

VERISURE MIDHOLDING AB

PROUD TO **PROTECT**



2023

ANNUAL REPORT

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OVER 35 YEARS

Protecting what
matters most



Verisure is the leading provider of professionally monitored alarm solutions for residential households and small businesses in Europe. We offer premium monitored alarm services to our portfolio of over 5.1 million customers and design and install alarms with network connectivity across 17 countries in Europe and Latin America. We are also one of the leading providers of connected video surveillance systems through our Arlo Europe camera business.

OVER			MORE THAN
5.1	~15	~20%	28,000
MILLION CUSTOMERS	YEARS AVERAGE CUSTOMER LIFETIME	FULLY LOADED IRR PER NEW CUSTOMER	DEDICATED COLLEAGUES

QUICK FACTS



REVENUE

3,090
€ MILLION

PORTFOLIO SERVICES ADJUSTED EBITDA

1,885
€ MILLION

ONE NEW CUSTOMER EVERY

10
SECONDS

OPERATING IN

17
COUNTRIES IN EUROPE
AND LATIN AMERICA

(€) EPC

31.6

(€) ARPU

44.2

Another Year of Quality Growth

Against the backdrop of a difficult global economy, Verisure achieved another strong year of growth in 2023.

We did not take this growth for granted. A number of significant macroeconomic factors impacted consumer confidence and spending power. For example, the aftermath of the pandemic, the war in Ukraine, higher energy costs, inflation and increased interest rates. But, even in this more complicated environment, we continued to bring significant innovation to the market, continued to build our talented and engaged organisation, formalised our ESG commitments, and received numerous external awards.

We celebrated our 35th anniversary and continued to grow our portfolio, passing the 5 million customer milestone. During the year we added close to 800,000 new customers. By year-end, we protected over 5.1 million families and small businesses. This represented close to +9% year-on-year portfolio growth.

2023 demonstrated again the quality of our portfolio and the resilience of our business. Attrition closed at 7.6% which in absolute terms we believe is best in class in our category. We achieved this despite households and small businesses continuing to be under pressure from inflation and higher mortgage payments. We are very proud of the trust our customers continue to place in our service, and we work hard every day to earn their loyalty.

We maintained our track record of delivering robust financial performance. Total revenues grew to a record EUR 3,090 million, up +9.3% year on year. We also continued to improve our unit economics, specifically the profitability of individual customers served. Our company Adjusted EBITDA also hit a new high of EUR 1,298 million, up +16.3% year

on year. We are very pleased with this performance, given the external economic environment.

Our future growth prospects are strong as penetration of monitored security in our geographies still has significant room to grow. We are well established as the leading provider of professionally monitored alarms for residential and small business customers in Europe. In 13 of our 17 geographies, we lead the category in terms of customers served. And we continue to gain market share.

We continue to invest in product and service innovation, so our customers can be better protected in their homes and places of business. This earned us additional external recognition last year, picking up two Red Dot awards for elements of our product suite, as well as 'Product of the Year' and/or the 'Customer Service of the Year' award in Belgium, Italy, Spain, Portugal, and France.

We ended 2023 with our teams as highly engaged as ever. This is crucial for us. We are people who protect people. We are a technology-enabled human services company. So, everything we achieve is thanks to our very special Verisure teammates. Time and again they step up to protect our customers.



We celebrated our 35th anniversary and continued to grow our portfolio, passing the 5 million customer milestone.

Across many of our countries in 2023, Verisure people found ways to help and protect those in need. We supported the United Nations High Commission for Refugees and continued our work with the United Nations Global Compact to advance our ESG strategy and framework. And a testament to the strides made in ESG, Verisure Group (Midholding AB) has been recognised by Morningstar Sustainalytics¹ as an ESG Global 50 Top Rated company, as well as an ESG Regional and Industry Top Rated company. We were once again recognised as one of the best companies to work for, with

certifications across 11 countries as a 'Top Employer' and/or a 'Great Place to Work'. And, we have just been named as a 'Top Employer in Europe' for 2024. These recognitions are important because they help us attract and retain the talent we need to grow.

We look ahead to the future with optimism. Our business fundamentals are strong. We have demonstrated resilience. We provide an important service, that is highly valued by our customers. We will continue to innovate and enrich our proposition. As discussed

earlier, penetration of monitored security remains low so there is plenty of room to grow. We will leverage our expertise and leadership position to protect more families and small businesses.

Regards,
Austin Lally, Group CEO
Geneva, Switzerland, March 2024



We look ahead to the future with optimism. Our business fundamentals are strong. We have demonstrated resilience.

¹ In November 2023, Verisure Midholding AB received an ESG Risk Rating of 7.1 and was assessed by Morningstar Sustainalytics to be at Negligible risk of experiencing material financial impacts from ESG factors. In no event the labels above shall be construed as investment advice or expert opinion as defined by the applicable legislation.

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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.

OUR MISSION

We protect what matters most.



People Protecting People

We are the leading provider of professionally monitored alarms, and one of the leading providers 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 over 5.1 million families and small businesses. Our service includes professional installation, 24/7 monitoring, expert verification and response, customer care, maintenance, and 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 they provide what we believe is the best customer service in the industry.

35-year track record

We have been protecting what matters most since 1988. Over that time, we have expanded beyond our roots in the Nordics and Spain. We now operate in 17 countries across Europe and Latin America. In November 2019, we formed a strategic partnership with Arlo Inc., one of the leaders in connected cameras, and acquired their European operations. This allows us to offer standalone video surveillance services and to complement our professionally monitored home security proposition. It also allows us to access new go-to-market opportunities in direct-to-consumer, e-commerce, and retail.

Leading across a broad footprint

We are the leading provider of residential and small business monitored alarms in Europe, and the second-largest worldwide. We offer this service in 17 countries across Europe and Latin America. Our history has been one of cautious but regular expansion of this proposition to new geographies. Through Arlo Europe, we are also one of the leading providers of camera video surveillance systems in Europe, serving users across more than 50 countries. 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 our industry leading level of attrition and a long customer lifetime.

A technology-enabled human services company

Our more than 28,000 colleagues are the foundation of our company. Our business model combines technology

and human expertise to protect people. We are a technology-enabled 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. And we leverage these insights with the significant investment we continue to make into product and service innovation. Our close customer contact also fuels pride in our teams which in turn drives engagement.

PROUD TO PROTECT ACROSS 17 COUNTRIES

We protect over 5.1 million families and small businesses in 17 countries across Europe and Latin America.



OUR HOW

We are a technology-enabled human services company, innovating on our unique home security platform.

Strategy = Clarity and Focus

Our Verisure Group strategy fits on a single piece of paper. We call it our “SOAP” (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, Where Not to Play, and How to Win.

Increase penetration of Home 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. Home Security remains a very underpenetrated category. 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 Arlo Europe operations has also allowed us to enter the video-surveillance 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 (US), France and elsewhere 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 are committed to doing 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 strive to improve our operating processes and performance every day. We know that tomorrow we can always do things better than today.

Create value for shareholders, customers, colleagues and society at large.

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 helps to build pride in our

people. We continuously improve our processes and leverage our scale to enhance operational efficiency without compromising the customer experience. This approach creates value for our shareholders, our customers, our colleagues and society at large.

Highly Consistent Portfolio Growth

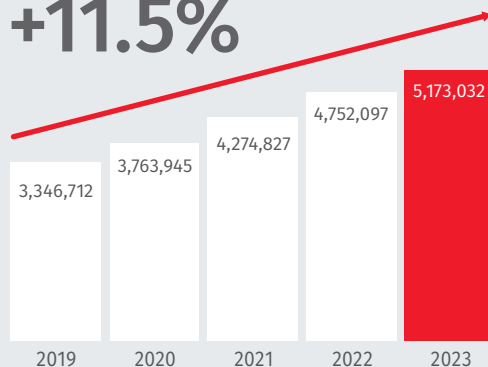
Verisure has continued to build on its strong track record of profitable and resilient growth over the last five-year period. Despite the difficult global economic backdrop of the last few years, including high inflation, high interest rates, and decreases in consumer confidence and spending power, Verisure has continued to deliver strong results both operationally and financially. Our portfolio has grown at a CAGR of 11.5%, while remaining disciplined and focused on high-quality customer intake. Attrition is now stabilised and remains low relative to other subscription businesses at 7.6%. All of our key headline financial metrics have experienced strong growth within the period and unit economics have continued to expand.

NUMBER OF SUBSCRIBERS

UNITS

CAGR

+11.5%

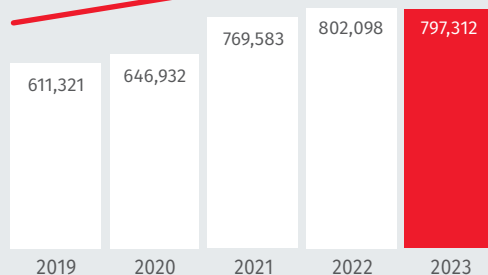


NEW SUBSCRIBERS ADDED

UNITS

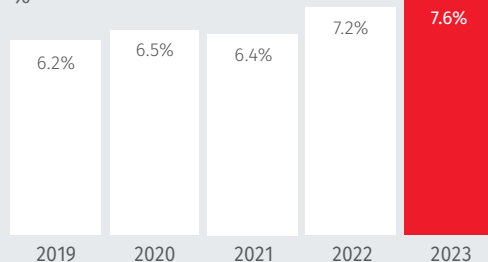
CAGR

+6.9%



LTM ATTRITION RATE

%

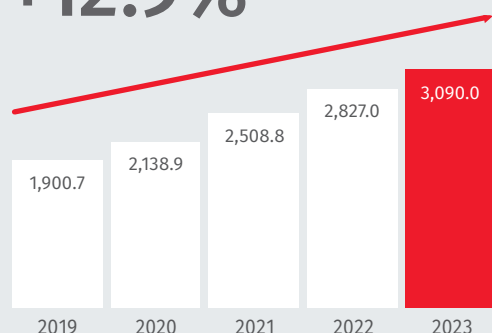


Excellent Growth in Profitability

REVENUE

EUR MILLION

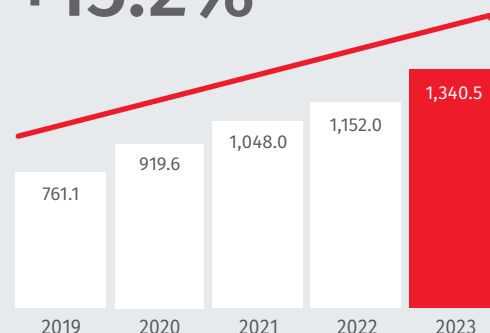
CAGR
+12.9%



ADJUSTED EBITDA (EXCL SDIs)

EUR MILLION

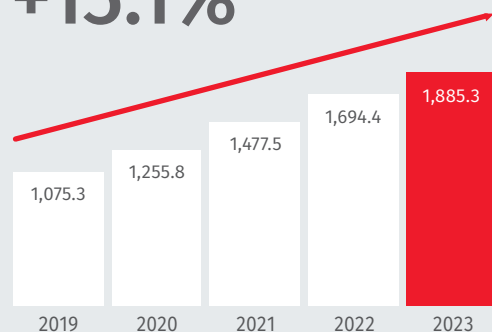
CAGR
+15.2%



PORTFOLIO SERVICES EBITDA

EUR MILLION

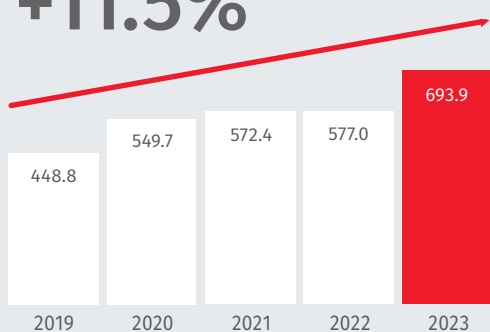
CAGR
+15.1%



ADJUSTED EBIT (EXCL SDIs)

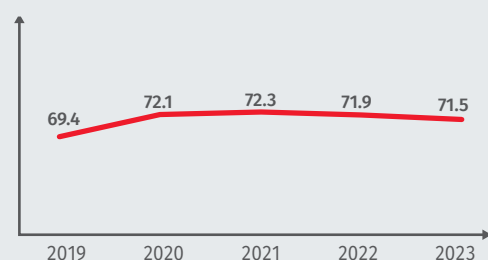
EUR MILLION

CAGR
+11.5%



PORTFOLIO SERVICES EBITDA MARGIN

%



ADJUSTED EBITDA MARGIN

%



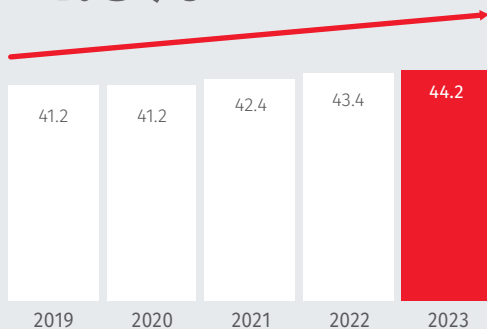


MONTHLY ARPU

EUR

CAGR

+1.8%

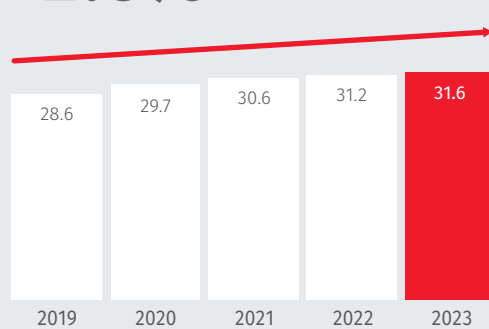


MONTHLY EPC

EUR

CAGR

+2.6%



Another Year of Excellent Progress Across Key Metrics

2023 was another strong year for the Verisure Group. We continued to demonstrate the resilience of our business model, including the high quality of our portfolio and our ability to grow unit economics.

During 2023 we added close to 800,000 new customers to our customer portfolio, despite the difficult cost-of-living pressures facing many households and small businesses across our markets. This represents our second strongest year ever in new customer additions.

By year end, we protected more than 5.1 million families and small businesses across 17 countries. This represents more than 8.9% year on year portfolio growth. We are very proud of the trust and loyalty of our customers. After a lot of hard work from our teams across our markets, attrition is now stabilised and remains low relative to other subscription businesses at 7.6%.

Total revenue increased to EUR 3,090.0 million. This is up 9.3% versus 2022. In constant currencies revenue grew by 10.6%. Revenue growth was driven by the larger portfolio and the higher average revenue per customer. We are pleased with this performance given the challenging external environment.

Portfolio services adjusted EBITDA increased 11.3% versus 2022 and hit a new high, reaching EUR 1,885.3 million in 2023. Adjusted for currency effects, the increase was 12.7%. Portfolio services adjusted EBITDA margin remained close to 72%.

Total reported adjusted EBITDA incl. SDIs increased to EUR 1,298.0 million in 2023. This represents an improvement of 16.3% versus 2022. Adjusted for currency effects, total adjusted EBITDA grew 17.9%.

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

We reduced leverage by 0.7x in 2023. Our total adjusted net leverage is now 5.3x. This deleveraging underscores the stable, predictable quality of our business model.

In January 2023, we successfully accessed the financial markets to replenish our Revolving Credit Facilities. In addition, in April, we redeemed our 200 million EUR Floating Rate Notes due in 2025, drawing on our RCF. All our debt now matures in 2026 or beyond, and is 70% fixed.

In May 2023, we got a credit rating upgrade from S&P and Moody's. We are now a B+/B1 credit, with stable outlook. We believe this is a good testament of our market leadership, our continued and resilient growth, our best-in-class customer loyalty, and our deleveraging capacity.

In 2023, we published a new financial policy for the Group. We intend to deliver consistent reductions in reported net leverage to levels below 4.5x.

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





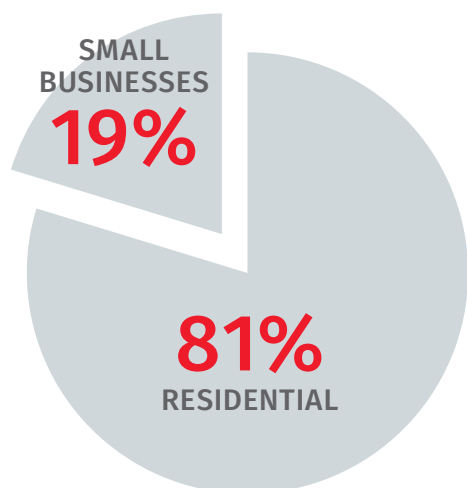
EUR million (if not otherwise stated)	2023	2022	Percentage change
Total subscribers (year-end), units	5,173,032	4,752,097	8.9%
Net subscriber growth, units	420,935	477,270	(11.8%)
Revenue	3,090.0	2,827.0	9.3%
Portfolio services adjusted EBITDA	1,885.3	1,694.4	11.3%
Portfolio services adjusted EBITDA margin, %	71.5%	71.9%	-
Adjusted EBITDA excl. SDIs	1,340.5	1,152.0	16.4%
Adjusted EBIT excl. SDIs	693.9	577.0	20.3%
Adjusted EBIT excl. SDIs margin, %	22.5%	20.4%	-
Cash flow from operating activities	1,395.4	999.8	39.6%
Capital expenditures	868.5	841.1	3.3%
Average monthly revenue per user (ARPU), EUR	44.2	43.4	1.8%
Monthly adjusted EBITDA per subscriber (EPC), EUR	31.6	31.2	1.3%



Protecting Families and Small Businesses

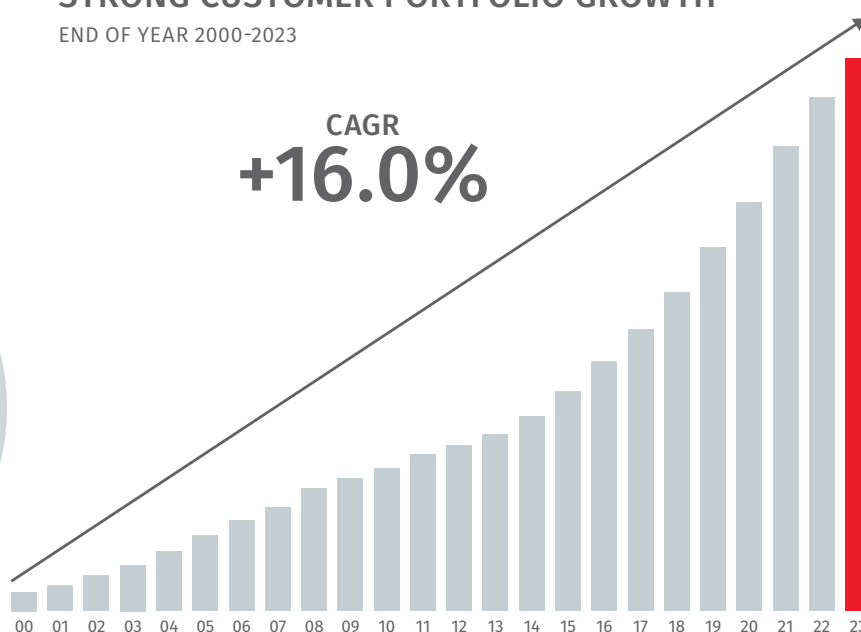
CUSTOMER BREAKDOWN BY CONSUMER TYPE

END OF YEAR 2023



STRONG CUSTOMER PORTFOLIO GROWTH

END OF YEAR 2000-2023





VERIFICATION IS KEY

When an alarm is triggered, we take rapid action to verify, and then either reassure or intervene.

A Recurring Business Model for Sustainable Profitable Growth

We operate a subscription-based security service business, 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 technology innovation and superior propositions, category-creating marketing, brand recognition, and go-to-market excellence that in turn allow us to attract and retain high quality new customers.

