



VERISURE MIDHOLDING AB (PUBL)

INTERIM REPORT
JANUARY– JUNE 2022

Management's Discussion and Analysis of Financial Condition and Results of Operations

Key operating highlights for the second quarter ending June 30, 2022 and 2021

Verisure Midholding Group, hereafter referred to as the Group, is the leading provider of professionally monitored alarm solutions for residential households and small businesses in Europe. We offer premium monitored alarm services to our portfolio of over 4.5 million customers and design, sell and install alarms with network connectivity across 16 countries in Europe and Latin America. We are also the leading provider of connected video surveillance systems through our Arlo Europe camera business. We have a strong track record of profitable growth, primarily delivered organically by our differentiated business model with high share of recurring revenues (c. 80%) and industry leading retention.

In the second quarter of 2022, the Group continued to deliver strong operational and financial performance. Our customer portfolio continued to grow and passed the 4.5 million customer milestone, which represents an annual portfolio growth rate of 12.7% compared to the same period last year. We have added more than 509 thousand customers to our portfolio in the last twelve months. Our subscription-based portfolio has continued to demonstrate its resilience. The performance of our portfolio services segment continues to be very strong, with portfolio services adjusted EBITDA increasing +14.7% in Q2 2022 compared to Q2 2021. Total adjusted EBITDA incl. SDIs in the quarter increased +3.5% vs. Q2 2021.

Throughout this period, we have continued to provide peace of mind to our customers and have protected them against intrusion, fire, attack, theft, life-threatening emergencies, and other hazards without interruption. In parallel, the Group has continued to invest in industry-leading innovations to further position us for continued long-term growth.

Summary of second quarter 2022 and 2021 financials:

- Total revenues reached EUR 698.3 million in the second quarter of 2022, increasing +11.5% from EUR 626.1 million in the same period last year. In constant currencies, total revenue grew by +11.1% in the quarter. Portfolio services revenues, representing 83% of total Group revenues in the quarter, grew by +15.7% to EUR 582.0 million. In constant currencies, portfolio services revenues grew by +15.4% in the quarter.
- Adjusted EBITDA incl. SDIs increased to EUR 267.5 million in the quarter compared to EUR 258.4 million in Q2 2021, an increase of +3.5% vs. prior year. In constant currencies, total adjusted EBITDA incl. SDIs grew by +3.7%.
- Portfolio services adjusted EBITDA increased to EUR 420.4 million in the quarter from EUR 366.6 million in Q2 2021, representing an increase of +14.7%. In constant currencies, portfolio adjusted EBITDA increased by +14.4% in the quarter. On an annualised basis, our portfolio services adjusted EBITDA is now over EUR 1.65 billion. Portfolio services adjusted EBITDA margin was 72.2% in the period, compared to 72.8% in the same period last year.
- ARPU reached EUR 43.5 in the quarter, which represents an increase of +2.4% vs. prior year (+2.1% in constant currencies). EPC increased to EUR 31.4 in the quarter, representing an increase of +1.5% vs. prior year (+1.3% in constant currencies).
- Acquisition of new customers continued to be strong in the second quarter of the year. We added 205,612 new customers in the quarter, which represents an increase of +3.7% compared to Q2 2021, and the strongest second quarter ever for the Group.
- Net subscriber growth was 127,339 in the quarter, compared to 135,582 in Q2 2021. The slight growth deceleration of -6.1% year-on-year is due to an increase in cancellations. At the end of the quarter our customer portfolio stood at 4,529,330 customers, up 509,366 customers or +12.7% year-on-year. All customer portfolio growth was organic.

We consider ourselves fortunate to have a subscription-based portfolio that has shown strong resilience to date. We have taken decisive steps during the last two years to ensure positive operational and financial performance and flexibility in our customer acquisition segment during these unprecedented times. Our performance supports this.

We remain optimistic for the business, both medium and long term, even if the external environment is expected to remain challenging for a period, as the fundamental customer need for security and peace of mind is not expected to reduce. We believe that the need will continue to increase in the future, against the backdrop of low penetration of home security in the geographies where we operate.

