1,190,969	1,191,365

There are no other contingent liabilities in 2021 and 2020.

March 24, 2022, Malmö

Austin Lally
CEO

Cecilia Hultén
Chairman

Vincent Litrico

Daniel Bruzaeus

Elizabeth Henry

Our auditor's report was issued on March 24, 2022, Stockholm
PricewaterhouseCoopers AB

Johan Rippe
Authorised Public Accountant

Independent Auditor's Report

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

Corporate identity number 556854-1402

Opinions

We have audited the annual financial statements and the consolidated financial statements of Verisure Midholding AB (publ) for the financial year ended December 31, 2021. The annual financial statements and consolidated financial statements comprise the annual financial statements of the parent company and consolidated statement of financial position of Verisure Midholding AB (publ) and its subsidiaries ("the Group") as at December 31, 2021 and the related annual financial statements and consolidated statements of income, comprehensive income, changes in equity and cash flows for the period from January 1, 2021 through December 31, 2021 and a summary of significant accounting policies. The financial statements of the parent company and the group are included in the printed version of this document on pages 42-82.

In our opinion, the accompanying annual financial statements of the parent company have been prepared in accordance with the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and present fairly, in all material respects, the financial position of the parent company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

The consolidated financial statements present fairly, in all material respects, the financial position of the group as at December 31, 2021, and the operations and cash flows for the period from January 1, 2021 through December 31, 2021, in accordance with International Financial Reporting Standards, as adopted by the EU.

Basis for Opinions

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

Emphasis of Matter – Basis of Accounting and Use

We draw attention to the Notes of the annual financial statements of the parent company and consolidated financial statements, which describes the basis of preparation and accounting. The annual financial statements of the parent

company and consolidated financial statements have been prepared to present the operations of Verisure Midholding AB (publ) for the full year 2021, in order to fulfil the reporting requirements of the Euro MTF Market of the Luxembourg Stock Exchange. As a result, the annual financial statements and consolidated financial statements may not be suitable for other purposes. Our opinion is not modified in respect of this matter.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Stockholm, March 24, 2022
PricewaterhouseCoopers AB

Johan Rippe
Authorised Public Accountant

Five-Year Financial Overview

EUR thousand (if not otherwise stated)	2021	2020	2019	2018	2017
Consolidated:					
Non-IFRS and IFRS financial data					
Revenue ¹	2,508,847	2,138,903	1,900,730	1,612,525	1,372,409
Organic revenue growth	16.7%	14.4%	18.6%	19.4%	17.4%
Adjusted EBITDA excl. SDIs	1,047,995	919,569	761,086	610,614	535,206
Adjusted EBITDA margin excl. SDIs	41.8%	43.0%	40.0%	37.9%	39.0%
Adjusted EBITDA incl. SDIs	984,388	853,128	702,869	583,549	500,424
Adjusted EBITDA margin incl. SDIs	39.2%	39.9%	37.0%	36.2%	36.5%
Operating profit ¹	378,864	324,226	237,480	190,007	152,126
Capital expenditures	762,444	634,980	422,445	351,304	310,407
Net Debt per SFA ²	7,171,870	5,108,146	5,126,308	4,749,682	4,200,515
Unaudited operating data					
Payback period (in years)	3.4	3.3	3.5	3.7	3.7
Portfolio services segment					
Non-IFRS and IFRS financial data					
Portfolio services revenue ¹	2,043,673	1,740,581	1,548,936	1,329,536	1,158,096
Portfolio services adjusted EBITDA excl. SDIs	1,477,479	1,255,774	1,075,348	890,704	759,909
Portfolio services adjusted EBITDA margin	72.3%	72.1%	69.4%	67.0%	65.6%
Unaudited operating data					
Total subscribers (year-end), units	4,274,827	3,763,945	3,346,712	2,930,753	2,586,123
Cancellation, units	258,701	229,699	195,362	171,099	153,369
Attrition rate (LTM)	6.4%	6.5%	6.2%	6.2%	6.3%
Net subscriber growth, units	510,882	417,233	415,959	344,630	292,130
Subscriber growth rate, net	13.6%	12.5%	14.2%	13.3%	12.7%
Monthly average number of subscribers during the period, units	4,017,721	3,518,094	3,133,291	2,755,113	2,432,973
Average monthly revenue per user (ARPU), in EUR	42.4	41.2	41.2	40.2	39.7
Adjusted EBITDA per customer (EPC), in EUR	30.6	29.7	28.6	26.9	26.0
Customer acquisition segment					
Non-IFRS and IFRS financial data					
Customer acquisition revenue ¹	373,492	338,138	329,098	266,823	212,130
Customer acquisition adjusted EBITDA excl. SDIs	(421,036)	(321,999)	(316,297)	(277,768)	(225,167)
Customer acquisition capital expenditures	546,440	451,374	422,445	351,304	310,407
Unaudited operating data					
New subscribers added gross, units	769,583	646,932	611,321	515,624	439,687
Cash acquisition cost per new subscriber (CPA), in EUR	1,257	1,195	1,208	1,220	1,218
Adjacencies segment					
Non-IFRS and IFRS financial data					
Adjacencies revenue ¹	91,682	60,184	22,696	16,167	2,183
Adjacencies adjusted EBITDA excl. SDIs	(8,448)	(14,206)	2,035	(2,322)	464