Portfolio services

The portfolio services segment provides a professional security service to our customers for a monthly subscription fee. Our service includes professional installation, 24/7 monitoring, expert verification and response, customer care, maintenance, and technical support. We personally operate all our monitoring centres. We have a 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 abovementioned partially variable costs. 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.

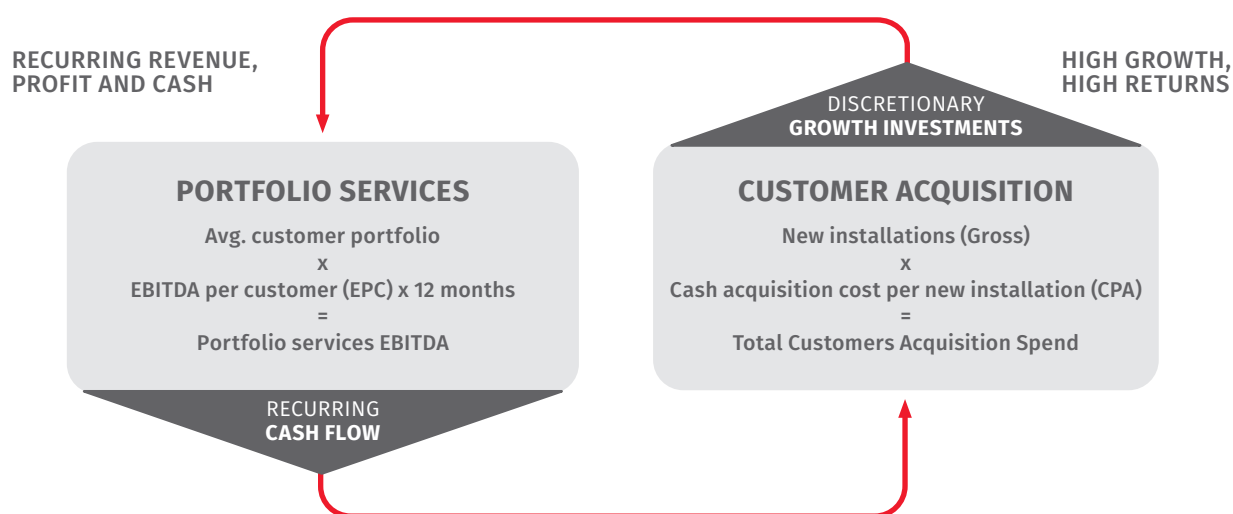
The recurring monthly fees in portfolio services represent approximately 85% of Group revenue. As of 31st December, 2023, we had more than 5.1 million connected alarm subscribers. In 2023, this segment generated EUR 2,635 million of portfolio revenue and EUR 1,885 millions of portfolio services adjusted EBITDA. This was an increase of 11.8% and 11.3% compared to 2022. The portfolio services adjusted EBITDA operating margin remained high at 71.5%.

Customer acquisition

We deliberately choose 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, 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.



Group EBITDA = Portfolio services EBITDA – Expensed Portion of Total Customers Acquisition Spend



SMART SOLUTIONS FOR SMALL BUSINESS OWNERS

The Verisure business alarm protects working environments and assets.

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.

Passionate
in everything
we do

Committed
to making a
difference

Always
Innovating

Winning
as a Team

With Trust &
Responsibility



MONITORING SCALE

We receive and process more than 1.3 trillion electronic signals from our devices every year.

Engaged and High-performing Organisation

Our people are the foundation of our success

We are a technology-enabled human services company, and our people stand ready to respond in an instant to protect what matters most. They are fundamental to the service we provide, be it our teams who are in direct contact with customers, our rapid response colleagues acting fast in critical situations, or the back-office teams enabling seamless service and operations. They differentiate our business by living and role-modelling our DNA every day.

In 2023, in line with our growing business, we have continued to create opportunities for growth and development for current

and new talent. Last year we created more than 1,800¹ new jobs. We are now proud to count on more than 28,000¹ highly engaged and committed colleagues around the world.

Sustainable Engagement

Our primary measure of organisational health is our Sustainable Engagement survey, designed to help understand how engaged, energised, and enabled our people are, and measure these results over time. Participation rates in the survey are consistently above 90% and we are very focused on understanding our people's feedback and developing comprehensive plans to address the topics raised.

In 2023, we achieved our highest-ever score on the overall Sustainable Engagement Index (>80% favourable) for the second consecutive year, with maintained or improved scores in all 14 categories. We have also maintained our best score to date in the key-leaders audience and successors to key-leaders.

We also analyse our people's likelihood to recommend Verisure as an employer and to recommend our products and services with the 'Employee Net Promoter Score' (eNPS). Our eNPS score as an employer as well as the category of direct manager has further increased by three points versus 2022.



A TECHNOLOGY-ENABLED HUMAN SERVICE COMPANY

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

¹ As per active headcount at the end of the period.

In 2023, we have also implemented a holistic system to measure eNPS and engagement across the employee lifecycle including pulse surveys on top of our annual engagement survey.

Investing in talent

At Verisure we are focused on developing and nurturing a high-performance team with an 'owner's mentality' and always operating with integrity and accountability. We have continued to leverage and develop our world-class harmonised people processes, systems, and policies at a global level, supporting each of our colleagues so they can unleash their full potential. We promote internal mobility across our organisation, both domestically and internationally, to foster engagement, development, and retention, as well as improve productivity.

In the past two years, more than 80% of our leadership positions have been filled by internal candidates and we have increased the number of international moves by 36% across all our countries.

Mirroring our efforts in people development, the score for 'Professional Growth and Development' in our Sustainable Engagement survey remained stable compared to 2022 and is up 14 points versus 2016.

We continued to strengthen our Employee Value Proposition with well-being programmes, further implementation of a hybrid work model and improving our workplaces. We have also reinforced our policies and training, cultivating an environment of 'Doing the Right Thing'.

Our efforts to create supportive and high-performance working environments have been acknowledged through awards and certifications. In recent years, 11 of our countries have received various prestigious recognitions for working environments. In 2023 alone, we received Top Employer® certifications in Spain (6th time), France (3rd time), the UK (2nd time), and Italy. Argentina was recognised as a Best Workplace® for the first time and received certifications for Best Workplace for Women® and Best Workplace for Young Talent®. We've also gained further recognition as an employer in Spain through Actualidad Económica and the Forbes ranking. As of January 2024, we've achieved Top Employer Europe® status, and the Netherlands has also joined our list of Top Employer® certified countries.

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 are committed to creating an inclusive environment where everyone can bring the best version of themselves to work, welcoming and embracing people of different genders, races, ages, religious beliefs, ethnicity, marital or family status, economic circumstances, human capacity, and sexual orientation as well as different experiences, skills and capabilities. Diversity, Equity, Inclusion & Belonging (DEIB) is a business priority, and has been included as an objective in our five-year strategic plan since 2015. We have defined a 2023-25 DEIB roadmap with common

initiatives and consistent KPIs across our countries and functions to ensure and track progress.

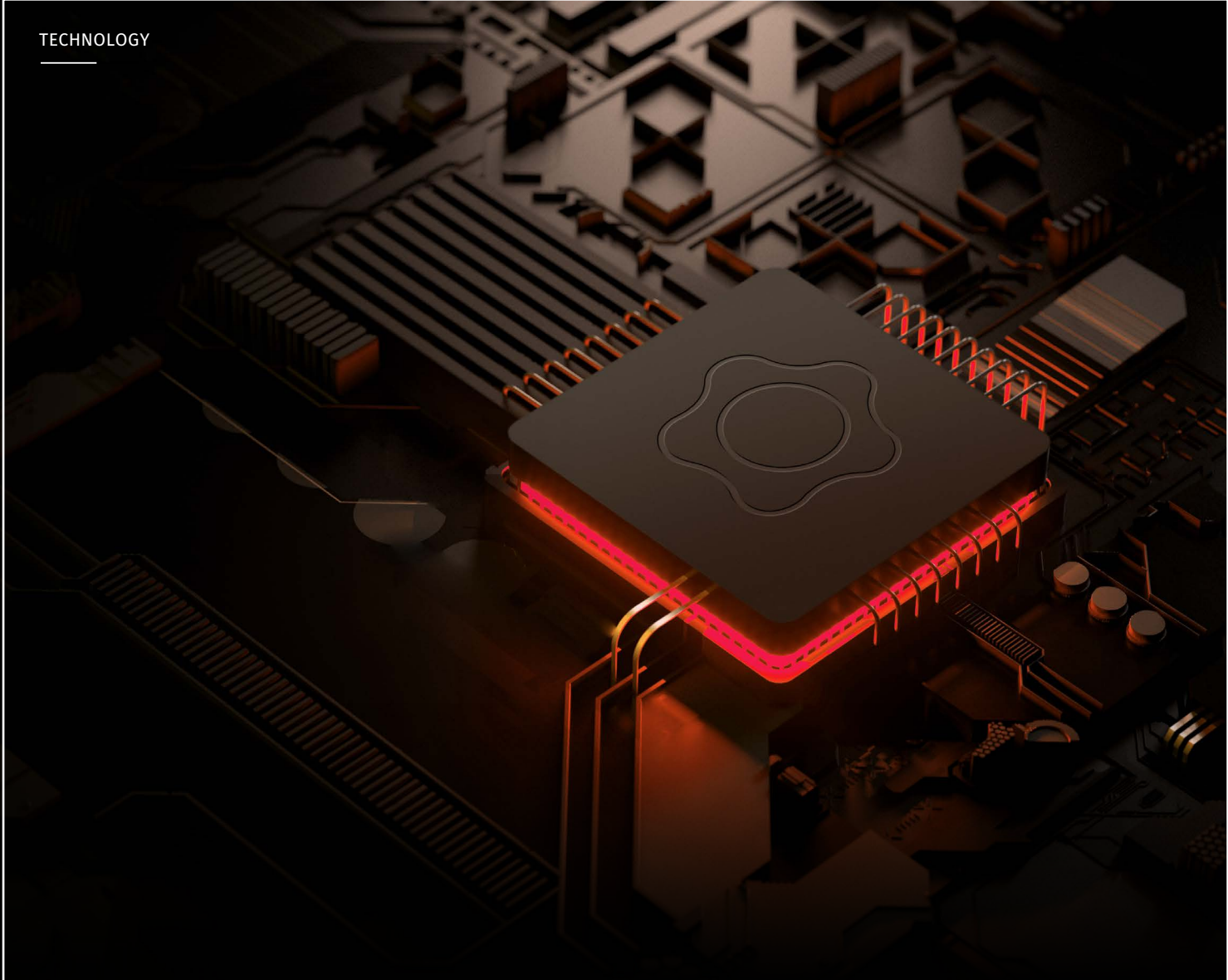
In 2023, we obtained several recognitions related to our DEIB performance across our geographies. These were recognitions and alliances that demonstrate our progress and commitment in areas such as diverse talent attraction, gender equality and the inclusion of people with disabilities. We also continued our global and local communications campaigns and events to raise awareness and educate our people on key DEIB-related topics.

Our people recognise and endorse the direction we are taking, which is also reflected in the continuous improvement of our Sustainable Engagement survey scores related to ethics, as well as DEIB (up by 16 and 13 points respectively over the past seven years). In addition, the 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 the benchmark.

Our key focus remains the improvement of gender diversity, followed by age and disability. Currently, 38% of all our colleagues globally are women versus 20% in 2015, while in our wider management teams across our countries, we have almost doubled the presence of women since 2015.

We are determined to continue our advancement in DEIB and 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.





Technology Is At Our Core

Verisure is a technology-enabled human service company. Our technology is at the core of the service we provide our customers and is a vital element of our success. We are vertically integrated in technology, with colleagues in our Information Technology, Security, Quality, and Research & Development (R&D) organisations, mainly based in Geneva, Switzerland, Malmö, Sweden, and Madrid, Spain. We also work with a network of best-in-class partners from around the world to support our development efforts. This year also marked our first equity investment into one of our technology partners when we took a minority stake in Origin Wireless, a pioneer in “WiFi sensing”, with a view to the future and leveraging this new detection technology as a core part of our proposition.

A year of accelerating innovation

In 2023, we focused both on the effective deployment and enhancement of our PreSense technology, as well as celebrating several important new innovations. This includes the GuardVision Business Video Detector, our new two-in-one camera for small business customers, enabling them to benefit from both video surveillance and alarm detection supported by one device. This allows us to enrich our offering to this important segment. We also continued to expand and evolve our digital services, such as our In-App Automation Features to simplify app functionality for our customers.

Protecting what matters most

Operationally, the size of the estate we manage continues to grow rapidly. In

2023, our teams managed a deployed network of more than 75 million ‘Internet of Things’ devices, operating 24/7 and generating more than 1.3 trillion signals. Throughout the year, we continuously delivered exceptional, secure, and stable service to our customers.

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 2023. For example, both our GuardVision camera and In-App Automation Features received a Red Dot Award last year. We were also recognised by industry bodies and received several customer recognition awards for our product suite, including ‘Product of the Year’ awards in Belgium, Italy, Spain, Portugal, and France.

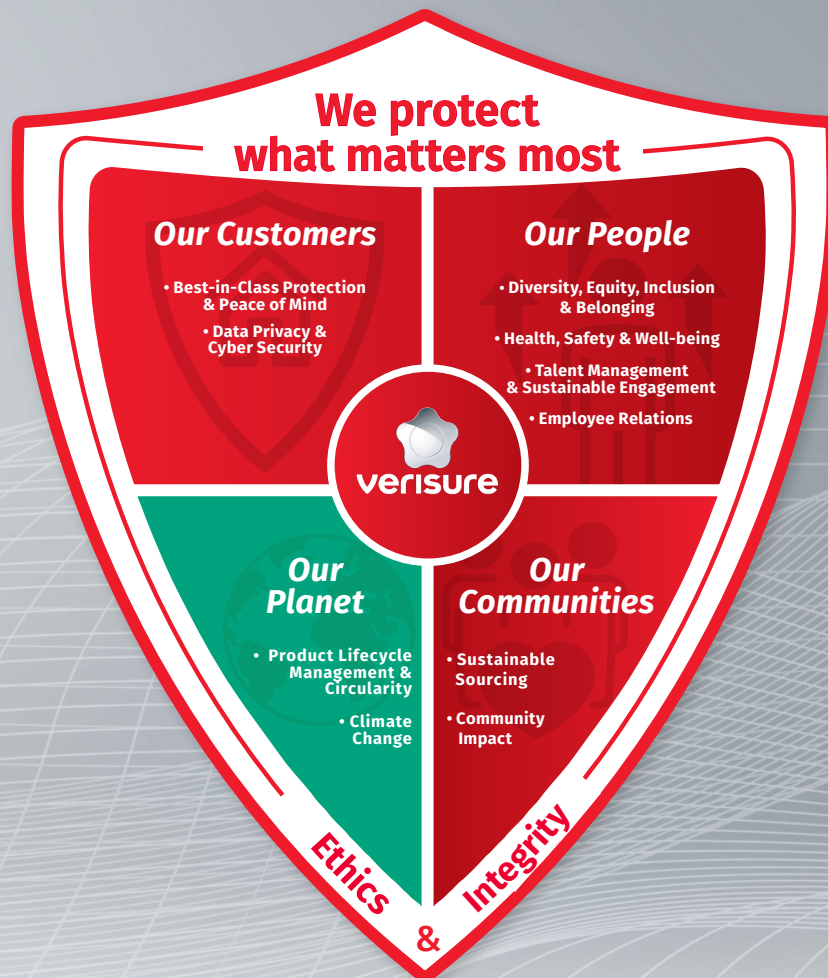
INDUSTRY-LEADING INNOVATION DESIGNED TO PROTECT WHAT MATTERS MOST

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



OUR ESG STRATEGY

is built around our customers, our people,
our communities, our planet and we continued
to implement high standards of ethics & integrity.



An Overview of Our Sustainability Journey

Our purpose – protecting what matters most – places Environmental, Social, and Governance (ESG) at the very core of who we are. We bring peace of mind to our customers, which helps us attract world-class talent to support our continued growth and benefit our new and existing customers. For us, sustainability is not a side topic: our environmental and social impact, how we serve society and our communities, is inherent in what we do, every day. We strive to provide the best protection for families and small businesses. We also aim to go above and beyond to fulfil our promise, which includes making a difference to maximise value not just for our business and customers, but also for society at large. Our commitment to ESG is intrinsic to our company's purpose and DNA values. In 2023 we published our first Sustainability Report, available for all our stakeholders,

focusing on our achievements in the previous year. We set out our ESG strategy, built around Our Customers, Our People, Our Communities, and Our Planet. And we continue to implement high standards of Ethics & Integrity in everything we do.

In each of these areas, we mapped out clear priorities, commitments, and associated KPIs. Within this report, we also publicly committed to important targets, our support for the Sustainable Development Goals (SDGs) and the United Nations Global Compact (UNGC) and defined our governance of ESG matters. We aim to release our second Sustainability Report later this year after the publication of this Annual Report. We will show our progress in various areas like Double Materiality Assessment, Corporate Social Responsibility (CSR)

strategy, and Diversity, Equity, Inclusion and Belonging (DEIB) initiatives, as well as the evolution of our most relevant ESG-related KPIs.

A testament to the strides made in ESG, Verisure Group (Midholding AB) has been recognised by Morningstar Sustainalytics as an ESG Global 50 Top Rated company, as well as an ESG Regional and Industry Top Rated company¹. We are proud of all our colleagues for their efforts in helping us land these remarkable recognitions. We know the path towards sustainability does not end here, we will continue to build on this momentum in our ESG journey.



¹ In November 2023, Verisure Midholding AB received an ESG Risk Rating of 7.1 and was assessed by Morningstar Sustainalytics to be at Negligible risk of experiencing material financial impacts from ESG factors. In no event the labels above shall be construed as investment advice or expert opinion as defined by the applicable legislation. Copyright © 2024 Sustainalytics, a Morningstar company. All rights reserved.

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Our CEO, Cluster and Functional Leadership

As per 31st of December, 2023



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 United States and Asia. This included 7 years in China helping to build P&G's sizeable position in that market. Austin was also the VP responsible for Gillette marketing globally. Prior to joining Verisure, Austin was a Procter & Gamble Global President leading the Braun and Appliances business unit 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



Antonio Anguita joined Verisure as Managing Director for Spain in 2013. He was promoted to President of Iberia & Latin America in August 2014, and to President of Iberia, Latin America and Italy in July 2022. 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. Mr. Anguita is on the Board of Directors of Orange Spain.

ANTONIO ANGUIITA PRESIDENT OF IBERIA, ITALY & LATIN AMERICA



Colin Smith joined Verisure as Group Chief Financial Officer in June 2023. Prior to joining the company, Colin spent 20 years at Sky UK & Ireland – one of Europe's largest telecommunications and media companies – where he served most recently as CFO and led their Business-to-Business division. His experience at Sky focused on strategy, financial planning and analysis, M&A, as well as pricing, customer management, and go-to-market. Colin is a Chartered Management Accountant and holds an accounting degree from Napier University, Edinburgh.

COLIN SMITH GROUP CHIEF FINANCIAL OFFICER



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, Acquisitions and Business Development since 2014. He established the Company's Spanish business in 1993, led the expansion efforts in Portugal, Brazil, Peru and Chile and most recently in Italy, UK, Netherlands, Germany and Ireland. Prior to joining the Company, he was the President of Esabe Ingeniería de Seguridad SA. Luis holds a Master's degree in Industrial Engineering.

LUIS GIL PRESIDENT OF EXPANSION, ACQUISITIONS AND BUSINESS DEVELOPMENT



Marta Panzano joined the company as Group Chief Human Resources Officer in 2014, also leading Communications, and since then has expanded her responsibilities to also lead our Company's ESG efforts. Prior to joining the Company, Marta was the HR Director for Orange Spain. Previously, she worked for CEMEX, in Spain, Mexico and Australia among other geographies, where she led Human Resources for Europe, Middle East, Africa, Asia and Australia. Marta also worked for the Boston Consulting Group as a strategy consultant as well as in Finance for Hewlett Packard. She holds a Bachelor's degree in Business Administration and Economics from the Universidad Carlos III Madrid.