Key Figures

EUR thousand (unless otherwise stated)	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021
Consolidated				
Non-IFRS and IFRS financial data				
Revenue ¹	698,337	626,133	1,380,353	1,222,456
Organic revenue growth	11.4%	26.6%	12.7%	21.4%
Adjusted EBITDA excl. SDIs	276,209	262,945	552,691	526,133
Adjusted EBITDA margin excl. SDIs	39.6%	42.0%	40.0%	43.0%
Adjusted EBITDA incl. SDIs	267,459	258,378	540,428	514,894
Adjusted EBITDA margin incl. SDIs	38.3%	41.3%	39.2%	42.1%
Operating profit ¹	110,133	99,292	222,824	210,989
Capital expenditures	213,037	184,808	399,327	360,889
Net Debt per SFA	7,286,736	7,028,924	7,286,736	7,028,924
Unaudited operating data				
Payback period, years	3.8	3.2	3.7	3.2
Portfolio services segment				
Non-IFRS and IFRS financial data				
Portfolio services revenue ¹	582,048	503,173	1,148,910	988,763
Portfolio services adjusted EBITDA excl. SDIs	420,357	366,557	829,352	720,269
Portfolio services adjusted EBITDA margin	72.2%	72.8%	72.2%	72.8%
Unaudited operating data				
Total subscribers (end of period), units	4,529,330	4,019,964	4,529,330	4,019,964
Cancellation, units	78,273	62,692	154,010	128,474
Attrition rate (LTM)	6.6%	6.4%	6.6%	6.4%
Net subscriber growth, units	127,339	135,582	254,503	256,019
Subscriber growth rate, net	12.7%	15.9%	12.7%	15.9%
Monthly average number of subscribers during the period, units	4,458,203	3,945,462	4,395,349	3,881,984
Average monthly revenue per user (ARPU), EUR	43.5	42.5	43.6	42.5
Adjusted EBITDA per customer (EPC), EUR	31.4	31.0	31.4	30.9
Customer acquisition segment				
Non-IFRS and IFRS financial data				
Customer acquisition revenue ¹	94,440	99,111	189,791	190,421
Customer acquisition adjusted EBITDA excl. SDIs	(144,409)	(101,836)	(277,591)	(191,421)
Customer acquisition capital expenditures	148,278	136,368	294,002	271,099
Unaudited operating data				
New subscribers added (gross)	205,612	198,274	408,513	384,493
Cash acquisition cost per new subscriber (CPA), EUR	1,423	1,201	1,399	1,203
Adjacencies segment				
Non-IFRS and IFRS financial data				
Adjacencies revenue ¹	21,848	23,850	41,652	43,272
Adjacencies adjusted EBITDA excl. SDIs	260	(1,776)	930	(2,715)

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 recognized 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 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 amortization, 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 recognized 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.

Three months ending June 30, 2022 and 2021

Results excluding SDIs

EUR million	Apr-Jun 2022	Apr-Jun 2021	Percentage change
Revenue	698.3	626.1	11.5%
Operating expenses	(423.4)	(364.5)	16.2%
Other income	1.3	1.3	(0.5)%
Adjusted EBITDA	276.2	262.9	5.0%
Adjusted EBITDA margin, %	39.6%	42.0%	-
Depreciation and amortization	(118.9)	(84.0)	41.5%
Retirement of assets	(20.4)	(35.3)	(42.2)%
Operating profit	136.9	143.6	(4.7)%
Operating profit margin, %	19.6%	22.9%	-
Interest income and cost	(74.9)	(75.7)	(1.0)%
Other financial items	(1.4)	(1.5)	(10.6)%
Result before tax	60.6	66.4	(8.7)%

Revenue

The following table shows our revenue split by segment:

Revenue by segment

EUR million	Apr-Jun 2022	Apr-Jun 2021	Percentage change
Portfolio services	582.0	503.2	15.7%
Customer acquisition	94.4	99.1	(4.7)%
Adjacencies	21.8	23.8	(8.4)%
Total	698.3	626.1	11.5%

Total revenue in the second quarter of 2022 increased by 11.5%, or EUR 72.2 million, to EUR 698.3 million, up from EUR 626.1 million in the prior period. Organic revenue grew by 11.4%, primarily due to the growing customer base, which increased by over 500,000 customers, or 12.7%, from 4,019,964 in June 30, 2021 to 4,529,330 in June 30, 2022.