1) IFRS financial data.

2) Starting in 2021 and in compliance with our Senior Facilities Agreement ("SFA") dated January 25th, 2021, Net Debt per SFA is reported on a post-IFRS basis. In order to be consistent with this agreement, 2020-2017 figures have been adjusted and therefore differ from the figures reported in previous reports.

Non-IFRS Measures

The Group uses some financial measures to assess the business which are not defined by IFRS. These measures are included in this report and are not to be considered a substitute of the Group's financial statements but instead important complementary measures of the operating performance of the Group.

Adjusted EBITDA

Earnings before interests, taxes, depreciation and amortisation, write offs and SDIs.

EUR thousand	2021	2020
Operating profit according to consolidated income statement	378,864	324,226
Depreciation and amortisation add-back	477,293	433,189
Retirement of assets add-back	128,232	95,714
Separately disclosed items add-back	63,607	66,441
Adjusted EBITDA	1,047,995	919,569
Whereof adjusted EBITDA customer acquisition	(421,036)	(321,999)
Whereof adjusted EBITDA portfolio services	1,477,479	1,255,774
Whereof adjusted EBITDA adjacencies	(8,448)	(14,206)

Average Revenue per user

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

Calculation of ARPU

EUR thousand	2021	2020
Portfolio services segment revenue	2,043,673	1,740,581
Monthly average portfolio services segment revenue	170,306	145,049
Average number of subscribers during the period, units	4,017,721	3,518,094
Monthly average portfolio services segment revenue (in EUR) divided by average number of subscribers during the period – ARPU (In EUR)	42.4	41.2

Monthly adjusted EBITDA per subscriber

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

Calculation of EPC

EUR thousand	2021	2020
Portfolio services segment adjusted EBITDA excl. SDIs	1,477,479	1,255,774
Monthly average portfolio services segment adjusted EBITDA excl. SDIs	123,123	104,648
Average number of subscribers during the period, units	4,017,721	3,518,094
Monthly average portfolio services segment adjusted EBITDA (in EUR) divided by average number of subscribers during the period – EPC (In EUR)	30.6	29.7

Cash acquisition cost per new subscriber

Cash acquisition cost per new subscriber ("CPA") is the net investment required to acquire a new subscriber, including costs related to the marketing and sales process, installation of the alarm system, costs of alarm system products and overhead expenses for the customer acquisition process.