MARTA PANZANO GROUP CHIEF HUMAN RESOURCES, COMMUNICATIONS AND ESG OFFICER



Nina Cronstedt joined Verisure as Group Chief Legal Officer in 2018. Previously, she served as General Counsel for Cereal Partners Worldwide, a joint venture between Nestlé and General Mills. Nina was previously General Counsel Strategic Business Units and COE's for Nestlé. Prior to Nestlé, she 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 as the marketing leader for our Digital and Contact centres in France. 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

WHAT IT MEANS TO WEAR THE STAR

You will see the sentinel star on our uniforms. It shows that we are Proud to Protect. We are the people behind the star. We deliver our promise to protect what matter 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, as well as internal policies and standards.

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

For the purposes of this and the following subsections, the Board refers to the Board of Directors of Verisure Topholding AB until November 2023 and as of then, when the Group Board was moved up in the ownership structure, to the Board of Directors of Verisure Group Topholding AB.

The Board has established Rules of Procedure that are reviewed as relevant. 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 2023, the Board held six meetings.

Board Committees

The Board has established an Audit Committee, a Remuneration Committee, a Valuation Committee and an ESG 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 are recorded in minutes.

Audit Committee

The primary function of the Audit Committee is to monitor the company's financial reporting, internal controls, compliance programme 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 programme, including its data privacy programme. In 2023, four Audit Committee meetings were held. The members of the Audit Committee are Stefan Götz, Adrien Motte and Henry Ormond. Meetings are generally also attended by Austin Lally, Colin Smith 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 to ensure 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 programme 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.

The Group's executive compensation includes (i) fixed compensation in the form of base salary and benefits and (ii) variable compensation, in the form of annual cash bonus and, in some cases, share option awards.

Base Salary

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

Benefits

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

Annual Cash Bonus Awards

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

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 Colin Smith.

ESG Committee

The primary responsibilities of the ESG Committee are to assist the Board in aligning on the execution of the Group's ESG strategy, ensuring that ESG priorities and action plans are consistent with the ambition level defined by the Board, and evaluating progress on ESG priorities and action plans. The members of the ESG Committee are Zomo Fisher, Andrew Barron, Austin Lally, Marta Panzano, Colin Smith, Nina Cronstedt and Enrique Bofill.

A photograph of a family—a mother, a father, and two children—being wrapped in a grey thermal blanket by a firefighter. The firefighter is wearing a yellow helmet with the 'Dräger' logo and is partially visible on the left. The family members have concerned expressions. The background is dark and out of focus.

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
Colin Smith	Director
Daniel Bruzaeus	Director
Elizabeth Henry	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 United States and Asia. This included 7 years in China helping to build P&G's sizeable position in that market. Austin was also the VP responsible for Gillette marketing globally. Prior to joining Verisure, Austin was a Procter & Gamble Global President leading the Braun and Appliances business unit 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, serves as the Director Group Financial Control, and has been with the Company since 2006. Prior to joining the Company, Cecilia served as an authorized public accountant at PricewaterhouseCoopers AB. She holds a Bachelor of Science degree in Economics and Business Administration from Linnaeus University.

Colin Smith, joined Verisure as Group Chief Financial Officer in June 2023. Prior to joining the company, Colin spent 20 years at Sky UK & Ireland – one of Europe's largest telecommunications and media companies – where he served most recently as CFO and led their Business-to-Business division. His experience at Sky focused on strategy, financial planning and analysis, M&A, as well as pricing, customer management, and go-to-market. Colin is a Chartered Management Accountant and holds an accounting degree from Napier University, Edinburgh.

Daniel Bruzaeus, our Group Head of Internal Control, joined the company in 2019. Prior to joining Verisure, Daniel held different roles in Risk Management at PwC, as well as Group Risk Officer at Ikano Bank, and Senior Internal Auditor at E.ON. Mr. Bruzaeus holds an MBA from Lund University.

Elizabeth Henry, HR and Communications Director for Sweden and 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.

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Directors' Report

Operations

The Group is the leading provider of professionally monitored alarm solutions for residential households and small businesses in Europe. We offer premium monitored alarm services to our portfolio of over 5.1 million customers and design, sell and install alarms with network connectivity across 17 countries in Europe and Latin America. We are also the leading provider of connected video surveillance systems through our Arlo Europe camera business.

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)	2023	2022
Consolidated		
Non-IFRS and IFRS financial data		
Revenue ¹	3,089,970	2,827,022
Revenue growth, %	9.3%	12.7%
Adjusted EBITDA excl. SDIs	1,340,488	1,151,969
Adjusted EBITDA margin excl. SDIs	43.4%	40.7%
Adjusted EBITDA incl. SDIs	1,298,031	1,116,191
Adjusted EBITDA margin incl. SDIs	42.0%	39.5%
Adjusted EBIT excl. SDIs	693,899	576,993
Adjusted EBIT margin excl. SDIs	22.5%	20.4%
Operating profit ¹	602,959	471,278
Capital expenditures	868,452	841,059
Net debt per SFA	7,407,669	7,382,658
Unaudited operating data		
Payback period, years	3.7	3.8
Portfolio service segment		
Non-IFRS and IFRS financial data		
Portfolio services revenue ¹	2,635,294	2,358,158
Portfolio services adjusted EBITDA	1,885,286	1,694,390
Portfolio services adjusted EBITDA margin	71.5%	71.9%
Unaudited operating data		
Total subscribers (end of period), units	5,173,032	4,752,097
Cancellation, units	376,377	324,828
LTM attrition rate, %	7.6%	7.2%
Net subscriber growth, units	420,935	477,270
Subscriber growth rate, net	8.9%	11.2%
Monthly average number of subscribers during the period, units	4,964,490	4,522,759
Average monthly revenue per user (ARPU), EUR	44.2	43.4
Monthly adjusted EBITDA per customer (EPC), EUR	31.6	31.2
Customer acquisition segment		
Non-IFRS and IFRS financial data		
Customer acquisition revenue ¹	362,273	385,954
Customer acquisition adjusted EBITDA	(551,108)	(544,846)
Customer acquisition capital expenditures	577,457	583,738
Unaudited operating data		
New subscribers added (gross), units	797,312	802,098
Cash acquisition cost per new subscriber (CPA), EUR	1,415	1,407
Adjacencies segment		
Non-IFRS and IFRS financial data		
Adjacencies revenue ¹	92,404	82,910
Adjacencies adjusted EBITDA	6,309	2,424

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 by Management to be key measures of the Group's financial performance and as such have been included to enhance comparability and usefulness. The key measures are further described under the section Definitions of Key Operating Metrics. CPA is the net investment to acquire a new customer. ARPU and EPC reflect the monthly revenues and adjusted EBITDA per customer in the portfolio segment. Adjusted EBITDA, being earnings before interests, taxes, 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 recognised in the income statement and 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. All figures are presented in actual currency rates, unless otherwise stated. As a result of rounding, numbers presented in this interim report may in some cases not add up to the total. Percentages presented are always calculated taking the exact underlying value, and therefore deviations may occur if percentages are calculated taking the rounded figures presented in the tables.

Results excluding SDIs

EUR million	2023	2022	Percentage change
Revenue	3,090.0	2,827.0	9.3%
Operating expenses	(1,753.8)	(1,679.8)	4.4%
Other income	4.3	4.8	(10.1%)
Adjusted EBITDA	1,340.5	1,152.0	16.4%
Adjusted EBITDA margin, %	43.4%	40.7%	-
Depreciation and amortisation	(532.0)	(487.2)	9.2%
Retirement of assets	(114.6)	(87.8)	30.5%
Operating profit	693.9	577.0	20.3%
Operating profit margin, %	22.5%	20.4%	-
Interest income and expenses	(449.3)	(316.8)	41.8%
Other financial items	(1.5)	(5.6)	(73.0%)
Result before tax	243.1	254.6	(4.5%)

Revenue by segment

EUR million	2023	2022	Percentage change
Portfolio services	2,635.3	2,358.2	11.8%
Customer acquisition	362.3	386.0	(6.1%)
Adjacencies	92.4	82.9	11.5%
Total	3,090.0	2,827.0	9.3%

Revenue

Total revenue increased by 9.3% in 2023, or EUR 262.9 million, to EUR 3,090.0 million, up from EUR 2,827.0 million last year. In constant currency the increase in revenue was 10.6%, primarily due to the growing customer base, which increased by 8.9%, from 4,752,097 by the end of 2022, to 5,173,032, by the end of 2023.

Portfolio services revenue increased by 11.8% in 2023, or EUR 277.1 million, to EUR 2,635.3 million, up from EUR 2,358.2 million last year. The increase was primarily driven by the higher number of customers in the portfolio as well as increased average monthly revenue per user (ARPU) of 1.8%.

Customer acquisition revenue reached EUR 362.3 million in 2023, representing a decrease of -6.1% compared to last year. The

decrease is mainly driven by less new installations compared to last year.

Operating expenses

Operating expenses increased by 4.4% in the full year, or EUR 73.9 million, to EUR 1,753.8 million, from EUR 1,679.8 million in the same period last year. The increase was mainly due to growth in the portfolio.

Adjusted EBITDA

Adjusted EBITDA increased by 16.4% in 2023, or EUR 188.5 million, to EUR 1,340.5 million, from EUR 1,152.0 million last year. The increase is mainly driven by growth in the portfolio, as well as a higher monthly adjusted EBITDA per customer (EPC).

Depreciation and amortisation

Depreciation and amortisation increased to EUR 532.0 million in the full year, up from EUR 487.2 million last year, mainly due to growth in portfolio. Depreciation and amortisation is primarily related to the alarm equipment installed at our customers' premises and the capitalised direct costs incurred to obtain new customers.

Retirement of assets

Retirements of assets increased to EUR 114.6 million in 2023, from EUR 87.8 million last year. The cost corresponds mainly to the remaining balance of capitalised material, at the time customers leave the portfolio or upgrade to our new platform. The increase in write-offs during 2023 is driven by the increase in cancellations compared to the same period last year.

Interest income and expenses

Interest income reached EUR 1.9 million in 2023, compared to EUR 1.0 million last year. Interest expense reached EUR 451.1 million in the full year of 2023, compared to EUR 317.8 million in the same period last year, driven by increases in the cost of debt.

Other financial items

Other financial items mainly consist of commitment fees for our Revolving Credit Facility and Ancillary Facilities, other bank charges, and changes in the fair value of our outstanding interest rate swaps and cross currency swaps. In the full year of 2023, other financial items amounted to EUR 1.5 million compared to EUR 5.6 million in the same period last year.

Reported consolidated income statement

EUR million	2023			2022		
	Result excluding SDIs	SDIs	Reported	Result excluding SDIs	SDIs	Reported
Revenue	3,090.0	-	3,090.0	2,827.0	-	2,827.0
Operating expenses	(1,753.8)	(42.5)	(1,796.2)	(1,679.8)	(35.8)	(1,715.6)
Other income	4.3	-	4.3	4.8	-	4.8
Adjusted EBITDA	1,340.5	(42.5)	1,298.0	1,152.0	(35.8)	1,116.2
Depreciation and amortisation	(532.0)	(48.5)	(580.5)	(487.2)	(69.9)	(557.1)
Retirement of assets	(114.6)	-	(114.6)	(87.8)	-	(87.8)
Operating profit	693.9	(90.9)	603.0	577.0	(105.7)	471.3
Interest income and expenses	(449.3)	(0.7)	(450.0)	(316.8)	0.0	(316.8)
Other financial items	(1.5)	(82.1)	(83.7)	(5.6)	(14.4)	(20.0)
Result before tax	243.1	(173.8)	69.3	254.6	(120.1)	134.4
Income tax benefit and expense	-	-	(40.4)	-	-	(92.3)
Result for the period	-	-	28.9	-	-	42.3

Separately disclosed items (SDIs)

SDIs affecting operating expenses

In 2023, SDIs affecting operating expenses reached EUR 42.5 million, compared to EUR 35.8 million in the same period last year. SDIs affecting operating expenses include one-off costs related to various transition projects within the Group.

SDIs affecting depreciation and amortisation

Amortisation and depreciation from acquisition-related intangible assets reached EUR 48.5 million, in 2023, compared to EUR 69.9 million last year. The decrease is due to a reduction in the number of acquired contract portfolios pending to be amortised.

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 82.8 million in 2023, compared to a cost of EUR 14.4 million last year. In the full year of 2023, other financial items include negative non-cash FX devaluations of

debt items and unrealised derivatives of EUR 62.3 million, amortisation of prepaid financing fees of EUR 15.5 million, and a negative IFRS 9 adjustment related to the modification of loan agreements of EUR 3.5 million, partly offset by a positive effect from realised derivatives of EUR 0.9 million. In 2022, other financial items include a positive non-cash FX revaluation of debt items and unrealised derivatives of EUR 7.1 million, offset by the amortisation of prepaid financing fees of EUR 14.0 million, a negative IFRS 9 adjustment related to the modification of loan agreements of EUR 3.4 million, and a negative impact from realised derivatives of EUR 4.1 million.

Income tax expense

For the year 2023, income tax represented a cost of EUR 40.4 million, compared to a cost of EUR 92.3 million last year. While current tax expense totalled EUR 96.2 million in 2023, compared to EUR 74.5 million last year, deferred tax totalled a benefit of EUR 55.8 million in 2023, and an expense of EUR 17.8 million last year.

Cash flow

EUR million	2023	2022
Cash flow from operating activities before change in working capital	1,198.1	1,039.0
Change in working capital	197.3	(39.2)
Cash flow from operating activities¹	1,395.4	999.8
Cash flow from investing activities	(884.0)	(841.0)
Cash flow from financing activities ²	(532.6)	(139.4)
Cash flow for the period	(21.2)	19.5
Cash and cash equivalents at beginning of period	43.6	24.3
Translation differences on cash and cash equivalents	(1.2)	(0.1)
Cash and cash equivalents at end of period	21.3	43.6

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 reached EUR 1,395.4 million and EUR 999.8 million for the year 2023, and 2022, respectively. Cash flow from operating activities before change in working capital increased from EUR 1,039.0 million in the full year of 2022 to EUR 1,198.1 million in 2023, mainly driven by higher operating profit, partly offset by higher paid taxes. Change in working capital had a positive impact on cash flow generation of EUR 197.3 million in 2023, compared to a negative impact of EUR 39.2 million last year. Year-on-year improvement is driven by positive developments in inventory levels, which were elevated in 2022 mainly to support the launch of our next generation product proposition in some of our markets. Additionally, developments in trade receivables and other payables also contributed positively to generating cash flow from changes in working capital, more than offsetting a negative impact from changes in other receivables and trade payables.

Cash flow from investing activities

Cash flow from investing activities reached EUR 884.0 million and EUR 841.0 million in 2023, and 2022, respectively. The increase is mainly driven by incremental investments to further enhance our product and service offering.

Cash flow from financing activities

Cash flow from financing activities totalled an outflow of EUR 532.6 million for the year 2023, compared to an outflow of

EUR 139.4 million in the same period last year. Key components in the full year of 2023, include net interest payments of EUR 451.9 million, negative net changes in borrowings of EUR 53.7 million and paid bank, advisory fees and other financial items of EUR 27.3 million. Compared to the same period last year, net interest payments increased by EUR 148.0 million, from EUR 303.8 million, mainly due to selected interest payment dates for our EUR 2,800 million TLBs and higher cost of 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 and related direct costs for existing customers; (iii) adjacencies capital expenditures, which include direct costs related to the acquisition of customer contracts within our Adjacencies segment; and (iv) other capital expenditures related to investments in R&D, IT and premises. 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 the incremental (direct) costs to obtain new customer contracts as intangible fixed assets.

Capital expenditures

EUR million	2023	2022
Customer acquisition capital expenditures, material	338.1	336.2
Customer acquisition capital expenditures, direct costs	239.3	247.5
Portfolio services capital expenditures	117.8	94.1
Adjacencies capital expenditures	17.3	8.8
Capital expenditures other	155.9	154.4
Total	868.5	841.1

Capital expenditures reached EUR 868.5 million in 2023, compared to EUR 841.1 million in 2022. The increase is mainly driven by upselling activity to existing customers.

Liquidity, liabilities and financing agreements

The primary source of liquidity in our business is cash flow from operations, while our major uses of cash and capital

funding needs are purchases of new equipment, funding of our customer acquisition operations, operating expenses, capital expenditures, debt interests and taxes.

Available funds as of 31 December, 2023 and 2022

EUR million	2023	2022
Revolving Credit Facility	700.0	700.0
Cash and cash equivalents	21.3	43.6
Drawn facility amount	(199.5)	(454.5)
Utilised letters of credit	(21.9)	(17.6)
Total available funds	499.9	271.6

Gross financial indebtedness as of 31 December, 2023 and 2022

EUR million	2023	2022
Revolving Credit Facility	199.5	454.5
Term Loan B	2,800.0	2,800.0
Senior Secured Notes	2,900.0	2,650.0
Senior Unsecured Notes	1,310.2	1,309.9
Other liabilities	57.0	51.3
Lease liability (IFRS 16)	162.3	160.6
Total indebtedness	7,429.0	7,426.3

Employees

The Group had an average of 24,404 (23,875 in 2022) full time equivalent employees (FTE) in 2023. Approximately 35% of the employees were located in Spain in 2023 (35% in 2022) and 14% in France (14% in 2022). After Spain and France, the highest concentrations of employees were in the UK, Chile, Italy, Argentina and Sweden (the UK, Chile, Italy and Sweden in 2022). 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. Most laws and regulations specific to the industry are country or municipal-wide in scope. Legislation relating to consumer protection, fair competition, data privacy, digital, ESG and other generally applicable areas are either EU or countrywide in scope. Upcoming EU regulation, such as the AI Act, Cyber Security Act, Data Act, Corporate Sustainability Reporting Directive and Corporate Sustainability Due Diligence Directive, will varying degrees impact our operations and reporting. We have followed closely the legislative process for these regulations and are working on preparing for their coming into force.

Regulation also offers opportunity to the Group. Regulatory and voluntary standards in the area of security and safety services allow us to differentiate from other companies operating in the same segment, as we are better equipped to meet new requirements, partner with law enforcement, insurance companies and other relevant stakeholders, and market our

services with certifications valued by consumers. We are actively pursuing opportunities to positively influence the regulatory environment. We strive to at all times comply with applicable regulation.

Sales and marketing regulations

All of the countries in which we operate have regulations regulating how companies market and sell their products and services to consumers. Typically these regulations afford consumers pre-contractual information, withdrawal and termination rights. They also generally prohibit misleading advertising and regulate the use of price promotions. Two countries in our footprint, Belgium and Denmark, prohibit so-called door-to-door sales to consumers despite the EU Omnibus Directive establishing that such sales cannot be outright banned by EU Member States.

Alarm verification regulation

We are subject to regulations covering the dispatching of emergency personnel and false alarms. An increasing number of local governmental authorities are adopting laws, regulations or policies aimed at reducing the costs to them of responding to false alarms. For example, in France, police will only respond to an alarm forwarded to them once that alarm has been verified. Spain, our largest country by revenue, has recently established verification protocols requiring alarms to be verified through video, audio or personal verification steps before they can be considered "confirmed alarms." Absent confirmation, emergency personnel will not respond unless three sequential alarms are triggered within 30 minutes. If emergency personnel are dispatched to a false alarm, some jurisdictions allow for penalties to be imposed on either the alarm owner or the alarm service provider. In France, police are allowed to fine an alarm

monitoring service provider for forwarding a false alarm. Likewise, in Spain, emergency responders have discretion to impose fines for overly frequent false alarms, reaching as high as EUR 30,000 per incident. These regulations are aimed at causing alarm service providers to adopt appropriate measures to limit false alarms. We consider Verisure to be the industry leader in alarm verification, on an ongoing basis improving our verification capabilities typically filtering out north of 99% of false alarms.