Portfolio services revenue in the second quarter of 2022 increased by 15.7%, or EUR 78.8 million, to EUR 582.0 million, up from EUR 503.2 million last year. The increase was driven by the increased number of customers in the portfolio as well as increased average monthly revenue per user (ARPU) of 2.4% compared to the same quarter last year.

Customer acquisition revenue in the second quarter of 2022 amounted to EUR 94.4 million, which represents a decrease of 4.7%, versus last year. The decrease is due to lower upfront revenue, driven by negative IFRS 15 effects.

Operating expenses

Operating expenses in the second quarter of 2022, increased by 16.2%, or EUR 58.9 million, to EUR 423.4 million, from EUR 364.5 million last year. The increase was mainly due to the growth in the portfolio as well as inflationary pressures on material costs.

Adjusted EBITDA

Adjusted EBITDA in the three months ending Jun 30, 2022 increased by 5.0%, or EUR 13.3 million, to EUR 276.2 million, from EUR 262.9 million in the same period last year. The increase is driven by growth in the portfolio and higher monthly adjusted EBITDA per customer (EPC), improving the portfolio services adjusted EBITDA.

Depreciation and amortization

Depreciation and amortization increased to EUR 118.9 million in the three months ending June 30, 2022, up from EUR 84.0 million in the same period last year. This is primarily related to the alarm equipment installed at our customers' premises and the capitalized incremental costs of obtaining contracts with customers. Starting in January 2022, we simplified our treatment of direct costs related to the acquisition of customer contracts, which are no longer written-off upon customer cancellation. Instead, in accordance with IAS 38, these capitalized costs now follow a straight-line amortization approach (over a shorter life period than before). This change has no material impact on our operating profit, but results in higher depreciation and lower write-off costs.

Retirement of assets

Retirements of assets decreased to EUR 20.4 million in the second quarter of 2022, from EUR 35.3 million in the same period last year. The cost corresponds mainly to the remaining balance of capitalized material and direct costs, at the time customers leave the portfolio or upgrade to our new platform. The decrease in write-offs during the second quarter of 2022 is due to the new approach described above.

Interest income and expenses

Interest income reached EUR 0.2 million in the three months ending June 30, 2022, compared to EUR 0.1 million in the same period last year. Interest expense reached EUR 75.1 million in the three months ending June 30, 2022, compared to EUR 75.8 million in the same period last period.

Other financial items

Other financial items, mainly consisting of commitment fees for our Revolving Credit Facility and Ancillary Facilities, and charges for excess cash, amounted to a cost of EUR 1.4 million in the second quarter of 2022, compared to EUR 1.5 million in the same period last year.

Reported consolidated income statement for the three months ending June 30, 2022 and 2021

EUR million	Apr-Jun 2022			Apr-Jun 2021		
	Result excluding SDIs	SDIs	Reported	Result excluding SDIs	SDIs	Reported
Revenue	698.3	-	698.3	626.1	-	626.1
Operating expenses	(423.4)	(8.7)	(432.2)	(364.5)	(4.6)	(369.1)
Other income	1.3	-	1.3	1.3	-	1.3
Adjusted EBITDA	276.2	(8.7)	267.5	262.9	(4.6)	258.4
Depreciation and amortization	(118.9)	(18.0)	(136.9)	(84.0)	(39.8)	(123.8)
Retirement of assets	(20.4)	-	(20.4)	(35.3)	-	(35.3)
Operating profit	136.9	(26.8)	110.1	143.6	(44.3)	99.3
Interest income and expenses	(74.9)	-	(74.9)	(75.7)	-	(75.7)
Other financial items	(1.4)	(16.6)	(18.0)	(1.5)	(6.1)	(7.6)
Result before tax	60.6	(43.4)	17.2	66.4	(50.4)	16.0
Income tax benefit and expense	-	-	(20.3)	-	-	(14.3)
Result for the period	-	-	(3.1)	-	-	1.7