The metric is calculated net of any revenues from installation fees charged to the new subscriber and represents the sum of adjusted EBITDA plus capital expenditures in our customer acquisition segment on average for every subscriber acquired.

Calculation of CPA

EUR thousand	2021	2020
Customer acquisition adjusted EBITDA excl. SDIs	(421,036)	(321,999)
Customer acquisition capital expenditure	(546,440)	(451,374)
Customer acquisition cost	(967,476)	(773,373)
New subscriber added gross, units	769,583	417,233
Monthly average portfolio services segment revenue (in EUR) divided by average number of subscribers during the period – ARPU (In EUR)	1,257	1,195

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.

Calculation of Payback period

EUR thousand	2021	2020
Cash acquisition cost per new subscriber ("CPA")	1,257	1,195
Monthly adjusted EBITDA per customer ("EPC")	30.6	29.7
CPA divided by EPC divided by 12	3.4	3.3

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 subscribers 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 (SDIs)

Separately disclosed items (SDIs) 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. Such items could be projects related to organisation effectiveness, M&A, transformational and capital structure.

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. 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-monitored system 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 well 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, 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 present in Europe and Google has now embraced professional security services provider ADT as strategic go-to-market partner in the U.S., Google 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, 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.

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

We may not be able to compete effectively with companies that integrate or bundle security offerings similar to ours with the other general services they provide. For example, home insurance companies (many of which offer reduced premiums

for homes with security alarms), telecommunications companies or utility companies (all of which may already have a relationship with our potential customers) may decide to expand into security and safety services and bundle their existing offerings with such services. The existing access to and relationship with customers that these companies have could give them a substantial advantage over us, especially if they are able to offer customers a lower price by bundling these services. These potential competitors may subject us to increased pricing pressure, slower growth in our customer base, higher costs and increased attrition rate among our customers. If we are unable to sufficiently respond to these competitors or otherwise meet these competitive challenges, we may lose customers or experience a decrease in demand for our products and services, which could have an adverse material effect on our business, financial condition, results of operations and cash flows.

In addition, in many locations, we work with guarding companies to respond to triggered alarms. In some cases, like with Securitas AB; 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, results of operations and cash flows.

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 (for example through the ongoing roll-out of our Moonshot product proposition) 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, 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, 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. Thus we had a more significant increase in attrition rate in our small business portfolio compared to our residential customers.

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 global growth will moderate in 2022, as compared to 2021, impacted by Omicron COVID-19. However, there is no assurance even such moderate growth 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 did utilise 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, results of operations of the Group.

Additionally, we have seen the coming into effect of the United Kingdom's withdrawal from the European Union (known as "Brexit"). While it is still difficult to predict the full effect of Brexit on the European and global economy, it 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, 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 6.2%, 6.2% and 6.5% in the years ended December 31, 2018, 2019 and 2020, respectively, and 6.4% for the year ended December 31, 2021. 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, 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, 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 39% of our revenue for the year ended December 31, 2021. 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. Additionally, increased competition from existing and new competitors could materially impact our business performance. 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, results of operations and cash flows.

Privacy concerns, such as consumer identity theft and security breaches, including any breaches caused by cyber-attacks, 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, results of operations and cash flows.

Companies that collect and retain personal data are under increasing attack by cybercriminals and other actors around the world. As part of our operations, we or our partners, collect and retain a large amount of personal data from our customers, including name, address, bank details, credit card information, images, videos, voice recordings and other personal data. While we implement security measures within our products, components, networks, security systems and infrastructure, those measures may not prevent cybersecurity breaches, the access, capture, or alteration of data by criminals, the exposure or exploitation of potential security vulnerabilities or the installation of malware or ransomware that could be detrimental to our reputation, business, financial condition, results of operations and cash flows. In particular, if we were to experience a breach of our data security, we might find ourselves in a position where personal data regarding 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 or videos 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, we cannot be certain that advances in criminal capabilities, computing power, discoveries in the field of cryptography, or other developments will not compromise or breach the technology protecting the networks that access our products and service, and we can make no assurance that we will be able to detect, prevent, timely and adequately address or mitigate the negative effects of cyber-attacks or other security breaches.