Monitoring regulation

We have at least one monitoring centre in each of the geographies in which 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 regard monitoring centres to be akin to a guarding service, and require each centre to obtain an equivalent license to the one required of guarding services. In Spain, monitoring centres are subject to stringent approvals by the police. Many countries also impose other standards, for example relating to certifications or staffing requirements.

Equipment and installation regulations

The monitoring products we install are regulated by EU and national laws, including with respect to health, safety and environmental protection. The regulatory obligations applicable to the Group and its suppliers depend on respective roles and activities in a product's supply chain, and on the features of each relevant product.

In order to conduct installation of alarms, we generally must be registered for this purpose in the countries we operate in. Some markets impose regulations on the maintenance of our products. For example, Spain requires that we provide a 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 segment.

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 regarding product liability, unfair trading or employment claims. Our likely liability with respect to proceedings pending is not material to our financial position.

Events during the reporting period

In January 2023, the Group issued EUR 450 million of new Senior Secured Notes, due in 2028, to repay drawings under our Revolving Credit Facility. Additionally, in April 2023, the Group redeemed its existing EUR 200 million Floating Rate Notes due in 2025 through Revolving Credit Facility drawings.

In May 2023, S&P upgraded Verisure from "B/stable outlook" to "B+/stable outlook", and Moody's upgraded Verisure from "B2/stable outlook" to "B1/stable outlook".

Anthony Loizeau, General Manager for the Nordics Cluster, has left the company effective 1st April 2023. Vincent Litrico, Group Chief Financial Officer, has left the Company effective 31st July 2023.

In June 2023, Colin Smith joined Verisure as Group Chief Financial Officer and a member of the Group Management Team. Colin is a seasoned leader, who brings more than 25 years of broad experience in strategy, financial planning & analysis, mergers and acquisitions, as well as consumer pricing and go-to-market. Most recently, he has spent 5 years as CFO, UK & Ireland at Sky.

In July 2021, a newly established Alarm Customer Association initiated a class action against Verisure Norway and its main competitor for claimed economic losses suffered by customers as a result of the alleged illegal collaboration that formed part of the NCA decision. Verisure Norway firmly contests the basis of the class action on both procedural and substantive grounds. The class action was dismissed on procedural grounds by the Oslo District Court in February 2022 and, upon appeal by the Alarm Customer Association, by the Court of Appeal in June the same year. In September 2022, the Alarm Customer Association filed an appeal to the Supreme Court, which in a ruling in June 2023 dismissed the appeal. The Alarm Customer Association class action is thereby finally dismissed. As the deadline for filing any new legal action in relation to the NCA decision has also passed, the topic is now finally closed.

In July 2023, the Italian Competition and Commerce Authority (AGCM) initiated an investigation into Verisure Italy concerning alleged breaches of consumer protection laws. In December 2023, a Statement of Objections was issued, with preliminary findings of infringement to which we responded. On 12th of March, 2024, AGCM adopted a decision finding violations on four counts and imposed a fine of EUR 4.25 million against Verisure Italy. Verisure Italy disagrees with these findings and will appeal the decision to the relevant Administrative Court by the deadline (25th of May, 2024).

In Q4 2023, the Group made an equity investment into one of our technology partners, taking a minority stake in Origin Wireless, a pioneer in Wi-Fi sensing, with a view to in future potentially leveraging this new detection technology as a part of our proposition.

The Group has a technology partner based in Israel that supports our development efforts and manufactures some of our product's components locally. In addition, the Group has been impacted by pressure on shipping lines particularly through the Red Sea. This has resulted in both increased cost and longer transit times for finished goods and components. Business Continuity Plans have been activated and we do not foresee any material supply disruption from these two ongoing situations.

Events after the reporting period

There have been no significant events after the reporting period.

Consolidated Financial Statements

Consolidated Income Statement

EUR thousand	Note	2023	2022
Revenue	4, 5	3,089,970	2,827,022
Cost of sales	5, 7, 10, 11, 12	(1,702,845)	(1,619,565)
Gross profit		1,387,125	1,207,457
Selling expenses	5, 7, 10, 11, 12	(375,184)	(345,265)
Administrative expenses	5, 6, 7, 8, 9, 10, 11, 12	(413,260)	(395,671)
Other income	5	4,277	4,757
Operating profit		602,958	471,278
Financial income	13, 15	15,910	970
Financial expenses	13	(549,555)	(337,725)
Profit before tax		69,313	134,523
Income tax expense	14	(40,428)	(92,259)
Net profit for the period		28,885	42,265

Consolidated Statement of Comprehensive Income

EUR thousand	Note	2023	2022
Net profit for the period		28,885	42,265
Items that may not be reclassified to the income statement			
Re-measurement of defined benefit plan		(1,537)	1,633
Income tax related to these items	14	119	(120)
Items that may not be reclassified to the income statement		(1,418)	1,513
Items that may be reclassified to the income statement			
Change in hedging reserve		(5,146)	(8,583)
Currency translation differences on foreign operations		(6,061)	(81,685)
Income tax related to these items	14	1,060	1,768
Items that may be reclassified to the income statement		(10,147)	(88,500)
Other comprehensive income		(11,565)	(86,987)
Total comprehensive income for the period		17,320	(44,722)

Consolidated Statement of Financial Position

EUR thousand	Note	2023	2022
Assets			
Non-current assets			
Property, plant and equipment	16	1,450,741	1,316,626
Right of use assets	17	159,342	157,255
Goodwill	18	769,205	777,765
Customer portfolio	19	1,101,846	1,037,603
Other intangible assets	20	336,781	316,344
Deferred tax assets	14	103,240	28,778
Derivatives	22	1,717	1,363
Trade and other receivables	22, 24	89,725	302,693
Total non-current assets		4,012,597	3,938,428
Current assets			
Inventories	23	296,443	342,732
Trade receivables	15, 22, 24	200,542	193,131
Current tax assets		11,071	12,434
Derivatives	22	140	6,244
Prepayments and accrued income	21	81,253	81,827
Other current receivables	22	75,239	42,159
Cash and cash equivalents	22	21,319	43,629
Total current assets		686,007	722,156
Total assets		4,698,603	4,660,583

Consolidated Statement of Financial Position

EUR thousand	Note	2023	2022
Equity and liabilities			
Equity			
Share capital		56	56
Other paid in capital		628,641	624,686
Translation reserve		(64,951)	(58,890)
Hedging reserve		(3,237)	849
Retained earnings		(4,789,746)	(4,583,528)
Total equity		(4,229,237)	(4,016,827)
Non-current liabilities			
Long-term borrowings	22, 25	7,269,354	7,252,455
Derivatives	22	23,698	4,593
Other non-current liabilities	22	184,540	111,241
Deferred tax liabilities	14	202,409	184,455
Other provisions	26	34,780	16,815
Total non-current liabilities		7,714,782	7,569,559
Current liabilities			
Trade payables	22	171,392	188,664
Current tax liabilities		87,565	79,777
Short-term borrowings	22, 25	174,681	166,724
Derivatives	22	4,235	5,175
Accrued expenses and deferred income	27	698,160	606,993
Other current liabilities	22	77,024	60,517
Total current liabilities		1,213,058	1,107,850
Total liabilities		8,927,840	8,677,409
Total equity and liabilities		4,698,603	4,660,583

Consolidated Statement of Changes in Equity

EUR thousand	Attributable to equity holders of the parent company					Total
	Share capital	Other paid in capital	Translation reserve	Hedging reserve	Retained earnings	
Balance 1 January, 2023	56	624,686	(58,890)	849	(4,583,528)	(4,016,827)
Net profit for the period	-	-	-	-	28,885	28,885
Other comprehensive income	-	-	(6,061)	(4,086)	(1,418)	(11,565)
<i>Total comprehensive income</i>	-	-	<i>(6,061)</i>	<i>(4,086)</i>	<i>27,467</i>	<i>17,320</i>
Transactions with owners						
Dividend	-	-	-	-	(231,713)	(231,713)
Group contribution	-	-	-	-	60	60
Reclassification	-	2,032	-	-	(2,032)	-
Shareholder's contribution	-	1,923	-	-	-	1,923
<i>Total transactions with owners</i>	-	<i>3,955</i>	-	-	<i>(233,685)</i>	<i>(229,730)</i>
Balance 31 December, 2023	56	628,641	(64,951)	(3,237)	(4,789,746)	(4,229,237)

EUR thousand	Attributable to equity holders of the parent company					Total
	Share capital	Other paid in capital	Translation reserve	Hedging reserve	Retained earnings	
Balance 1 January, 2022	56	624,686	22,795	7,664	(4,628,446)	(3,973,245)
Net profit for the period	-	-	-	-	42,265	42,265
Other comprehensive income	-	-	(81,685)	(6,815)	1,513	(86,987)
<i>Total comprehensive income</i>	-	-	<i>(81,685)</i>	<i>(6,815)</i>	<i>43,778</i>	<i>(44,722)</i>
Transactions with owners						
Group contribution	-	-	-	-	124	124
Shareholder's contribution	-	-	-	-	1,016	1,016
<i>Total transaction with owners</i>	-	-	-	-	<i>1,140</i>	<i>1,140</i>
Balance 31 December, 2022	56	624,686	(58,890)	849	(4,583,528)	(4,016,827)

Verisure Midholding AB's (publ) share capital totalled EUR 56,104 as of 31 December, 2023, and 2022. The share capital is distributed among 500,000 shares with a quotient value of EUR 0.1122 for both 2023, and 2022. All shares are of the same category and were fully paid.

Consolidated Statement of Cash Flows

EUR thousand	Note	2023	2022
Operating activities			
Operating profit		602,958	471,278
Reversal of depreciation and amortisation	12	580,461	557,114
Other non-cash items	10	105,962	87,769
Paid taxes		(91,239)	(77,133)
Cash flow from operating activities before change in working capital		1,198,143	1,039,028
Change in working capital			
Change in inventories		44,277	(86,977)
Change in trade receivables		(6,555)	(49,720)
Change in other receivables		(33,879)	(14,010)
Change in trade payables		(12,305)	(550)
Change in other payables		205,764	112,062
<i>Cash flow from change in working capital</i>		<i>197,302</i>	<i>(39,196)</i>
Cash flow from operating activities		1,395,445	999,832
Investing activities			
Net investments in intangible and financial assets	19, 20	(418,892)	(400,739)
Net investments in property, plant and equipment	16	(465,113)	(440,428)
Prepayment of intangible assets		-	157
Cash flow from investing activities		(884,005)	(841,010)
Financing activities			
Change in borrowings		146,267	181,964
New financing		450,000	500,000
Repayment of financing		(650,000)	(500,000)
Interest received		1,876	970
Interest paid		(453,755)	(304,813)
Paid bank and advisory fees		(5,416)	(6,441)
Other financial items		(21,852)	(11,039)
Received group contribution		290	-
Cash flow from financing activities		(532,590)	(139,359)
Cash flow for the period		(21,150)	19,462
Cash and cash equivalents at start of period		43,629	24,283
Exchange difference on translating cash and cash equivalents		(1,160)	(116)
Cash and cash equivalents at end of period		21,319	43,629

Notes to the Consolidated Financial Statements

Note 1 General Company Information

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 postal 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 alarms for residential households and small businesses in Europe. We are also, through Arlo Europe, one of the leading providers of camera video surveillance systems in Europe. We offer premium monitored alarm services to our portfolio of over 5.1 million customers and design, install and monitor alarm and video surveillance systems across 17 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 installation fee. Additionally, we classify certain non-core business under our adjacencies segment, which mainly represents the services for senior citizens as well as the sale of Arlo cameras and video surveillance in retail and online channels across Europe.

Note 2 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.

New standards and amendments – applicable 1 January 2023

During the annual reporting period commencing 1 January 2023, the Group has applied the following standards and amendments for the first time:

- International Tax Reform – Pillar Two Model Rules – amendments to IAS 12.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

None of the published standards and interpretations that are mandatory for the Group's financial year 2024 are assessed to have any significant impact on the Group's financial statements.

Basis of presentation

Compliance with IFRS

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 2022.

Historical cost convention

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).

Basis of consolidation | IFRS 10 & IFRS 12

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

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

Subsidiaries are fully consolidated from the date of acquisition and deconsolidated from the date that the 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 by using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euro (EUR), which is the parent company's functional and presentation currency.

Transactions and balances

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

Group companies

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

- Assets and liabilities for each balance sheet item presented are converted at the closing rate at the date of the 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, the associated exchange 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 converted at the closing rate.

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. A majority of the costs in the portfolio services segment are either variable or partially variable. We do have some fixed costs, for example: long-term facility rentals. Our different nature of costs (variable and fixed), allows us to gain more leverage. 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 or installation fee.

Sales and installations can be performed both by our own employees as by external partners. Each new customer generates installation income that is recognised once the 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 contains remote monitoring and assistance, services for senior citizens as well as the sale of Arlo cameras, video surveillance services in retail and online channels across Europe. Because these sales are not considered as part of our core alarm business, the 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, 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 when the products are installed at our customers premises. Income from alarm monitoring services is recognised over time during the period to which the service relates.

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 the cost for the installation

with a margin based on external benchmarks. Any amount invoiced as installation fee exceeding the calculated stand-alone selling price for the installation service is allocated to the performance obligation monitoring service and 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 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 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 case of internal financing, the customer may be invoiced with: a one-off charge for all instalments occurred or the upfront fee is financed and broken down into monthly fees. In this case the Group assumes the credit risk. Interest income from these financial assets is included in installation revenue using the effective interest method.

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 equivalent to the sum of the fair value of assets transferred, liabilities that arise or are assumed and equity ownership issued in exchange for control of the acquired business, as of the date of acquisition. 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.

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.

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

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Post-employment obligations

Our employees in Norway, Denmark, Sweden, France, Belgium, the Netherlands, the United Kingdom, Finland, Germany and Switzerland have a pension plan, whereas our employees in Argentina, Chile, Brazil, Spain, Portugal, Italy 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.

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 percentage of contribution depends on the level of employee participation and salaries in each country.

Defined benefit plans are post-employment benefit schemes other than defined contribution plans. The group has defined benefit plans of limited scope 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.

Share-based payments

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 a 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 expense, 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 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 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 carried forward are recognised to the extent that 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 assets (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 assets occur during the same period of the reversals of deferred tax liability. The carrying amount 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, 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 calculated using the straight-line method to allocate the cost of the assets, net of their residual values, over their estimated useful lives as follows:

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

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

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

An asset's residual value and value-in-use are annually reviewed, and adjusted if appropriate, on the defined 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 on the commencement date of the lease. The right-of-use asset is initially measured by cost, which comprises the initial amount of the lease liability adjusted with any lease payments made at or before the commencement date. The right-of-use asset is 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 with 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 varies for each of the Group's 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 according to any new contracts when necessary. When material changes are made in a contract, the Group also reevaluates 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 the 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 lease liability is measured at an amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, 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 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 consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity exceeds the fair value of the 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 for 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. Software that fulfils the capitalisation criterias 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. Costs associated with maintaining computer software are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products

controlled by the group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Amortisation for all intangible assets is measured using the straight-line method during the useful life, as follows:

Customer portfolio	3-15 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.

Initial recognition | IFRS 9

A financial asset or liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets and liabilities are recognised on the trade date; that is, the date the Group commits to purchasing or selling the asset.

At initial recognition financial instruments are measured at fair value plus, in the case of an asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commission. Transaction costs for financial assets and liabilities measured at fair value through profit or loss are expensed in the income statement.

Financial assets – classification and measurement

The Group classifies and measures its financial assets in the categories at amortised cost and at fair value through profit or loss. The classification depends on the Group's business model

for managing the financial assets and the contractual terms of the cash flows.

Debt instruments

Financial assets at amortised cost

Assets held for the purpose of collecting contractual cash flows and where these cash flows consist solely of payments of principal and interest are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit losses reported (see below under Impairment of financial assets recognised at amortised cost). The Group's financial assets measured at amortised cost consists of trade and other receivables, current trade receivables, other current receivables, cash and cash equivalent.

Financial assets at fair value through profit or loss

Assets that do not fulfil the conditions for measurement at amortised cost are measured at fair value through profit and loss. A profit or loss for a debt instrument measured at fair value through profit or loss and that is not included in a hedging relationship is recognised as net in the income statement in the period in which the profit or loss arises. Any holdings of derivatives that have not been designated as hedging instruments are placed in this category. Accounting principles for derivatives for hedge accounting are described under the section "Derivatives and hedge accounting" below.

Equity instruments

Equity instruments at fair value through profit or loss

The Group subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at FVPL are recognised in the statement of profit or loss as applicable.

Financial liabilities – classification and measurement

Financial liabilities at amortised cost

After initial recognition, the Group's other financial liabilities are measured subsequently at amortised cost using the effective interest method. Financial liabilities consist of long-term borrowings, other non-current liabilities, trade payables, short-term borrowings and other current liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities measured at fair value through the income statement are financial liabilities held for trading. Financial liabilities at fair value through profit or loss continue to be measured at fair value in subsequent periods, with the change in value recognised in the income statement. Any holdings of derivatives that have not been designated as hedging instruments are placed in this category. Accounting principles for derivatives for hedge accounting are described under the section "Derivatives and hedge accounting" below.

Derecognition of financial assets and financial liabilities

Financial assets are derecognised in the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred substantially all the risks and rewards associated with ownership. Financial liabilities are derecognised in the balance sheet when the contractual obligation has been discharged or otherwise terminated. When the terms of a financial liability are renegotiated, and not derecognised in the balance sheet, a gain or loss is recognised in the income statement. The gain or loss is

calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

Offsetting of financial instruments

Financial assets and liabilities are offset and recognised with a net amount in the statement of financial position only when there is a legal right to offset the recognised amounts and an intention to balance the items with a net amount or to simultaneously realise the asset and settle the liability.

Impairment of financial assets recognised at amortised cost

The Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach, i.e. the reserve will correspond to the expected loss over the lifetime of the trade receivables. To measure the expected credit losses, trade receivables have been grouped based on days past due. Expected credit losses are based on historical loss rates that are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. In cases when the Group has more information on customers than the statistical model reflects, a management overlay is made for those specific customers. Expected credit losses are recognised under "cost of sales" in the income statement.

Derivatives and hedge accounting

Derivatives are reported in the balance sheet on the date of contract at fair value, both initially and at subsequent remeasurement at the close of each reporting period. The method used to report the gain or loss arising on remeasurement depends on whether the derivative was designated as a hedging instrument, and if so, the nature of the item hedged. The Group designates certain derivatives as hedging of a particular risk attributable to a highly probable forecast cash flow transaction (cash flow hedging). The Group does not use derivative financial instruments for speculative purposes.

When the transaction is entered into, the Group documents the relationship between the hedging instrument and the hedged item, as well as the Group's objective for the risk management and the risk management strategy relating to the hedge. The Group also documents its assessment, both when the hedge is entered into and on an ongoing basis, of whether the derivatives used in hedging transactions have been and will continue to be effective as regards countering changes in the cash flows attributable to the hedged items.

Information concerning the fair value of various derivatives used for hedging purposes can be found in note 22. The entire fair value of a derivative that is a hedging instrument is classified as a non-current asset or non-current liability if the remaining term of the hedged item is more than 12 months, and as a current asset or current liability if the remaining term of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Transaction exposure – cash flow hedging

Currency exposure relating to future contracted and forecast cash flows is hedged through forward currency contracts. The currency forwards that hedge the forecast cash flow are recognised in the balance sheet at fair value. The effective portion of changes in the fair value of the forward contract is recognised in other comprehensive income and accumulated in equity as long as the hedge is effective. The ineffective portion of the change in value is recognised immediately in the income statement. If the hedge is not effective or if the hedged forecast transaction is no longer expected to occur, accumulated gains or losses are recognised immediately in net profit for the year. The amount that was recognised in equity via other comprehensive income is reversed to net profit for the year in the same period as that in which the hedged item affects net profit for the year. When a hedging instrument expires or is sold, terminated or exercised, or if the Group fails to designate the hedging relationship before the hedged transaction has occurred and the forecast transaction is still expected to occur, the reported accumulated gain or loss remains in the hedging reserve in equity and is recognised in the same way as above when the transaction occurs.