Separately disclosed items (SDIs)

SDIs affecting operating expenses

For the second quarter of 2022, total SDIs affecting operating expenses reached EUR 8.7 million, compared to EUR 4.6 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 amortization

The market value of the acquisition-related intangible assets is amortized over its expected useful life. Most of the EUR 18.0 million cost in the second quarter of 2022, and the EUR 39.8 million cost in the same period last year, is related to the amortization of the contract portfolio acquired from the Securitas Direct Group in 2011. The decrease is driven by the fact that part of the contract portfolios were fully amortized in the third quarter of 2021.

SDIs affecting interest income and expenses and other financial items

SDIs affecting interest income and expenses and other financial items totalled a cost of EUR 16.6 million in the second quarter of 2022, compared to EUR 6.1 million during the same period last year. For the three months ending June 30, 2022, other financial items include a negative non-cash FX revaluation of debt items and unrealised derivatives of EUR 12.5 million, amortization of prepaid financing fees of EUR 3.5 million and a negative IFRS 9 adjustment regarding the modification of loan agreements of EUR 0.8 million, offset by a positive effect from realised derivatives of EUR 0.2 million. For the three months ending June 30, 2021, SDIs affecting interest income and expenses and other financial items consisted of a negative non-cash FX revaluation of debt items and unrealised hedges of EUR 2.1 million, amortization of prepaid financing fees of EUR 3.5 million and a negative IFRS 9 adjustment regarding the modification of loan agreements of EUR 0.8 million, offset by a positive effect from Other Bank Charges of EUR 0.3 million.

Income tax benefit and expense

For the three months ending June 30, 2022, income tax was EUR 20.3 million, compared to EUR 14.3 million in the same period last year. While current tax expense totalled EUR 20.9 million in the second quarter of 2022, compared to EUR 12.4 million in the same period last year, deferred tax totalled positive EUR 0.6 million in the second quarter of 2022, compared to a cost of EUR 1.9 million in the same period last year.

Cash Flow

The following table shows a summary of our cash flow for the three months ending June 30, 2022 and 2021.

EUR million	Apr-Jun 2022	Apr-Jun 2021
Cash flow from operating activities before change in working capital	248.5	246.2
Change in working capital	(32.2)	(59.5)
Cash flow from operating activities¹	216.3	186.7
Cash flow from investing activities	(213.0)	(185.8)
Cash flow from financing activities ²	17.2	(3.2)
Cash flow for the period	20.4	(2.3)
Cash and cash equivalents at beginning of period	25.3	60.8
Translation differences on cash and cash equivalents	(0.2)	(1.6)
Cash and cash equivalents at end of period	45.6	56.9

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

2) Cash flow from financing activities includes paid interest.

Cash flow from operating activities

Cash flow from operating activities amounted to EUR 216.3 million and EUR 186.7 million for the three months ending June 30, 2022 and 2021, respectively. Cash flow from operating activities before change in working capital increased from EUR 246.2 million in the second quarter of 2021 to EUR 248.5 million in the second quarter of 2022 driven by an improvement in the underlying operating cash flow as well as a positive variation in working capital.

Cash flow from investing activities

Cash flow from investing activities amounted to an outflow of EUR 213.0 million and EUR 185.8 million for the three months ending June 30, 2022 and 2021, respectively. The increase mainly relates to the higher number of new installations conducted during the period.