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, 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. Such an event could additionally result in unfavorable publicity and therefore materially and adversely affect the market's perception of the security and reliability of our services and our credibility and reputation with our customers, which may lead to customer distrust and could result in an increase in our attrition rate or make it more difficult to attract new customers. As the regulatory focus on privacy issues continues to increase, these potential risks to our business may intensify.

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.

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. Securitas AB (publ) is increasing their presence in the residential and small business segment including use of the "SECURITAS" brand name in the geographies in which we operate, which may cause consumer confusion. 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, 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 and moved several of our countries to this brand from “SECURITAS DIRECT”. As we continue to build the “VERISURE” brand name, there are some risks 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 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, results of operations and cash flows.

We may face difficulties in increasing our customer base or our subscription fees or upselling 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 RHB 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, 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 December 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 upsell new products and incur the additional costs, our business, financial condition, 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, 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 2020, we 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 EUR 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, 2022 to December 31, 2022. 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 profitability 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, adverse developments in our relationships with our employees, and inability to attract talent to sustain our expected future growth, 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, 2021. 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, and/or inability to attract talent to sustain our expected future growth, it could have an adverse material effect on our business, financial condition, 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, health epidemics or pandemics, act of terrorism, power loss or other catastrophe, our operations and customer relations could be, in turn, materially and adversely affected. Monitoring could also be disrupted by information systems and network-related events or cybersecurity attacks, such as computer hacking, computer viruses, worms or other malicious software, distributed denial of service attacks, malicious social engineering, or other destructive or disruptive activities that could also cause damage to our properties, equipment, and data. 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, 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 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, 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 are 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, 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, results of operations and cash flows.

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

Our operations and employees are subject to various general and industry specific 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 marketing, sales and installation process throughout the monitoring and alarm verification process. Relevant regulation for our operations includes regulation covering 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. As we are growing as a company in individual countries and globally, including gaining in market share, enter into a wider range of services and face increased competition, the risk of being the target of regulatory enforcement action grows. 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 – such as the so-called Omnibus Directive that must be implemented across most of our European footprint by end-May 2022 – could cause us to incur significant costs and expenses to comply with such laws or regulations. We might even become unable to operate in the alarm sale and installation. We might even monitoring market segment within the localities in which such laws or regulations are implemented, or could impact our sales channels. Such changes may also result in delays in commencement or completion of services for our customers or the need to modify completed installations. Any limitation on our ability to operate our business due to legal or regulatory reasons could have an adverse material effect on our business, financial condition, 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, 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, sourcing issues, unavailability of raw materials, 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 face difficulties related to the production or extraction of materials, or 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.

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, 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, 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, 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, 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, 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;
- decreasing crime and burglary rates, lowering consumer interest in home security solutions; 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 December 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, 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, 2021, 71% of our revenue was denominated in euro, 17% was denominated in SEK and NOK and 12% of revenue was denominated in other currencies. Historically, the euro/SEK exchange rate fluctuated significantly, as it averaged

SEK 9.4648 = 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, SEK 10.4815 = EUR 1.0 in 2020, and SEK 10.1562 = EUR 1.0 for the twelve months ended December 31, 2021. 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, 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, results of operations and cash flows. In addition, the costs related to litigation and arbitration proceedings may be significant. As we are growing as a company in individual countries and

globally, enter into a wider range of services and face increased competition, the risk of being the target of legal and arbitration proceedings grows. 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, 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 2021, 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. 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, 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, our Senior Facilities Agreements and the Existing 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.

Verisure Midholding AB (publ)

Visiting address:
Nordenskiöldsgatan 11A
211 19 Malmö
Sweden

Postal address:
Box 392
201 23 Malmö
Sweden