Ineffectiveness in hedge accounting

The effectiveness of a hedge is assessed when the hedging relationship is entered into. The hedged item and the hedging instrument are assessed continually to ensure that the relationship fulfils the requirements. When the Group hedges sales of foreign currency, hedging relationships are entered into in which critical conditions of the hedging instrument exactly match the terms of the hedged item. A qualitative assessment of the effectiveness of the relationship is thereby performed. When hedging sales of foreign currency, ineffectiveness can arise if the date of the forecast transaction changes from what was initially estimated.

Derivatives that are not designated as hedging instruments

Changes in the fair value of any derivative instrument that have not been designated as hedging instruments are recognised immediately in profit or loss.

Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

Cash and cash equivalents

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

Trade and other payables

Trade payables are obligations to pay for goods and services that have been acquired from suppliers as part of operating activities. Trade payables and other payables are classified as current liabilities if they fall due for payment within 12 months (or during a normal operating cycle if this is longer). If not, they

are reported as non-current liabilities. The liabilities are initially recognised at fair value and thereafter at amortised cost using the effective interest method.

Borrowing

New borrowing is initially recognised at fair value, net after transaction costs. Thereafter borrowing is recognised at amortised cost and any difference between the amount received (net after transaction costs) and the repayment amount is recognised in profit or loss and distributed across the loan term, applying the effective interest method.

Borrowing is classified under current liabilities unless the Group has an unconditional right to defer payment of the debt for at least 12 months after the closing date.

Inventories | IAS 2

Inventories are stated at the lower of cost and net realisable value. The cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of inventories. 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-in-first-out method. Provisions for obsolescence are included in the value for inventory.

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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Hyperinflation | IAS 29

Verisure's subsidiary in Argentina operates in a hyperinflationary environment. To reflect changes in purchasing power at the balance sheet date, the carrying amounts of non-monetary assets and liabilities, shareholders' equity, and comprehensive income are restated in terms of a measuring unit current at the balance sheet date. These are indexed using a general price index in accordance with IAS 29 'Financial Reporting in Hyperinflationary Economies. Gains and losses on the net monetary position are included in the financial result.

Since Group Financial reports are presented in a stable currency, EURO, comparative amounts are not restated. The ongoing application of the retranslation of comparative amounts to closing exchange rates under IAS 21 and the hyper-inflation adjustments required by IAS 29 leads to a difference that the Group has decided to recognise in other comprehensive income, given the economic inter-relationship between inflation and exchange rates.

Note 3 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 4).
- Testing for impairment of goodwill and other assets (note 18).
- Measurement of deferred income tax assets and deferred income tax liabilities (note 14).
- Measurement of provisions and allocation for accrued expenses (note 26 and 27).
- Depreciation period for alarm equipment and amortisation period for customer portfolio (note 16 and 19).
- Estimates regarding leases (note 11 and 17).

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 depends on the estimated installation cost and a margin based on a benchmark.

Testing for impairment of non-financial assets, including goodwill

In accordance with the accounting principle presented in Note 2 the Group performs tests annually and if there are any indications of impairment to determine whether there is a need for impairment of goodwill. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Recoverable amount of the cash-generating units (CGUs) was determined based on value in use calculations. The calculation of the value in use is based on estimated future cash flows. 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.

Changing the assumptions selected by management, especially the assumptions regarding discount rate and growth rate, could significantly affect impairment evaluation and hence the result. For further details on the test of impairment of goodwill see Note 18.

Measurement of deferred income tax assets and deferred income tax liabilities

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

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

Issues can, and often do, take many years to resolve. Payments in respect to tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As an outcome, 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 made. 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.

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. 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 the useful life, such as technological evolution 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 2022).

Leases – Determining the lease term of contracts with renewal and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Most extension options in offices leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption. The lease term is reassessed when it is decided that an option will be exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Note 4 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 39.

EUR thousand	2023					
	Customer Acquisition	Portfolio Services	Adjacencies	Total Group – Excl SDI	SDI	Group Total
Revenue	362,273	2,635,294	92,404	3,089,970	-	3,089,970
Adjusted EBITDA	(551,108)	1,885,286	6,309	1,340,488	(42,457)	1,298,031
Depreciation and amortisation	-	-	-	(531,978)	(48,483)	(580,461)
Retirement of assets	-	-	-	(114,611)	-	(114,611)
Financial items	-	-	-	(450,793)	(82,852)	(533,645)
Result before tax	-	-	-	243,105	(173,792)	69,313

EUR thousand	2022					
	Customer Acquisition	Portfolio Services	Adjacencies	Total Group – Excl SDI	SDI	Group Total
Revenue	385,954	2,358,158	82,910	2,827,022	-	2,827,022
Adjusted EBITDA	(544,846)	1,694,390	2,424	1,151,969	(35,777)	1,116,191
Depreciation and amortisation	-	-	-	(487,177)	(69,938)	(557,115)
Retirement of assets	-	-	-	(87,799)	-	(87,799)
Financial items	-	-	-	(322,416)	(14,338)	(336,754)
Result before tax	-	-	-	254,577	(120,053)	134,523

Note 5 Expenses by Type of Costs

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

EUR thousand	2023	2022
Revenue	3,089,970	2,827,022
Other income	4,277	4,757
Total operating income	3,094,247	2,831,779
Employee benefit expense	(1,157,660)	(1,067,448)
Depreciation and amortisation expense	(580,461)	(557,114)
Retirement of assets	(114,611)	(87,799)
Cost of materials	(73,146)	(91,440)
Marketing-related costs	(203,035)	(213,554)
Other cost	(362,375)	(343,146)
Total operating cost	(2,491,289)	(2,360,501)
Operating profit	602,958	471,278

EUR thousand	2023	2022
Currency translation differences included in operating profit	(1,931)	3,514

Currency translation differences included in financial income and expenses are shown in note 13.

Note 6 Audit fees

EUR thousand	2023	2022
PwC		
Audit assignments	1,968	1,822
Audit work apart from the audit assignment	111	88
Tax consultancy	86	126
Other services ¹	224	726
Total PwC	2,389	2,762
Other auditors		
Audit assignments	24	15
Total other auditors	24	15
Total for the Group	2,413	2,777

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

Note 7 Employee Benefit Expense

EUR thousand	2023	2022
Wages and salaries including restructuring costs and other termination benefits	865,925	794,981
Social security costs	242,319	229,259
Pension costs	49,416	43,208
Total	1,157,660	1,067,448

Note 8 Remuneration of Directors and other Key Executive Management

EUR thousand	2023	2022
Short-term employee benefits	6,060	6,191
Post-employment benefit	266	314
Total	6,326	6,505

The directors and the other key executive management have 6 to 12 months' notice period corresponding to an amount of EUR 7,886 thousand (7,317 in 2022).

Note 9 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 instalments over a period of maximum five years.

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

Number of options	2023	2022
At 1 January	1,478,989	1,309,166
Granted during the year	230,498	227,301
Forfeited during the year	(137,915)	(45,816)
Exercised during the year	(165,392)	(11,662)
At 31 December	1,406,180	1,478,989

No options expired during 2023 and 2022.

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 2,172 thousand (1,110 in 2022).

Note 10 Non-Cash Items

EUR thousand	2023	2022
Retirement of assets ¹	114,611	87,799
Other items	(8,649)	(30)
Total	105,962	87,769

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

Note 11 Leases

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

The income statement shows the following amounts related to leases during 2023 and 2022:

EUR thousand	2023	2022
Amortisation charge of right-of-use assets	55,467	51,152
Interest expense ¹	6,353	5,496
Expense relating to short-term leases ²	1,334	2,688
Expenses relating to leases of low-value assets that are not shown above as short-term leases ²	377	281
Total	63,531	59,617

1) Included in financial expenses.

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

Depreciation charge of right-of-use assets by type of asset

EUR thousand	2023	2022
Buildings	24,878	22,973
Vehicles	30,307	27,799
Other	282	380
Total	55,467	51,152

Total cash outflow for leases

EUR thousand	2023	2022
Amortisation of lease liability	48,069	43,658
Interest	6,353	5,496
Payments for low value and short term	1,711	2,969
Total cash outflow	56,133	52,123

Note 12 Depreciation and Amortisation

EUR thousand	2023	2022
Property, plant and equipment	209,136	190,081
Right-of-use assets	55,467	51,152
Customer portfolio	206,746	225,310
Other intangible assets	109,112	90,571
Total	580,461	557,114

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

EUR thousand	2023	2022
Cost of sales	388,761	367,429
Selling and administrative expenses	191,700	189,685
Total	580,461	557,114

Note 13 Financial Income and Expenses

EUR thousand	2023	2022
Interest income, other	1,876	970
Other financial income	14,034	-
Financial income	15,910	970
Interest cost on borrowings	(411,524)	(282,134)
Interest cost on leasing	(6,353)	(5,496)
Interest cost, other	(33,987)	(22,519)
Fair value changes in derivatives	(24,137)	20,011
Net currency translation differences	(43,530)	(24,650)
Bank charges	(21,794)	(18,546)
Other financial expenses	(8,231)	(4,391)
Financial expenses	(549,555)	(337,725)
Financial income and expenses	(533,645)	(336,755)

Details of borrowings are presented in note 25.

Note 14 Taxes

Income statement

Tax expense

EUR thousand	2023		2022	
Current tax	(96,245)	(138.9%)	(74,507)	(55.4%)
Deferred tax	55,817	80.5%	(17,751)	(13.2%)
Total	(40,428)	(58.3%)	(92,259)	(68.6%)

The Swedish rate of corporate income tax was 20.6% in both 2023 and 2022.

Difference between Swedish tax rate and actual tax for the Group

EUR thousand	2023		2022	
Tax calculated at Swedish tax rate	(14,279)	(20.6%)	(27,712)	(20.6%)
Difference between tax rate in Sweden and weighted tax rates applicable to foreign subsidiaries	(5,754)	(8.3%)	13,769	10.2%
Deferred tax asset on tax credits and losses carried forward	70,709	102.0%	(32,708)	(24.3%)
Non-taxable/non-deductible income statement items, net	(79,431)	(114.6%)	(42,018)	(31.2%)
Tax related to prior years	8,939	12.9%	3,981	3.0%
Effect of tax rates changed	(12,621)	(18.2%)	(1,303)	(1.0%)
Other	(7,991)	(11.5%)	(6,268)	(4.7%)
Total	(40,428)	(58.3%)	(92,259)	(68.6%)

Unused tax losses for which no deferred tax asset has been recognised amounts to EUR 459,717 thousand in 2023 (422,888 in 2022).

Other comprehensive income

Tax on other comprehensive income

EUR thousand	2023	2022
Deferred tax on remeasurements of defined benefit pension plans	119	(120)
Deferred tax on hedging reserve	1,060	1,768
Total	1,179	1,648

Balance Sheet

Deferred tax assets attributable to:

EUR thousand	2023	2022
Tangible assets and other intangible assets ¹	11,144	11,761
Acquisition-related intangible assets	1,589	1,442
Tax-loss carryforwards	60,194	75,659
Pension provisions and employee-related liabilities	4,289	2,079
IFRS 15	26,970	26,074
Risk reserves	2,550	2,122
Other temporary differences	139,247	45,121
Total deferred tax assets	245,983	164,258
Netting	(142,742)	(135,480)
Total	103,240	28,778

1) Relates to other intangible assets that is not specified on a separate row.

Deferred tax liabilities attributable to:

EUR thousand	2023	2022
Tangible assets and other intangible assets ¹	59,260	42,671
Customer acquisition costs	196,942	186,100
Acquisition-related intangible assets	11,169	19,551
Pension provisions and employee-related liabilities	222	169
IFRS 15	19,167	15,993
Other temporary differences	58,393	55,451
Total deferred tax liabilities	345,152	319,935
Netting	(142,742)	(135,480)
Total	202,409	184,455

1) Relates to other intangible assets that is not specified on a separate row.

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 31 December, 2023, the Group had a tax-loss carried forward of EUR 746.1 million (728.2 in 2022). As of 31 December, 2023, tax loss carry-forwards for which deferred tax assets had been recognised amounted to EUR 354.4 million (388.3 in 2022) and deferred tax assets related to the tax-loss amounted to EUR 75.7 million (87.9

in 2022). A time limitation regarding the utilisation of tax-loss carry forwards exists in Argentina, Finland, and Switzerland. Brazil and Peru have limitations related to the amount of loss carry-forwards. No other limitations exist in other countries. Starting in 2023, Portugal no longer imposes any limitations on tax loss carry-forwards.

Deferred tax movements

Reflected in the consolidated statement of financial position as follows:

EUR thousand	2023	2022
Deferred tax assets	245,983	164,257
Deferred tax liabilities	(345,152)	(319,935)
Deferred tax assets/(liabilities), net	(99,169)	(155,678)

A reconciliation of net deferred tax is shown in the table below:

EUR thousand	2023	2022
At 1 January	(155,678)	(147,613)
Movement recognised in the consolidated statement of operations	55,817	(17,751)
Directly to equity	1,179	1,648
Exchange differences	(487)	8,038
At 31 December	(99,169)	(155,678)

OECD Pillar Two model rules

Pillar Two legislation has been enacted in all jurisdictions where the Group maintains operations, with the legislation scheduled to take effect for the Group's financial year commencing on 1 January, 2024.

A comprehensive assessment of potential exposure to Pillar Two income taxes has been diligently conducted by the Group. This assessment draws upon extensive data, including recent tax filings, Country-by-Country reporting, and financial statements of constituent entities within the Group. Based on this thorough

evaluation, it has been determined that the effective tax rates under Pillar Two in the majority of jurisdictions where the Group operates surpass 15%. Moreover, it has been observed that in a limited number of jurisdictions, the transitional safe harbor relief presently does not apply.

The Group does not anticipate significant exposure to Pillar Two income taxes in any of the jurisdictions. However, it remains vigilant, closely monitoring the progression of the 2024 financials to ensure full compliance with any Pillar Two obligations that may emerge.

Note 15 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. Refer to note 7 for information regarding Remuneration of the Directors and other Key Executive Management.

Transactions with related parties

EUR thousand	2023	2022
Interest income	28	21
Shareholder contribution	1,923	1,016

Balances with related parties

EUR thousand	2023	2022
Group contribution claim, non-current	-	231,588
Financial receivable, non-current	21,026	628
Group contribution claim, current	-	124

Note 16 Property, Plant and Equipment

EUR thousand	2023		
	Alarm equipment	Other	Total
Balance at beginning of year	1,979,436	213,771	2,193,207
Investments	436,585	25,508	462,093
Disposals/retirements of assets	(166,373)	(6,908)	(173,282)
Translation differences	(6,420)	(524)	(6,943)
Balance at end of year	2,243,228	231,847	2,475,075
Depreciation at beginning of year	(732,725)	(143,856)	(876,581)
Disposals/retirements of assets	51,116	6,438	57,554
Depreciation charge for the year	(183,621)	(25,515)	(209,136)
Translation differences	3,395	436	3,830
Accumulated depreciation at end of year	(861,835)	(162,498)	(1,024,332)
Net book value at end of year	1,381,392	69,349	1,450,741

EUR thousand	2022		
	Alarm equipment	Other	Total
Balance at beginning of year	1,722,255	184,366	1,906,621
Investments	410,078	30,349	440,428
Disposals/retirements of assets	(137,082)	(13)	(137,095)
Translation differences	(15,816)	(931)	(16,747)
Balance at end of year	1,979,436	213,771	2,193,207
Depreciation at beginning of year	(614,251)	(122,418)	(736,669)
Disposals/retirements of assets	43,865	(1,229)	42,636
Depreciation charge for the year	(168,123)	(21,957)	(190,081)
Translation differences	5,784	1,749	7,534
Accumulated depreciation at end of year	(732,725)	(143,856)	(876,581)
Net book value at end of year	1,246,711	69,915	1,316,626

Refer to note 2 Accounting Policies for more information.

Note 17 Right of Use Assets

EUR thousand	2023			
	Buildings	Vehicles	Other assets	Total
Balance at beginning of year	158,690	89,775	1,731	250,195
New lease contracts	21,169	40,824	1	61,994
Termination of lease contracts	(6,702)	(23,813)	(28)	(30,543)
Translation differences	(384)	(178)	(15)	(577)
Balance at end of year	172,772	106,608	1,689	281,069
Depreciation at beginning of year	(54,094)	(38,018)	(829)	(92,941)
Disposals/retirements of assets	4,920	21,503	28	26,451
Depreciation charge for the year	(24,878)	(30,307)	(282)	(55,467)
Translation differences	161	82	(12)	231
Accumulated depreciation at end of year	(73,891)	(46,740)	(1,096)	(121,727)
Net book value at end of year	98,881	59,868	593	159,342

EUR thousand	2022			
	Buildings	Vehicles	Other assets	Total
Balance at beginning of year	142,588	87,621	1,796	232,006
New lease contracts	29,673	35,373	51	65,097
Termination of lease contracts	(11,777)	(32,750)	(138)	(44,665)
Translation differences	(1,793)	(469)	20	(2,242)
Balance at end of year	158,690	89,775	1,731	250,195
Depreciation at beginning of year	(42,343)	(42,211)	(586)	(85,139)
Disposals/retirements of assets	10,599	31,672	134	42,406
Depreciation charge for the year	(22,973)	(27,799)	(380)	(51,152)
Translation differences	623	320	2	946
Accumulated depreciation at end of year	(54,094)	(38,018)	(829)	(92,941)
Net book value at end of year	104,596	51,756	903	157,255

Refer to note 2 Accounting Policies for more information.

Note 18 Goodwill

EUR thousand	2023	2022
Balance at beginning of year	777,765	867,680
Reclassification	1,269	-
Translation differences	(9,828)	(89,915)
Balance at end of year	769,206	777,765

Refer to note 2 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).

Goodwill is allocated to cash-generating units, as follows:

EUR thousand	2023	2022
Northern Europe	461,258	464,608
Southern Europe and Latin America	307,948	313,157
Total	769,206	777,765

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 Directors. The principal assumptions in the value-in-use calculation were those regarding sales growth rates and operating margin. A weighted average pre-tax WACC has been applied to each geography for impairment testing. The range of the Weighted Average Cost of Capital (WACC) applied was 9.6% to 11.4%.

For the period, subsequent to the long-term plan, cash flows generated by the cash generating units (CGUs) to which significant goodwill has been allocated have been extrapolated on the basis of a projected annual growth rate of 2%. 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 WACC used was 1% higher or if the compound annual growth rate was 1% lower.

Note 19 Customer Portfolio

EUR thousand	2023	2022
Balance at beginning of year	2,959,396	2,715,283
Investments	275,896	276,329
Disposals/retirements of assets	(4,180)	(2,724)
Reclassification	(1,627)	-
Translation differences	(6,192)	(29,492)
Balance at end of year	3,223,293	2,959,396
Amortisation at beginning of year	(1,921,793)	(1,703,607)
Disposals/retirements of assets	2,100	1,870
Amortisation charge for the year	(206,746)	(225,310)
Translation differences	4,993	5,254
Accumulated amortisation at end of year	(2,121,446)	(1,921,793)
Net book value at end of year	1,101,846	1,037,603

Intangible assets arising from acquisitions are principally represented by acquired customer relationships and have finite useful lives. Management has assessed the recoverability of the carrying amount of the customer portfolio as of the acquisition

date. The impairment tests are described in note 18. Out of total net book value, EUR 929,039 thousand (824,479 in 2022) relates to cost to obtain a contract. Refer to note 2 Accounting Policies for more information.