Cash flow from financing activities

Cash flow from financing activities totalled an inflow of EUR 17.2 million and an outflow of EUR 3.2 million for the three months ending June 30, 2022 and 2021, respectively. Key components in the three months ending June 30, 2022, include net interest payments of EUR 57.6 million and other financial items outflows of EUR 5.0 million, offset by positive changes in borrowings of EUR 79.8 million. Compared to the same period last year, net interest payments increased by EUR 0.5 million, from EUR 57.1 million. Furthermore, cash flow from financing activities in the second quarter of 2021 had a EUR 12.5 million outflow related to bank and advisory fee payments, mostly related to the refinancing conducted in Q1 2021.

Six months ending June 30, 2022 and 2021

Results excluding SDIs

EUR million	Jan-Jun 2022	Jan-Jun 2021	Percentage change
Revenue	1,380.4	1,222.5	12.9%
Operating expenses	(830.1)	(698.9)	18.8%
Other income	2.4	2.6	(6.9)%
Adjusted EBITDA	552.7	526.1	5.0%
Adjusted EBITDA margin, %	40.0%	43.0%	-
Depreciation and amortization	(242.6)	(157.5)	54.0%
Retirement of assets	(38.7)	(66.9)	(42.2)%
Operating profit	271.4	301.7	(10.0)%
Operating profit margin, %	19.7%	24.7%	-
Interest income and expenses	(149.4)	(134.4)	11.1%
Other financial items	(3.2)	(2.8)	14.6%
Result before tax	118.9	164.5	(27.7)%

Revenue

The following table shows our revenue split by segment:

Revenue by segment

EUR million	Jan-Jun 2022	Jan-Jun 2021	Percentage change
Portfolio services	1,148.9	988.8	16.2%
Customer acquisition	189.8	190.4	(0.3)%
Adjacencies	41.7	43.3	(3.7)%
Total	1,380.4	1,222.5	12.9%

Total revenue in the six months ending June 30, 2022, increased by 12.9%, or EUR 157.9 million, to EUR 1,380.4 million, up from EUR 1,222.5 million in the same period last year, primarily due to the growing customer base and increased average monthly revenue per user (ARPU) of 2.6%. Organic revenue growth was 12.7%.

Portfolio services revenue in the first six months ending June 30, 2022, increased by 16.2%, or EUR 160.1 million, to EUR 1,148.9 million, up from EUR 988.8 million last year. The increase was driven by the increased number of customers in the portfolio as well as increased average monthly revenue per user (ARPU) of 2.6%.

Customer acquisition revenue in the first six months ending June 30, 2022, amounted to EUR 189.8 million, which is in line with EUR 190.4 million last year.

Operating expenses

Operating expenses in the first six months of 2022, increased by 18.8%, or EUR 131.2 million, to EUR 830.1 million, up from EUR 698.9 million in the same period last year. The increase was mainly driven by growth in the portfolio as well as inflationary pressures on material costs.

Adjusted EBITDA

Adjusted EBITDA in the first six months ending June 30, 2022, increased by 5.0%, or EUR 26.6 million, to EUR 552.7 million, up from EUR 526.1 million last year. The increase is driven by growth in the portfolio and higher monthly adjusted EBITDA per customer (EPC), improving the portfolio services adjusted EBITDA.

Depreciation and amortization

Depreciation and amortization increased to EUR 242.6 million in the six months ending June 30, 2022, up from EUR 157.5 million in the same period last year. This is primarily related to the alarm equipment installed at our customers' premises and the capitalized incremental costs of obtaining contracts with customers. Starting in January 2022, we simplified our treatment of direct costs related to the acquisition of customer contracts, which are no longer written-off upon customer cancellation. Instead, in accordance with IAS 38, these capitalized costs now follow a straight-line amortization approach (over a shorter life period than before). This change has no material impact on our operating profit, but results in higher depreciation and lower write-off costs.

Retirement of assets

Retirements of assets decreased to EUR 38.7 million in the first six months of 2022, down from EUR 66.9 million in the same period last year. The cost corresponds mainly to the remaining balance of capitalized material and direct costs, at the time customers leave the portfolio or upgrade to our new platform. The decrease in write-offs during the first six months of 2022 is due to the new approach described above.

Interest income and expenses

Interest income reached EUR 0.4 million in the six months ending June 30, 2022, compared to EUR 0.7 million in the same period last year. Interest expense reached EUR 149.8 million in the six months ending June 30, 2022, compared to EUR 134.7 million in the same period last year, driven mainly by an increase in gross debt.

Other financial items

Other financial items, mainly consisting of commitment fees for our Revolving Credit Facility and Ancillary Facilities, and charges for excess cash, amounted to a cost of EUR 3.2 million in the six months ending June 30, 2022, compared to EUR 2.8 million in the same period last year.

Reported consolidated income statement for the six months ending June 30, 2022 and 2021

EUR million	Jan-Jun 2022			Jan-Jun 2021		
	Result excluding SDIs	SDIs	Reported	Result excluding SDIs	SDIs	Reported
Revenue	1,380.4	-	1,380.4	1,222.5	-	1,222.5
Operating expenses	(830.1)	(12.3)	(842.4)	(698.9)	(11.2)	(710.2)
Other income	2.4	-	2.4	2.6	-	2.6
Adjusted EBITDA	552.7	(12.3)	540.4	526.1	(11.2)	514.9
Depreciation and amortization	(242.6)	(36.3)	(278.9)	(157.5)	(79.5)	(237.0)
Retirements of assets	(38.7)	-	(38.7)	(66.9)	-	(66.9)
Operating profit	271.4	(48.6)	222.8	301.7	(90.7)	211.0
Interest income and expenses	(149.4)	-	(149.4)	(134.4)	0.4	(134.0)
Other financial items	(3.2)	6.4	3.2	(2.8)	(30.4)	(33.2)
Result before tax	118.9	(42.2)	76.7	164.5	(120.7)	43.8
Income tax benefit and expense	-	-	(47.5)	-	-	(26.1)
Result for the period	-	-	29.2	-	-	17.7

Separately disclosed items (SDIs)

SDIs affecting operating expenses

SDIs affecting operating expenses typically include one-off costs related to various transition projects within the Group. For the first six months of 2022, total SDIs affecting operating expenses reached EUR 12.3 million, compared to EUR 11.2 million in the same period last year.

SDIs affecting depreciation and amortization

The market value of the acquisition-related intangible assets is amortized over its expected useful life. Most of the EUR 36.3 million cost in the second quarter of 2022, and the EUR 79.5 million cost in the same period last year, is related to the amortization of the contract portfolio acquired from the Securitas Direct Group in 2011. The decrease is driven by the fact that part of the contract portfolios were fully amortized in the third quarter of 2021.

SDIs affecting interest income and expenses and other financial items

SDIs affecting interest income and expenses and other financial items totalled an income of EUR 6.4 million in the second quarter of 2022, compared to a cost of EUR 30.0 million during the same period last year. For the six months ending June 30, 2022, other financial items include a positive non-cash FX revaluation of debt items and unrealised derivatives of EUR 17.9 million, partially offset by the amortization of prepaid financing fees of EUR 6.9 million, a negative impact from realised derivatives of EUR 2.9 million and a negative IFRS 9 adjustment regarding the modification of loan agreements of EUR 1.7 million. For the six months ending June 30, 2021, SDIs affecting interest income and expenses and other financial items consisted of a positive non-cash FX revaluation of debt items and unrealised hedges of EUR 24.0 million, offset by the amortization of realised prepaid financing fees of EUR 17.2 million, the amortization of prepaid financing fees of EUR 8.1 million, a call premia expense of EUR 17.2 million related to the amortization of our Senior Unsecured debt during the refinancing conducted in January 2021, other bank charges of EUR 2.2 million, and an IFRS 9 adjustment regarding the modification of loan agreements of EUR 9.6 million.

Income tax benefit and expense

Total tax expense was EUR 47.5 million in the six months ending June 30, 2022, compared to EUR 26.1 million in the same period last year. While current tax expense was EUR 36.5 million in the six months ending June 30, 2022, compared to EUR 17.2 million in the same period last year, deferred tax totalled a cost of EUR 11.0 million in the six months ending June 30, 2022 compared to EUR 8.9 million in the same period last year.