Note 20 Other Intangible Assets

EUR thousand	2023	2022
Balance at beginning of year	836,161	713,402
Investments	130,464	124,410
Disposals/retirements of assets	(2,361)	(1,711)
Translation differences	(773)	60
Balance at end of year	963,491	836,161
Amortisation at beginning of year	(519,817)	(430,571)
Disposals/retirements of assets	1,421	1,231
Amortisation charge for the year	(109,112)	(90,571)
Translation differences	797	95
Accumulated amortisation at end of year	(626,710)	(519,817)
Net book value at end of year	336,781	316,344

Out of the total book value, EUR 287,760 thousand (254,900 in 2022) relates to internally developed intangible assets. Refer to note 2 Accounting Policies for more information.

Note 21 Prepayments and Accrued Income

EUR thousand	2023	2022
Accrued sales income	2,093	1,260
Prepaid expenses	77,210	76,179
Other accrued income	1,949	4,388
Total	81,253	81,827

Note 22 Financial Risk Management

Financial instruments by category and valuation level

EUR thousand	2023		2022	
	Financial Asset	Financial Liability	Financial Asset	Financial Liability
Hedge accounting				
FX forwards ¹	137	4,214	6,244	5,175
Fair value				
FX swaps ¹	4	21	-	-
Cross currency swaps ¹	1,717	-	1,363	-
Interest rate swaps ¹	-	23,698	-	4,593
Trade and other receivables ⁵	11,400	-	-	-
Amortised cost				
Trade and other receivables	53,278	-	285,959	-
Trade receivables, current ^{2,4}	200,542	-	193,131	-
Other current receivables ^{2,4}	39,759	-	17,028	-
Cash and cash equivalent	21,319	-	43,629	-
Long-term borrowings ^{2,3}	-	7,157,561	-	7,138,198
Other non-current liabilities ²	-	2,474	-	3,152
Trade payables, current ^{2,4}	-	171,164	-	188,664
Accrued expenses, current ^{2,4}	-	197,270	-	206,807
Short-term borrowings ^{2,4}	-	124,141	-	120,346
Other current liabilities ^{2,4}	-	33,387	-	24,652

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 3,507 million (4,010 in 2022), fair value for the Term Loan B is EUR 2,605 million (2,780 in 2022), 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.

5) Trade and other receivables measured at fair value are classified in level 3. Significant inputs are unobservable.

Derivatives

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. Derivatives are used only for economic hedging purposes and not as speculative investments. Where all the criteria for hedge accounting are fulfilled, hedge accounting is applied to eliminate the effect of accounting differences between the hedging instrument and the hedged item. However,

derivatives that have not been designated as hedging instruments are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The Group currently uses the following derivatives:

- Interest rate swaps: to hedge cash flows due to interest rate risk on the Group's variable long-term debt.

- Cross currency swaps: to hedge foreign exchange risk in the Group's financing operations by artificially increasing the exposure to SEK liabilities.
- FX swaps: to manage cash positions in foreign currencies.
- FX forward: to lock in the exchange rate of future cash flow in a foreign currency different to the subsidiary's functional currency. The Group only enters USD FX forwards against EUR and SEK.

The Group has the following derivative instruments recognised on the following lines of the balance sheet:

EUR thousand	2023	2022
Non-current liabilities		
Interest rate swaps - held for trading	23,698	4,593
Total	23,698	4,593
Current liabilities		
FX forward- cash flow hedges	4,214	5,175
FX swaps - held for trading	21	-
Total	4,235	5,175
Non-current receivables		
Cross currency swaps - held for trading	1,717	1,363
Total	1,717	1,363
Current receivables		
FX swaps - held for trading	4	-
FX forward - cash flow hedges	136	6,244
Total	140	6,244

Change in hedging reserve

EUR thousand	Change in cash flow reserves
Opening balance 1 January, 2022	7,664
Change in fair value of hedging instrument	(8,583)
Deferred tax	1,768
Closing balance 31 December, 2022	849
Change in fair value of hedging instrument	(5,146)
Deferred tax	1,060
Closing balance 31 December, 2023	(3,237)

Impact of hedge accounting on the Group's financial position and earnings

The effects of the hedge accounting of the impact of currency risk on the Group's financial position are shown below:

Derivatives – currency forwards

EUR thousand	2023	2022
Carrying amount (current liability)	4,214	5,175
Notional amount, currency USD	186,500	154,750
Maturity date	May-December 2024	May-December 2023
Hedge ratio	1:1	1:1
Change in discounted spot value of outstanding hedging instruments since inception of the hedge	(4,214)	(5,175)
Change in value of hedged item to determine ineffectiveness	4,214	5,175
Weighted average for outstanding hedging instruments in USD (including forward points)	SEK 10.53 : 1 USD EUR 1.09 : 1 USD	SEK 10.74 : 1 USD EUR 1.02 : 1 USD

Derivatives – currency forwards

EUR thousand	2023	2022
Carrying amount (current assets)	137	6,244
Notional amount, currency USD	26,000	132,500
Maturity date	May-December 2024	January-December 2023
Hedge ratio	1:1	1:1
Change in discounted spot value of outstanding hedging instruments since inception of the hedge	137	6,244
Change in value of hedged item to determine ineffectiveness	(137)	(6,244)
Weighted average for outstanding hedging instruments in USD (including forward points)	EUR 1.12 : 1 USD	SEK 9.73 : 1 USD EUR 1.13 : 1 USD

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 2023 was EUR 246,201 thousand (239,873 in 2022).

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. For more details, see note 24.

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. Excess liquid funds may only be invested 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+, or in money market funds with a minimum credit rating by Moody's of Aa1 and/or Standard & Poor's of AA+ and managed by a Global Systematically Important Bank. Alternatively, deposits may also be arranged with banks bearing a short-term investment grade credit rating. The Group had no investments of excess liquid funds at the end of December 2023 and 2022.

Interest bearing liabilities per currency

EUR thousand	2023	2022
Long-term borrowings (principal amount)		
EUR liabilities	7,178,617	7,175,277
SEK liabilities	142,758	142,175
Other currencies	20,731	23,528
Total	7,342,106	7,340,980
Short-term borrowings (carrying amount)		
EUR liabilities	161,189	154,071
SEK liabilities	4,763	4,182
Other currencies	8,730	8,470
Total	174,682	166,723

Credit facilities as per 31 December, 2023

EUR thousand	Currency	Facility amount	Available amount	Maturity
Revolving Credit Facility (RCF)	Multicurrency (EUR)	700,000	500,000	2027
Term loan B	EUR	800,000	-	2026
Term loan B	EUR	2,000,000	-	2028
Bond	EUR	800,000	-	2026
Bond	EUR	1,150,000	-	2027
Bond	EUR	500,000	-	2027
Bond	EUR	450,000	-	2028
Senior Unsecured Notes (SUN)	EUR	1,175,000	-	2029
Senior Unsecured Notes (SUN)	SEK	134,606	-	2029

Credit facilities as per 31 December, 2022

EUR thousand	Currency	Facility amount	Available amount	Maturity
Revolving Credit Facility (RCF)	Multicurrency (EUR)	700,000	245,501	2027
Term loan B	EUR	800,000	-	2026
Term loan B	EUR	2,000,000	-	2028
Bond	EUR	200,000	-	2025
Bond	EUR	800,000	-	2026
Bond	EUR	500,000	-	2027
Bond	EUR	1,150,000	-	2027
Senior Unsecured Notes (SUN)	EUR	1,175,000	-	2029
Senior Unsecured Notes (SUN)	SEK	134,529	-	2029

Liquidity risk

Liquidity risk is the risk that the Group's funds and credit facilities become insufficient to meet the business needs or that extra costs are incurred to arrange the financing needed. The Group's objective is to always maintain enough liquidity in the Group to attend business needs. The Group's short-term liquidity is assured by maintaining a liquidity reserve called Available Funds (defined as cash, bank deposits, short-term investments, and the unutilised portion of committed credit facilities), which must always be above a certain amount. The Group closely monitors liquidity against forecasts and manages

the business to ensure there is always enough liquidity in the Group. The Company has a EUR 700 million Revolving Credit Facility in place. As of the end of 2023, available funds, defined as undrawn amounts under the EUR 700 million Revolving Credit Facility, and cash and cash equivalents, were EUR 500 million.

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 may be limited or expensive. The risk is minimised by actively managing the maturity profile of external funding. The Group does not have meaningful debt maturities until July 2026, when EUR 1,600 million are due.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities and net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows. For interest rate swaps, the cash flows have been estimated using spot interest rates applicable at the end of the reporting period.

Liquidity report

EUR thousand	2023			
	Less than 1 year	1-4 years	5 years or more	Total
<i>Non-derivatives</i>				
Liabilities to credit institutions, principal amounts	(83,303)	(4,792,683)	(1,309,606)	(6,185,592)
Interest payments borrowings	(427,366)	(1,218,742)	(9,847)	(1,655,956)
Other non-current liabilities	-	(2,339)	-	(2,339)
Lease liabilities	(51,879)	(94,857)	(15,595)	(162,331)
Trade payables	(171,392)	-	-	(171,392)
Other current liabilities	(230,657)	-	-	(230,657)
Total non-derivatives	(964,598)	(6,108,621)	(1,335,049)	(8,408,267)
<i>Derivatives</i>				
Interest rate derivatives				
Derivative contracts - inflow	39,100	99,946	-	139,046
Derivative contracts - outflow	(30,684)	(78,432)	-	(109,116)
Foreign exchange derivatives				
Derivative contracts - inflow	167,451	-	-	167,451
Derivative contracts - outflow	(171,665)	-	-	(171,665)
Total derivatives	4,202	21,514	-	25,716

EUR thousand	2022			
	Less than 1 year	1-4 years	5 years or more	Total
<i>Non-derivatives</i>				
Liabilities to credit institutions, principal amounts	(53,428)	(5,902,695)	(1,309,529)	(7,265,652)
Interest payments borrowings	(376,625)	(1,309,258)	(108,269)	(1,794,152)
Other non-current liabilities	-	(1,267)	(2,048)	(3,315)
Lease liabilities	(46,439)	(89,272)	(24,925)	(160,636)
Trade payables	(188,664)	-	-	(188,664)
Other current liabilities	(231,459)	-	-	(231,459)
Total non-derivatives	(896,615)	(7,302,492)	(1,444,771)	(9,643,878)
<i>Derivatives</i>				
Interest rate derivatives				
Derivative contracts - inflow	21,840	77,667	-	99,507
Derivative contracts - outflow	(30,684)	(109,116)	-	(139,799)
Foreign exchange derivatives				
Derivative contracts - inflow	142,908	-	-	142,908
Derivative contracts - outflow	(148,084)	-	-	(148,084)
Total derivatives	(14,019)	(31,449)	-	(45,468)

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 2023 and 2022, 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 seeks to operate on a 50-75% fixed rate range, including derivatives. At present, all interest

rate swaps are used to exchange future interest payments from floating to fixed. Excluding derivatives in place, approximately 57% of our borrowings are fixed. Including derivatives in place, approximately 70% of our borrowings are 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 31 December, 2023, with current financing terms and existing derivatives in place, an increase of EURIBOR/ STIBOR fixings of 100 basis points would impact the Group's total interest expenses by a negative EUR 21 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 is continuously monitored and partly hedged through foreign exchange forwards. The Group's approach is to hedge between 25% and 75% of forecasted USD material purchases on a 12-month rolling basis. In 2023, we had maturities of foreign exchange forwards that accounted for approximately 70% of

material purchases in USD conducted in the year. If relevant criteria are met, hedge accounting is applied to these contracts. As of 31 December, 2023, the total exposure in USD in trade payables for the Group was USD 52.9 million (60.3 in 2022), whereof USD 49.3 million (57.9 in 2022) is recalculated in EUR and USD 3.6 million (2.7 in 2022) is recalculated in SEK.

The Group has SEK denominated loans. As of year-end 2023, SEK denominated loans totalled SEK 1,500 million. The exchange of borrowings in non-EUR currencies into EUR impacts the Group's income statement. To reduce the risk the Group is exposed to, the Group uses foreign exchange instruments (cross currency swaps) to economically hedge the risk.

Sensitivity analysis

The Group is primarily exposed to SEK/USD and EUR/USD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US dollar-denominated financial instruments and the impact on other components of equity arises from foreign forward exchange contracts designated as cash flow hedges.

Sensitivity analysis per risk

EUR million	2023		2022	
	Effect		Effect	
	Impact on post-tax profit	Impact on other components of equity	Impact on post-tax profit	Impact on other components of equity
Interest rate risk				
Interest rate +1 percentage point	(21)	(21)	(24)	(24)
Interest rate -1 percentage point	21	21	(8)	(8)
Transaction risk				
Currency rate SEK/USD +10 percentage point	(0.3)	-	0.3	0.5
Currency rate SEK/USD -10 percentage point	0.3	-	(0.3)	(0.5)
Currency rate EUR/USD +10 percentage point	(4.5)	(0.2)	5.5	6.5
Currency rate EUR/USD -10 percentage point	4.5	0.2	(5.5)	(6.5)

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. The Group has 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 2023 this ratio was 3.8x. The Group's total net debt and net leverage is further presented in note 25.

Note 23 Inventories

EUR thousand	2023	2022
Materials and consumables	296,443	342,732

Impairment for provision in inventories at year end totalled EUR 6,970 thousand (3,032 in 2022). The cost of materials recognised as an expense and included in "cost of sales" was EUR 91,822 thousand (86,050 in 2022) on 31 December, 2023.

Note 24 Trade Receivables

Non-current

EUR thousand	2023	2022
Trade receivables before provision for bad debts	98,602	79,465
Provision for bad debts	(52,642)	(32,723)
Total	45,960	46,742

Current

EUR thousand	2023	2022
Trade receivables before provision for bad debts	299,909	276,596
Provision for bad debts	(99,367)	(83,465)
Total	200,542	193,131

Provision for bad debts

EUR thousand	2023	2022
Balance at beginning of year	116,191	110,790
Provision for bad debt during the year	47,744	33,624
Receivables written off during the year as uncollectible	(9,182)	(27,179)
Unused amounts reversed	(2,742)	(1,044)
Balance at end of year	152,010	116,191

Customer credit losses recognised in the income statement totalled to EUR 44.2 million as of 31 December, 2023 (34.2 in 2022).

Due dates for trade receivables

EUR thousand	2023	2022
Past due 0–3 months	44,471	39,339
Past due 3–6 months	14,466	12,467
Past due 6–9 months	12,818	10,599
Past due 9–12 months	12,115	8,875
Past due >12 months	97,176	74,091
Total	181,046	145,371

Note 25 Borrowings

EUR thousand	2023			2022		
	Principal amount	Adjustment amortised costs	Carrying amount	Principal amount	Adjustment amortised costs	Carrying amount
Non-current liabilities						
Secured						
Senior secured notes	2,900,000	(20,384)	2,879,616	2,650,000	(22,999)	2,627,001
Term Loan B ¹	2,800,000	(33,092)	2,766,908	2,800,000	(42,447)	2,757,553
Revolving Credit Facility	199,499	(7,914)	191,585	454,499	(9,863)	444,636
Unsecured						
Senior unsecured notes	1,310,184	(11,361)	1,298,823	1,309,870	(13,215)	1,296,655
Liabilities to other creditors	20,630	-	20,630	12,354	-	12,354
Lease liability	111,793	-	111,793	114,257	-	114,257
Long-term borrowings	7,342,106	(72,752)	7,269,354	7,340,980	(88,525)	7,252,455
Current liabilities						
Accrued interest expenses	87,800	-	87,800	81,416	-	81,416
Other liabilities	36,342	-	36,342	38,929	-	38,929
Lease liability	50,540	-	50,540	46,378	-	46,378
Short-term borrowings	174,681	-	174,681	166,724	-	166,724
Total	7,516,787	(72,752)	7,444,035	7,507,704	(88,525)	7,419,179

1) Of the total amount regarding adjustment amortised costs EUR (9,568) thousand in 31 December, 2023 and (13,103) in December 2022 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 guaranteed by some 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 and Leverage per Senior Facilities Agreement (SFA)

EUR thousand	2023	2022
Total principal amount (as above)	7,516,787	7,507,704
Less accrued interest	(87,800)	(81,416)
Total indebtedness	7,428,988	7,426,287
Less cash and cash equivalents	(21,319)	(43,629)
Total net debt	7,407,669	7,382,658
Secured net debt	5,878,181	5,860,870
L2QA EBITDA	1,388,690	1,223,556
Total net leverage	5.3x	6.0x
Total secured net leverage	4.2x	4.8x

Borrowings, currency and interest rate profile

The currency and interest rate profile of outstanding borrowing principals, after taking into account the effect of the Group's currency and interest rate hedging activities, was as follows:

	Floating interest rate		Fixed interest rate			
	EUR thousand	Weighted average interest rate %	EUR thousand	Weighted average interest rate %	Weighted average period of which rate is fixed, years	Total EUR thousand
2023						
EUR	1,725,000	8.8%	5,075,000	4.7%	4.0	6,800,000
SEK	409,606	8.7%	-	-	-	409,606
Total	2,134,606	-	5,075,000	-	-	7,209,606

	Floating interest rate		Fixed interest rate			
	EUR thousand	Weighted average interest rate %	EUR thousand	Weighted average interest rate %	Weighted average period of which rate is fixed, years	Total EUR thousand
2022						
EUR	2,179,500	7.2%	4,625,000	4.5%	4.7	6,804,505
SEK	409,529	7.3%	-	-	-	409,529
Total	2,589,029	-	4,625,000	-	-	7,214,029

Cash flows related to borrowings

EUR thousand	Non-Cash changes 2023						Carrying amount 31 Dec, 2023
	Carrying amount 1 Jan, 2023	Cash flows	Change in adjustment amortised cost	New leases	Foreign exchange movement	New accrued interest	
Long-term borrowings	7,138,198	3,278	15,773	-	314	-	7,157,562
Short-term borrowings	38,929	(2,587)	-	-	-	-	36,342
Accrued interest	81,416	(81,416)	-	-	-	87,800	87,800
Lease liabilities	160,636	(54,422)	-	56,644	(526)	-	162,332
Total liabilities	7,419,180	(135,148)	15,773	56,644	(212)	87,800	7,444,037
Cash and cash equivalents	(43,629)	21,150	-	-	1,160	-	(21,319)
Total cash	(43,629)	21,150	-	-	1,160	-	(21,319)
Total	7,375,550	(113,998)	15,773	56,644	948	87,800	7,422,717

EUR thousand	Carrying amount 1 Jan, 2022	Cash flows	Non-Cash changes 2022				Carrying amount 31 Dec, 2022
			Change in adjustment amortised cost	New leases	Foreign exchange movement	New accrued interest	
Long-term borrowings	6,920,428	218,124	11,113	-	(11,467)	-	7,138,198
Short-term borrowings	25,935	12,994	-	-	-	-	38,929
Accrued interest	62,882	(62,882)	-	-	-	81,416	81,416
Lease liabilities	150,151	(49,154)	-	61,238	(1,600)	-	160,636
Total liabilities	7,159,396	119,082	11,113	61,238	(13,067)	81,416	7,419,180
Cash and cash equivalents	(24,283)	(19,462)	-	-	116	-	(43,629)
Total cash	(24,283)	(19,462)	-	-	116	-	(43,629)
Total	7,135,113	99,620	11,113	61,238	(12,951)	81,416	7,375,549

Note 26 Other Provisions

EUR thousand	2023	2022
Balance at beginning of year	16,815	22,437
Additional provisions	19,197	5,977
Utilised provisions	(1,232)	(11,599)
Balance at end of year	34,780	16,815

Breakdown

EUR thousand	2023	2022
Provision for staff-related costs	2,719	1,303
Provisions for service related costs	1,489	1,825
Provisions for risk reserves	26,937	11,904
Other provisions	3,635	1,783
Total other provisions	34,780	16,815

Other provisions include various long-term items, among them provisions related to risk reserves and litigations. The timing of utilisation of these provisions is uncertain. Hence, it is not possible to disclose any detailed information regarding the timing of outflows from other provisions.

Note 27 Accrued Expenses and Deferred Income

EUR thousand	2023	2022
Subscription fees invoiced in advance	279,917	227,382
Staff-related costs	173,324	163,005
Marketing-related costs	24,363	30,235
Goods received	8,154	16,187
Audit assignments and other services	1,558	1,651
Risk reserves	15,508	12,854
External services	38,859	37,877
Other items	156,477	117,802
Total accrued expenses and deferred income	698,160	606,993

Unsatisfied long-term customer contracts

Aggregate amount of the customer contracts revenue allocated to long-term customer contracts that are partially or fully unsatisfied as of the 31 December, 2023, amounts to EUR 712,580 thousand, compared to EUR 752,489 thousand as of the 31 December, 2022. As of 31 December, 2023, the Group had non-cancellable customer contracts which resulted in partly unsatisfied performance obligations at year end. Management expects that 65.2% of the transaction price allocated to the

partly unsatisfied contracts as of 31 December, 2023 will be recognised as revenue during the year 2024, 28.9% is expected to be recognised during 2025 and 5.9% during 2026 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 cancellable subscriptions, the amount of the outstanding unsatisfied performance obligations does not amount to expected revenue for future periods.

Liabilities related to contracts with customers

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

EUR thousand	2023	2022
Opening balance	369,175	296,445
Prepayments taken as income	(314,858)	(236,927)
New prepayments	472,791	308,967
Translation effect	(3,237)	690
Closing balance	523,871	369,175
Closing balance consists of:		
Current assets	6,520	-
Total Assets	6,520	-
Non-current liabilities	177,946	106,516
Current liabilities	352,445	262,659
Total liabilities	530,391	369,175

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

EUR thousand	2023	2022
Shares in subsidiaries	2,426,640	2,583,898
Bank accounts	6,367	29,867
Accounts receivables	165,460	189,245
Inventories	941	645
Other operating assets	64,208	65,434
Trademark	45,482	56,206
Endowment insurance	537	567

Contingent liabilities

EUR thousand	2023	2022
Guarantees	41,504	37,431

The Group has pledged shares in subsidiaries, certain bank accounts, trade receivables, IP rights, certain inventory assets, intra-group loans, intra-group equity certificates, rights under insurances, rights under the acquisition agreements regarding the purchase of the Group and 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 warranties provided to suppliers.

Parent Company Financial Statements

Parent Company Income Statement

EUR thousand	Note	2023	2022
Revenue	2	579	-
Administrative expenses		(265)	709
Operating profit		314	709
Dividend	2	256,664	-
Group contribution		(876)	3,317
Financial income	2, 3	47,975	48,204
Financial expenses	2, 3	(79,525)	(79,454)
Profit before tax		224,552	(27,224)
Income tax expense		-	(385)
Net profit for the period		224,552	(27,609)

Parent Company Statement of Financial Position

EUR thousand	Note	2023	2022
Assets			
Non-current assets			
Investments in subsidiaries	4	1,236,493	1,191,984
Receivables from Group companies	2	648,522	688,349
Total non-current assets		1,885,015	1,880,333
Current assets			
Receivables from Group companies	2	15,741	19,980
Prepaid expenses and accrued income		-	29
Cash and cash equivalents		743	627
Total current assets		16,484	20,636
Total assets		1,901,499	1,900,969

EUR thousand	Note	2023	2022
Equity and liabilities			
Equity			
Share capital	5	56	56
Other paid in capital		573,125	569,170
Retained earnings		(97,663)	(88,471)
Total equity		475,518	480,755
Provisions			
Non-current liabilities			
Long-term borrowings	6	1,298,823	1,296,655
Liabilities to Group companies	2	97,831	94,887
Total non-current liabilities		1,396,654	1,391,542
Current liabilities			
Liabilities to Group companies	2	4,476	4,146
Accrued expenses and deferred income	6	24,851	24,526
Total current liabilities		29,327	28,672
Total liabilities		1,425,981	1,420,214
Total equity and liabilities		1,901,499	1,900,969

Parent Company Statement 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 1 January, 2023	56	569,170	(88,471)	480,755
Net profit for the period	-	-	224,552	224,552
Dividend	-	-	(231,713)	(231,713)
Shareholder's contribution	-	1,923	-	1,923
Reclassification	-	2,031	(2,031)	-
Balance on 31 December, 2023	56	573,125	(97,663)	475,518

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
Balance at 1 January, 2022	56	569,170	(61,878)	507,348
Net profit for the period	-	-	(27,609)	(27,609)
Shareholder's contribution	-	-	1,016	1,016
Balance on 31 December, 2022	56	569,170	(88,471)	480,755

Parent Company Statement of Cash Flows

EUR thousand	2023	2022
Operating activities		
Operating result	314	710
Paid taxes	-	(385)
Cash flow from operating activities before change in working capital	314	325
Change in working capital		
Change in trade payables	49	(14)
Change in other receivables	953	(749)
<i>Cash flow from change in working capital</i>	<i>1,002</i>	<i>(763)</i>
Cash flow from operating activities	1,316	(438)
Investing activities		
Cash flow from investing activities	-	-
Financing activities		
New loans from Group companies	29,043	17,500
Other financial items	(113)	119
Net interest received or paid	(30,130)	(17,615)
Cash flow from financing activities	(1,200)	4
Cash flow for the period	116	(434)
Cash and cash equivalents at start of period	627	1,061
Cash and cash equivalents at end of period	743	627

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 adopted 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 2 to the consolidated financial statements in the annual report. The accounting policies are unchanged compared with those applied in 2022.

Note 2 Transactions with Related Parties

Transactions with related parties

EUR thousand	2023	2022
Revenue	579	-
Interest income	47,650	48,204
Interest expense	(3,548)	(2,475)
Dividend	256,664	-

Balances with related parties

EUR thousand	2023	2022
Financial receivable, non-current	648,522	648,177
Accrued interest income	15,945	15,943
Financial liabilities, non-current	(97,831)	(68,734)
Group contribution liabilities, non-current	-	(26,153)
Accounts payable	(204)	-
Group contribution liabilities, current	(876)	-
Accrued cost and prepaid income	(51)	-
Accrued interest expense	(3,548)	(4,146)

Note 3 Financial Income and Expenses

EUR thousand	2023	2022
Interest income from Group companies	47,650	48,204
Other financial income	21	-
Net currency translation differences	304	-
Financial income	47,975	48,204
Interest expense	(73,981)	(70,949)
Interest expense to Group companies	(3,548)	(2,475)
Net currency translation differences	-	(4,180)
Other items	(1,996)	(1,850)
Financial expenses	(79,525)	(79,454)

Note 4 Investments in Subsidiaries

EUR thousand	2023	2022
Opening acquisition value	1,191,984	1,190,969
Capital increase	44,509	2,031
Write down of shares	-	(1,016)
Closing accumulated acquisition value	1,236,493	1,191,984

Subsidiary name	Reg. no	Reg. office	No. of shares	Share of share capital and voting rights	2023	2022
Verisure Holding AB	556854-1410	Malmö	500,000	100.0%	1,236,493	1,191,984
Total					1,236,493	1,191,984

Subsidiary name	Reg. no	Reg. office	Share of capital and voting rights
Verisure Holding AB (publ)	556854-1410	Malmö, Sweden	100.0%
Securitas Direct AB (publ)	556222-9012	Malmö, Sweden	100.0%
Verisure Sales Sverige AB	556955-2978	Linköping, Sweden	100.0%
Verisure Sverige AB	556153-2176	Linköping, Sweden	100.0%
Securitas Direct Sverige AB	556893-9010	Linköping, Sweden	100.0%
Verisure Logistics AB	556702-0747	Malmö, Sweden	100.0%
Verisure Innovation AB	556723-5329	Malmö, Sweden	100.0%
Verisure International AB	559132-9569	Malmö, Sweden	100.0%
ESML SD Iberia Holding S.A.U.	A85537363	Madrid, Spain	100.0%
Securitas Direct España S.A.U	A26106013	Madrid, Spain	100.0%
Verisure Perú S.A.C	12880228	Santiago de Surco, Peru	100.0%
Verisure Italy S.R.L.	RM-1375571	Rome, Italy	100.0%
Verisure Brazil Monitoramento de Alarmes LTDA	11660106000138	São Paulo, Brazil	100.0%
Securitas Direct Portugal Unip. LDA	505760320	Lisbon, Portugal	100.0%
Verisure Chile SPA	76058647-1	Santiago, Chile	100.0%
Verisure Argentina Monitoreo de Alarmas S.A	24704	Buenos Aires, Argentina	100.0%
Verisure SAS	345006027	Antony, France	100.0%
Verisure Sàrl	CHE300209613	Versoix, Switzerland	100.0%
Verisure Services Portugal Unip. LDA	516730266	Lisbon, Portugal	100.0%
Verisure Assistance SAS	979091667	Antony, France	100.0%
OPSEC International BV	74814990	Amsterdam, The Netherlands	100.0%
Securitas Direct BV	17158925	Amsterdam, The Netherlands	100.0%
Verisure Installation and Monitoring B.V.	71133607	Amsterdam, The Netherlands	100.0%
Verisure NV	0459.866.904	Brussels, Belgium	100.0%
Verisure Academy BV	0781.455.655	Brussels, Belgium	100.0%
Verisure Support BV	0802934623	Brussels, Belgium	100.0%
Verisure Security BV	0877.035.396	Brussels, Belgium	100.0%
Verisure Holding AS	997434366	Oslo, Norway	100.0%
Verisure AS	929120825	Oslo, Norway	100.0%
Verisure A/S	25019202	Glostrup, Denmark	100.0%
FAV A/S	38049380	Glostrup, Denmark	100.0%
Verisure Oy	1773522-2	Helsinki, Finland	100.0%
Verisure Services (UK) Limited	08840095	Brentford, United Kingdom	100.0%
Verisure Arlo Europe DAC	658538	Cork, Ireland	100.0%
Verisure Deutschland GmbH	HRB85120	Düsseldorf, Germany	100.0%
Verisure Ireland DAC	696619	Cork, Ireland	100.0%

Note 5 Share Capital

Verisure Midholding AB's (publ) share capital totalled EUR 56,104 as of 31 December, 2023 and 2022, 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

	2023	2022
Number of shares at beginning of year	500,000	500,000
Number of shares at end of year	500,000	500,000

Note 6 Borrowings

EUR thousand	2023			2022		
	Principal amount	Adjustment amortised costs	Carrying amount	Principal amount	Adjustment amortised costs	Carrying amount
Non-current liabilities						
Unsecured						
Senior unsecured notes	1,310,184	(11,361)	1,298,823	1,309,870	(13,215)	1,296,655
Long-term borrowings	1,310,184	(11,361)	1,298,823	1,309,870	(13,215)	1,296,655
Current liabilities						
Accrued interest expenses	24,841	-	24,841	24,513	-	24,513
Short-term borrowings	24,841	-	24,841	24,513	-	24,513
Total	1,335,025	(11,361)	1,323,664	1,334,383	(13,215)	1,321,168

Note 7 Pledged Assets and Contingent Liabilities

EUR thousand	2023	2022
Shares in subsidiaries	1,236,493	1,191,984
Intragroup loan to subsidiary	648,522	648,177

28th of March, 2024, Malmö

Austin Lally
CEO

Cecilia Hultèn
Chairman

Colin Smith

Daniel Bruzaeus

Elizabeth Henry

Our auditor's report was issued on 4th of April, 2024, Stockholm
PricewaterhouseCoopers AB

Johan Rippe
Authorised Public Accountant

Independent Auditor's Report

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

Corporate identity number 556854-1402

Opinions

We have audited the annual financial statements and the consolidated financial statements of Verisure Midholding AB (publ) for the financial year ended 31 December, 2023. 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 31 December, 2023 and the related annual financial statements and consolidated statements of income, comprehensive income, changes in equity and cash flows for the period from 1 January, 2023 through 31 December, 2023 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 43-87.

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 31 December, 2023, 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 of 31 December, 2023, and the operations and cash flows for the period from 1 January, 2023 through 31 December, 2023, 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 2023, 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, 4th of April, 2024
PricewaterhouseCoopers AB

Johan Rippe
Authorised Public Accountant

Five-Year Financial Overview

EUR thousand	2023	2022	2021	2020	2019
Consolidated					
Non-IFRS and IFRS financial data					
Revenue ¹	3,089,970	2,827,022	2,508,847	2,138,903	1,900,730
Revenue growth, %	9.3%	12.7%	16.7%	14.4%	18.6%
Adjusted EBITDA excl. SDIs	1,340,488	1,151,969	1,047,995	919,569	761,086
Adjusted EBITDA margin excl. SDIs	43.4%	40.7%	41.8%	43.0%	40.0%
Adjusted EBITDA incl. SDIs	1,298,031	1,116,191	984,388	853,128	702,869
Adjusted EBITDA margin incl. SDIs	42.0%	39.5%	39.2%	39.9%	37.0%
Adjusted EBIT excl. SDIs	693,899	576,993	572,400	549,669	448,778
Adjusted EBIT margin excl. SDIs	22.5%	20.4%	22.8%	25.7%	23.6%
Operating profit ¹	602,959	471,278	378,864	324,226	237,480
Capital expenditures	868,452	841,059	762,444	634,980	422,445
Net debt per SFA ²	7,407,669	7,382,658	7,171,870	5,108,146	5,126,308
Unaudited operating data					
Payback period, years	3.7	3.8	3.4	3.3	3.5
Portfolio service segment					
Non-IFRS and IFRS financial data					
Portfolio services revenue ¹	2,635,294	2,358,158	2,043,673	1,740,581	1,548,936
Portfolio services adjusted EBITDA	1,885,286	1,694,390	1,477,479	1,255,774	1,075,348
Portfolio services adjusted EBITDA margin	71.5%	71.9%	72.3%	72.1%	69.4%
Unaudited operating data					
Total subscribers (end of period), units	5,173,032	4,752,097	4,274,827	3,763,945	3,346,712
Cancellation, units	376,377	324,828	258,701	229,699	195,362
LTM attrition rate, %	7.6%	7.2%	6.4%	6.5%	6.2%
Net subscriber growth, units	420,935	477,270	510,882	417,233	415,959
Subscriber growth rate, net	8.9%	11.2%	13.6%	12.5%	14.2%
Monthly average number of subscribers during the period, units	4,964,490	4,522,759	4,017,721	3,518,094	3,133,291
Average monthly revenue per user (ARPU), EUR	44.2	43.4	42.4	41.2	41.2
Monthly adjusted EBITDA per customer (EPC), EUR	31.6	31.2	30.6	29.7	28.6
Customer acquisition segment					
Non-IFRS and IFRS financial data					
Customer acquisition revenue ¹	362,273	385,954	373,492	338,138	329,098
Customer acquisition adjusted EBITDA	(551,108)	(544,846)	(421,036)	(321,999)	(316,297)
Customer acquisition capital expenditures	577,457	583,738	546,440	451,374	422,445
Unaudited operating data					
New subscribers added (gross), units	797,312	802,098	769,583	646,932	611,321
Cash acquisition cost per new subscriber (CPA), EUR	1,415	1,407	1,257	1,195	1,208
Adjacencies segment					
Non-IFRS and IFRS financial data					
Adjacencies revenue ¹	92,404	82,910	91,682	60,185	22,695
Adjacencies adjusted EBITDA	6,309	2,424	(8,448)	(14,206)	2,036

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, 2020-2019 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

Adjusted EBITDA is earnings before interests, taxes, depreciation and amortisation, write-offs and SDIs.

Calculation of Adjusted EBITDA

EUR thousands	2023	2022
Operating profit according to consolidated income statement	602,958	471,278
Depreciation and amortisation add-back	580,461	557,115
Retirement of assets add-back	114,611	87,799
Separately disclosed items add-back	42,457	35,777
Adjusted EBITDA	1,340,488	1,151,969
Whereof adjusted EBITDA customer acquisition	(551,108)	(544,846)
Whereof adjusted EBITDA portfolio services	1,885,286	1,694,390
Whereof adjusted EBITDA adjacencies	6,309	2,424

Adjusted EBIT

Adjusted EBIT is earnings before interests, taxes and SDIs.

Calculation of Adjusted EBIT

EUR thousands	2023	2022
EBIT according to consolidated income statement	602,958	471,278
Separately disclosed items add-back	90,940	105,715
Adjusted EBIT	693,900	576,993

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 thousands	2023	2022
Portfolio services segment revenue	2,635,294	2,358,158
Monthly average portfolio services segment revenue	219,608	196,513
Monthly average number of subscribers during the period, units	4,964,490	4,522,759
Monthly average portfolio services segment revenue (in EUR) divided by average monthly number of subscribers during the period – ARPU (In EUR)	44.2	43.4

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 thousands	2023	2022
Portfolio services segment adjusted EBITDA	1,885,286	1,694,390
Monthly average portfolio services segment adjusted EBITDA	157,107	141,199
Average monthly number of subscribers during the period, units	4,964,490	4,522,759
Monthly average portfolio services segment adjusted EBITDA (in EUR) divided by average monthly number of subscribers during the period – EPC (In EUR)	31.6	31.2

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 thousands	2023	2022
Customer acquisition Adjusted EBITDA	(551,108)	(544,846)
Customer acquisition capital expenditure	(577,457)	(583,738)
Customer acquisition cost	(1,128,565)	(1,128,584)
New subscribers added, units	797,312	802,098
Customer acquisition cost (in EUR) divided by new subscribers added (gross) - CPA (In EUR)	1,415	1,407

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 thousands	2023	2022
Cash acquisition cost per new subscriber ("CPA")	1,415	1,407
Monthly adjusted EBITDA per subscriber ("EPC")	31.6	31.2
CPA divided by EPC divided by 12	3.7	3.8

Definitions of Key Operating Metrics

The Group management uses a number of key operating metrics, in addition to IFRS financial measures, to evaluate, monitor and manage our business. The non-IFRS operational and statistical information related to the Group's 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, management believes that these metrics provide important insight into the operations and strength of the Group's business. These metrics may not be comparable to similar terms used by competitors or other companies, and from time to time the Group may change our definitions of these metrics. These metrics include the following:

Adjusted EBITDA

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

Adjusted EBIT

Earnings before interests, taxes and separately disclosed items.

LTM 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.

Quarterly attrition rate (annualised)

The attrition rate is the number of terminated subscriptions to our monitoring service in the quarter, annualised and divided by the average number of subscribers in the quarter.

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.

Cancellations

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

Cash acquisition cost per new subscriber

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

Monthly adjusted EBITDA per subscriber

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

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

Separately disclosed items

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 end of period divided by number of subscribers 12 months ago.

Risk Factors

Risks Related to Our Business and Industry

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

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

The residential home and small business segment of the larger security services market (the “RHSB segment”) in Europe and Latin America is highly fragmented and subject to significant competition and pricing pressures. As a result, within our segment, we 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 a material adverse effect on our business, financial condition, results of operations and cash flows.

We also face competition from do-it-yourself (“DIY”) self-monitored systems and video-surveillance solutions which, through the internet, text messages, push notifications, emails or similar communications, enable consumers to monitor and control their home environment through devices that they install and monitor without third-party involvement, including connected video cameras. Some DIY providers may also offer professional monitoring with the purchase of their systems and equipment without a contractual commitment or offer new “internet of things” devices and services with automated features and capabilities, which may be appealing to customers and put us at a competitive disadvantage. Continued pricing pressure or improvements in technology, as well as increased smart phone penetration, and shifts in consumer preferences towards DIY and self-monitoring and standalone video-surveillance through connected video cameras could materially adversely impact our customer base or pricing structure and

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

With respect to competition from potential new entrants, we believe that players operating in the connected home market and telecommunications market, who 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 connected video cameras, utility management, entertainment, wellness management and smart appliances. If competitors in these alternative segments move into the security and safety segment of the connected home market, such action could have a material adverse effect on our business, financial condition, 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 or other large tech companies 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 UK and most European countries. As another example, in recent years Chinese consumer electronics producers have launched a series of connected video cameras. Those cameras could be used by our prospective customers as self-monitored local security solutions, which could reduce the addressable market for our professionally-installed and professionally-monitored alarms. Chinese consumer electronics manufacturers may also decide to expand into additional home security segments, such as door & window security sensors, sirens, smart locks or DIY alarm systems. Such actions could impact our ability to attract new customers through pricing pressure or erode our existing customer portfolio, each of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Changes in both global and regional economic and political conditions may have a material adverse effect on our business, financial condition, results of operations and cash flows.

A decline in economic activity, such as recession or economic downturn in the EU or elsewhere, inflation in the markets in which we operate, or sustained high interest rates. Can materially adversely affect demand for our products and services and our cost of doing business.

Global macroeconomic conditions can significantly affect our business and the markets that we serve. Differing economic conditions and patterns of economic growth and contraction in the geographical regions in which we operate could have an impact on our business and demand for services. This includes factors such as a general contraction in the credit markets, tightening of terms we and our clients can obtain in the credit market, lower levels of liquidity, increases in the rates of default and bankruptcy, and any volatility in credit, equity and fixed income markets. A general weakening of, and related declining corporate and consumer confidence in, the global economy could have a material adverse effect on our business.

In particular, a material portion of our revenues and profitability is derived from the EU. Weak economic conditions and disruptions in this region, or with connected markets or the wider global financial markets, may impact our ability to obtain financing or to refinance existing debt on acceptable terms, if at all, could increase the cost of our borrowings and may increase our exposure to currency fluctuations in countries where we operate. Additionally, an increase in price levels generally, or in price levels in a particular sector, such as current inflation related to domestic and global supply chain issues and energy costs, which has led to both overall price increases and pronounced price increases in certain sectors, could result in a shift in consumer demand away from the products we offer. Additionally, major political events, including elections and political uncertainty and the recent conflict between Russia and Ukraine, create significant uncertainty for businesses.

Additionally, ongoing economic volatility and uncertainty and changing demand patterns affect our business in a number of other ways, including making it more difficult to accurately forecast client demand and effectively build our revenue and resource plans. Economic volatility and uncertainty are particularly challenging because it may take some time for the effects and changes in demand patterns resulting from these and other factors to manifest themselves in our business.

If our markets do not develop as anticipated or are negatively affected by global and local economic conditions, as well as geopolitical tensions, our business, financial condition, results of operations and cash flows may be materially impacted.

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

We may not be able to compete effectively with companies that integrate or bundle security offerings similar to ours with the other general services they provide. For example, home insurance companies (many of which offer reduced premiums for homes with security alarms), telecommunications companies or utility companies (all of which may already have a relationship with our potential customers) may decide to

expand into security and safety services and bundle their existing offerings with such services. For example, Telefonica and Orange have each re-entered the alarm category in past years in Spain and France, respectively, and offer customers bundled packages comprised of their security offering along with their telecommunications offering. The existing access to and relationship with customers that these, and other, companies have could give them a substantial advantage over us, especially if they are able to offer customers a lower price by bundling these services. These potential competitors may subject us to increased pricing pressure, slower growth in our customer base, higher costs and increased attrition rate among our customers. If we are unable to sufficiently respond to these competitors or otherwise meet these competitive challenges, we may lose customers or experience a decrease in demand for our products and services, which could have a material adverse effect on our business, financial condition, 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 for us. This development could also force us to find alternative first responders in the affected regions, and such alternative first responders may not be available on a timely basis or on commercially attractive terms. The costs and difficulties associated with finding alternative providers, as well as any decrease in our share of supply in the relevant region, resulting from the presence of these companies, could have a material adverse effect on our business, financial condition, 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 business operates in markets that are characterized by rapidly changing technologies, evolving industry standards, potential new entrants, and changes in customer needs and expectations. Therefore, our success and competitive position depend, in part, on our ability to develop and supply competitive and innovative products and services and keep pace with technological developments in the security and safety services industry. Whether developed by us or otherwise, our offering of new product features can have a significant impact on a customer's initial decision to choose our products. Likewise, the quality of our monitoring services, which heavily depend on the technology used in our security and safety systems, also plays a large role in our ability to attract new customers and retain existing customers. Accordingly, the success of our business depends, in part, on our ability to continue enhancing our existing products and services and anticipating changing customer requirements and industry standards. We may not be able to develop or partner with third-party suppliers to gain access to technical advances before our competitors, match technological innovations made by our competitors or design systems that meet customers' requirements. Alternatively, we may not have the financial resources required to successfully develop or implement such

new technologies. If we are unable, for technological, legal, financial or other reasons, to adapt to changing market conditions or customer requirements in a timely manner, we could lose existing customers, encounter trouble recruiting new customers, or become subject to increased pricing pressures. Should we experience any of these technology-related challenges, our business, financial condition, 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. More recently, customer attrition rates increased across our business between 2021 and 2023, which we believe has been partially driven by the more challenging economic outlook during this period. 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 high inflation and high interest rates of recent months and the continuing war between Russia and Ukraine, which may lead to prolonged periods of economic uncertainty in many of our geographies. Periods of economic downturn, particularly those that affect Europe, can also negatively impact our ability to sell new alarm systems.

Additionally, the implementation of the United Kingdom's withdrawal from the European Union ("Brexit"). Could lead in the future 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 a material adverse effect on global economic conditions and the stability of the global economy.

Any deterioration of the current economic situation in the market segments in which we operate, or in the global economy could have a negative impact on the Group's revenues and increase the Group's financing costs, circumstances that could have a material adverse effect on the business, financial condition, results of operations and cash flows of the Group. In

particular, given the jurisdictional scope in which we operate, any protracted conflict or the broader macroeconomic impact of sanctions imposed on Russia could have an adverse impact on our business, financial condition, results of operations and cash flows.

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

Our ability to grow is dependent on our ability to retain existing customers and attract new customers. New customers require an upfront investment. Accordingly, our long-term profitability is dependent on long customer tenures. This requires that we minimize our attrition rate, which can increase as a result of factors such as financial distress, customer relocations, problems experienced with our product or service quality, customer service, or unfavourable general economic conditions. We contract with customers on standard terms within each country. Across most of our markets, our customers do not have a minimum contract period. In some countries, however, 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. For residential customers, the main reasons for cancelling a subscription include factors such as financial distress, customer relocations, or dissatisfaction with our service or prices. For small businesses, attrition is usually related to financial distress, the failure, closure or relocation of the business or dissatisfaction with our service or prices. Our overall attrition rates on a twelve-month trailing basis were 6.4%, 7.2% and 7.6% in the years ended 31 December, 2021, 2022 and 2023.

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.

The retirement of older telecommunications technology such as 2G or 3G and limitations on our customers' telecommunications services and equipment could increase customer attrition and require significant capital expenditures.

Our technology may be impacted by obsolescence risks as we are dependent on third party infrastructure, such as mobile networks. If there are changes in third party supplied infrastructure, we may need to upgrade the equipment in our customers' premises earlier than planned, which could require us to incur significant capital expenditures. For example, telecommunications providers are expected to gradually discontinue 2G and 3G services in Europe over the next decade, as well as the Public Switched Telephone Network (PSTN) technology in certain of the countries in which we operate, with the phasing and timing of such discontinuations varying by operator, network and country. While this will not impact the

growing cohort of customers using our “Moonshot” suite of devices, it will impact some of our legacy customers, who use previous-generation devices that rely on such services. This group will gradually need to have their installed hardware modified or upgraded in the upcoming years so we can continue delivering services to them. We have established a group-wide program for the execution of this transition.

Although we plan to partly mitigate the cost of this phased transition, through monetization of upgrade processes, we expect that the rollout will result in increased capital expenditures spread over a number of years. Additionally, in the future we may face other situations in which we will not be able to successfully implement new technologies or adapt existing technologies to changing market demands, and in any event we may be required to incur significant additional costs to upgrade to improved technology. Continued shifts in technology or customers’ preferences regarding telecommunications services could divert management’s attention and other important resources away from our customer service and sales efforts for new customers and have a material adverse effect on our business, financial condition, results of operations and cash flows. Our ability to offer our services to customers depends on the performance of these telecommunications services. 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 materially 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 are located in Iberia (Spain and Portugal). The Iberian segment accounted for 37% of our customer portfolio for the year ended 31 December, 2023. Therefore, our business is particularly sensitive to developments that may materially impact the Iberian economy. Negative developments in, or the general weakness of, the Iberian economy may have a direct negative impact on the spending patterns of our existing and potential new customers. A recession, or public perception that economic conditions are deteriorating, could substantially decrease the demand for our products and may materially adversely affect our business. Additionally, increased competition from existing and new competitors in the region could materially impact 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 complex and evolving laws and regulations regarding the use of personal customer data could subject us to lawsuits or result in the loss of goodwill of our customers and materially 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 with 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. For example, the Swedish Authority for Privacy Protection (“IMY”) opened an investigation into Verisure Sverige AB in 2022 following the publication by a Swedish tabloid media outlet that year of anonymous allegations made about the use of certain customer data by Verisure employees. While unsubstantiated, the allegations triggered an increase in attrition rate in Sweden. 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 a material adverse 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, including laws and regulations concerning the collection, use, retention, security, processing and transfer of personal data. In particular, our operations are subject to the provisions of Regulation (EU) 2016/679 of April 27, 2016 (the "GDPR") as well as to local laws and regulations relating to data privacy and protection. Complying with all relevant data protection laws and regulations is complex. We, or the entities or businesses acquired by us, may become subject to heightened scrutiny by regulators, and any finding that we failed to comply with such regulations or legislation (including in the case of any supplier contracts, employment agreements, customer or consumer contracts or other types of material contracts that are found not to be compliant with applicable data protection laws and regulations) could lead to governmental sanctions, including fines or the initiation of criminal or civil proceedings. Such an event could additionally result in unfavourable publicity and therefore materially 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 while, at the same time, technology continues to evolve, these potential risks to our business may intensify. The consequences for violating applicable data privacy and protection laws and regulations can be significant: for example, the GDPR provides for maximum fines of up to the higher of (i) €20 million or (ii) 4% of annual global turnover.

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.

We trade under three brand names: VERISURE, SECURITAS DIRECT, and, across Europe, "ARLO" for the sale of cameras and related products. We do not own the "SECURITAS" brand name or trademark. Instead, we license the "SECURITAS" (which can only be used in conjunction with "DIRECT") 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, Germany and Portugal. 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 a material adverse 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 may not be successful in achieving and maintaining an acceptable level of recognition for our brands and company and, if so, this could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We regard our brand names as critical to our success. Failure to protect our brand names or to prevent unauthorised use by third parties, or termination of the agreements granting our license, could harm our reputation, affect the ability of customers to associate our quality service with our company and cause us substantial difficulty in soliciting new customers, which could have a material adverse 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, or the RHSB segment does not continue to grow as we expect, or we encounter other unforeseen difficulties in acquiring new customers in a cost-efficient manner or selling additional products and services to existing customers, we may experience a material adverse effect on our business, financial condition, 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 materially adversely affected.

We are subject to increasing operating costs and inflation risk which may adversely affect our earnings, and we may not be able to successfully implement our comprehensive cost savings program, 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 a material adverse effect on our business, financial condition, results of operations and cash flows.

In late 2014, we began a group-wide operational improvement plan, FOG, with the aim of optimising our cost structure and improving productivity, which is still ongoing and has become embedded in our culture. The programme 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 programme'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 which enabled us to achieve gross aggregate cost savings of over €200 million between 1 January 2020, and 31 December, 2023, two years ahead of target.

In 2024, we introduced a new detailed cost savings program targeting gross aggregate cost savings of over €100m between 1 January, 2024, and 31 December, 2026. We expect our incremental EBITDA savings will be at least €25 million from 1 January to 31 December, 2024. 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, 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 a material adverse 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, war, power loss or other catastrophe, our operations and customer relations could be, in turn, materially 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.

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 a material adverse 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 COVID-19 pandemic could impact our ability to increase our customer base at the same rate, maintain the same low levels of attrition, deliver uninterrupted high-quality services to our customers or source the products needed for our operations and may therefore adversely affect our business.

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

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

alarm monitoring and other customer services from our monitoring centres.

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

The disruptions described above, while difficult to predict given the changing circumstances, could have a material impact on our business, financial condition, 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. For example in 2022, Verisure Sverige AB suffered temporarily from adverse publicity following the publication by a Swedish tabloid media outlet of anonymous allegations made about the use of certain customer data by Verisure employees (despite no findings to demonstrate such elements). Our relationships with our customers are of particular importance. Customers generally judge our performance through their interactions with the staff at our monitoring centres, the reliability of our products and our maintenance performance for any products that require repair. Any failure to meet our customers' expectations in such customer service areas could have a material impact on our attrition rate or make it difficult to recruit new customers. Moreover, we may be exposed to product liability claims in the event that any of our products is alleged to contain a defect and we may incur liability costs for the entire damage or loss claimed. Any claims could divert resources from operating the business and may adversely affect our reputation with our customers as a provider of quality solutions. Any harm to our reputation caused by any of these or other factors could have a material adverse 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.

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. For example, in 2022, Verisure Sverige AB suffered temporarily from adverse publicity following the publication by a Swedish tabloid media outlet of anonymous allegations made about the use of certain customer data by our employees (despite no findings to demonstrate such elements). Our relationships with our customers are of particular importance. Customers generally judge our performance through their interactions with the staff at our monitoring centers, the reliability of our products and our maintenance performance for any products that may require repair. Any failure to meet our customers' expectations could have a material impact on our attrition rate or make it difficult to attract new customers.

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 to 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 by gaining in market share, entering into a wider range of services and facing 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 AI Act, Data Act, CSRD and CSDD Directive), could cause us to incur significant costs and expenses to comply with such laws or regulations. Such changes may result in adaptations to our go-to-market channels and related processes and IT systems. Any limitation on our ability to operate our business, or adaptations to our go-to-market model or business processes, due to legal or regulatory reasons could have a material adverse 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 materially 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 materially adversely affect our costs and our ability to conduct our activities. For example, concern over false alarms in localities adopting these ordinances could cause a decrease in the timeliness of emergency responders. As a result, consumers may be discouraged from purchasing or maintaining a monitored alarm system. In addition, some local governments impose fines, penalties and limitations on either customers or the alarm companies for false alarms. Our alarm service contracts generally allow us to pass these charges on to customers. However, if more local governments impose fines or penalties, or if local governments increase existing requirements, our customers may find these additional charges prohibitive and be discouraged from using monitored alarm services. If the adoption of such ordinances reduces the demand for our products or services or if we are unable to pass related assessments, fines and penalties on to our customers, we could experience a material adverse effect on our business, financial condition, 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. 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, our development efforts and our supply chain depend heavily on certain key partners. Although our target is to have at least dual sourcing in all strategic products and services, 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 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 RSHB segment, we may incur increased product development costs or lose customers to competitors with access to these technological innovations. The possible adoption of new protectionist measures in certain parts of the world, and/or the adoption of lockdown or other restrictive measures as a result of the COVID-19 pandemic or any other crisis or pandemic, as well as those derived from geopolitical tensions such as the current war in Ukraine, the Israel-Hamas war or the Red Sea crisis, could disrupt global supply chains or may have an adverse impact on certain of our suppliers and other players in the industry. The semiconductor industry in particular is facing various challenges, as a result mainly of supply problems at a global level, which in turn is affecting multiple sectors, including ours, through delivery delays and price increases. Any interruption in supply, failure to produce quality products or inability to keep pace with technological innovation by a key supplier could materially adversely affect our operations, as it may be difficult for us to find alternatives on terms acceptable to us, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

As we offer services to our customers, we must maintain up and running installed equipment and may need to repair or replace devices at any point of time of the customer relationship. Therefore, we may be liable for defects in our suppliers' component parts that manifest after the term of the manufacturer's warranty expires. Furthermore, 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 a material adverse 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 a material adverse 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 a material adverse 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 a material adverse 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 the local markets areas, which may decrease our margins and profitability;
- challenges relating to developing and maintaining appropriate, and risk of non-compliance with, risk management and internal control structures for operations in new geographies and understanding and complying with new regulatory schemes;
- reduced ability to predict our performance because we will have less experience in the new geographies than in our existing geographies;
- trade barriers such as export requirements, which could cause us to experience inventory shortages or an inability to offer our full set of products;
- tariffs, taxes and other restrictions and expenses, which could increase the prices of our products and make us less competitive in some countries;
- currency effects, such as future currency devaluations;
- actual and/or perceived 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 a material adverse 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 31 December, 2023, 72.4% of our revenue was denominated in euro, 12.7% was denominated in SEK and NOK and 14.9% of revenue was denominated in other currencies. Historically, the euro/SEK exchange rate fluctuated significantly, as it averaged SEK 10.1562 = €1.0 in 2021, SEK 10.6571 = €1.0 in 2022 and SEK 11.4842 = €1.0 in 2023. There can be no guarantee that past exchange rates between SEK, NOK and euros 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 a material adverse 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 judgment is involved in estimating cash flows and fair value. Management's fair value estimates are based on historical and projected operating performance, recent market transactions and current industry trading multiples. We cannot assure investors that significant impairment charges will not be required in the future, and such charges may have a material adverse effect on our business, financial condition, results of operations and cash flows. In particular, a great level of attention is paid to the treatment of the ownership of alarm equipment, which remains with us in most of our countries in order to capitalise the material cost.

We are subject to risks from legal and arbitration proceedings, as well as tax audits, which could materially 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 or which may result in injunctive rulings that could require us to change certain of our practices. In the event of a negative outcome of any material legal or arbitration proceeding, whether based on a judgment or a settlement agreement, we could be obligated to make substantial payments or to change certain of our practices, which could have a material adverse 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. Any increase in litigation, even in the case of a positive outcome in such proceedings, may still result in increased costs to us as we will have to bear part or all of our advisory and other costs to the extent they are not reimbursed by the opponent, all of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Similarly, as we grow, we may be subject to increasingly comprehensive tax audits. There is a risk that such tax audits conclude that we have not been compliant with tax regulations (relating to corporate income tax, value added tax, social security tax or any other tax) and / or made the incorrect classifications and treatments, including with regard to our transfer pricing model.

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 since 2014, 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, in 2018 we replaced our Chief Marketing Officer and our Chief Legal Officer, in 2022 we again replaced our Chief Marketing Officer and in 2023 we replaced our Chief Financial 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 a material adverse 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 to 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 a material adverse effect on our business, financial condition, results of operations and cash flows, 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, ARPU, 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 materially 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 materially adversely affect our financial condition.

Our substantial debt could limit our flexibility to conduct our business, adversely affect our financial health and prevent us from fulfilling our obligations under existing debt arrangements.

We have a substantial amount of debt and significant debt service obligations. As of 31 December, 2023, our total indebtedness was €7,429.0 million. Our ability to fund capital expenditures and other expenses and to service our indebtedness will depend on our future operating performance and ability to generate sufficient cash.

Our substantial debt could have important negative consequences for us. For example:

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

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

Adverse credit and financial market events and conditions could, among other things, impede access to or increase the cost of financing, which could have a material adverse impact on our business, results of operations, financial condition and/or cash flows.

Disruptions in credit or financial markets could make it more difficult for us to obtain, or increase our cost of obtaining, financing for our operations or investments or to refinance our

indebtedness, or cause lenders to depart from prior credit industry practice and not give technical or other waivers under applicable agreements governing such indebtedness to the extent we may seek them in the future, thereby causing us to be in default. The interest rate with respect to any additional financing will be set at the time of the pricing or incurrence of such debt and may be greater than the interest rate applicable to our existing debt, including, in the case of a refinancing, the

debt that is being refinanced, which would increase our cash interest expense on a *pro forma* basis.

There is no assurance that we will be able to refinance or extend the maturity of our indebtedness on favourable terms, or at all. Any inability to refinance our indebtedness on favourable terms could have a material adverse effect on our business, results of operations, financial condition and/or cash flows.

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