Cash Flow

The following table shows a summary of our cash flow for the six months ending June 30, 2022 and 2021.

EUR million	Jan-Jun 2022	Jan-Jun 2021
Cash flow from operating activities before change in working capital	517.5	499.1
Change in working capital	(52.6)	(122.7)
Cash flow from operating activities¹	464.9	376.4
Cash flow from investing activities	(399.5)	(362.6)
Cash flow from financing activities ²	(44.2)	(61.8)
Cash flow for the period	21.2	(48.0)
Cash and cash equivalents at beginning of period	24.3	97.9
Translation differences on cash and cash equivalents	0.1	7.0
Cash and cash equivalents at end of period	45.6	56.9

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

2) Cash flow from financing activities includes paid interest.

Cash flow from operating activities

Cash flow from operating activities amounted to EUR 464.9 million and EUR 376.4 million for the six months ending June 30, 2022 and 2021, respectively. The increase is driven by an improvement in the underlying operating cash flow as well as a positive variation in working capital, especially in other payables.

Cash flow from investing activities

Cash flow from investing activities amounted to an outflow of EUR 399.5 million and EUR 362.6 million for the six months ending June 30, 2022 and 2021 respectively. The increase mainly relates to the higher number of new installations conducted during the period.

Cash flow from financing activities

Cash flow from financing activities totalled an outflow of EUR 44.2 million and EUR 61.8 million for the six months ending June 30, 2022 and 2021, respectively. Key components in the six months ending June 30, 2022, include net interest payments of EUR 144.1 million and other financial items outflows of EUR 9.4 million, partially offset by positive changes in borrowings of EUR 109.3 million. Compared to the same period last year, net interest payments increased by EUR 39.4 million, from EUR 104.7 million, driven mainly by higher gross debt. Furthermore, cash flow from financing activities in the six months ending June 30, 2021, saw new financing totalling EUR 4,472.8 million, a repayment of financing of EUR 2,734.6 million, a paid distribution of EUR 1,703.8 million, a call premia payment of EUR 17.2 million related to the amortization of Senior Unsecured debt during the refinancing conducted in Q1 2021, paid bank, and advisory fees of EUR 74.0 million related also to the refinancing in Q1, and positive changes in borrowings of EUR 103.2 million.

Capital Expenditures

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

The following table shows a summary of our capital expenditures for the three months ending June 30, 2022 and 2021.

EUR million	Apr-Jun 2022	Apr-Jun 2021
Customer acquisition capital expenditures, material	85.1	74.7
Customer acquisition capital expenditures, direct costs	63.2	61.6
Portfolio services capital expenditures	22.9	17.5
Agencies capital expenditures	1.1	3.8
Capital expenditures other	40.7	27.2
Total	213.0	184.8

Capital expenditures were EUR 213.0 million in the three months ending June 30, 2022, compared to EUR 184.8 million in the same period last year. The increase is mainly due to growth in the acquisition of new customers, higher capitalization of new material to our existing customers, as well as incremental investments to further enhance our offering during the period.

The following table shows a summary of our capital expenditures for the six months ending June 30, 2022 and 2021.

EUR million	Jan-Jun 2022	Jan-Jun 2021
Customer acquisition capital expenditures, material	169.0	148.2
Customer acquisition capital expenditures, direct costs	125.0	122.9
Portfolio services capital expenditures	43.1	34.1
Adjacencies capital expenditures	2.8	6.3
Capital expenditures other	59.5	49.4
Total	399.3	360.9

Capital expenditures totalled EUR 399.3 million in the six months ending June 30, 2022, compared to EUR 360.9 million in the same period last year. The increase is mainly due to growth in the acquisition of new customers, higher capitalization of new material to our existing customers, as well as incremental investments to further enhance our offering during the period.

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, taxes and debt interests.

As of June 30, 2022, the Group had a total of EUR 371.0 million of available funds.

EUR million	Jun 2022	Jun 2021	Dec 2021
Revolving Credit Facility	700.0	700.0	700.0
Cash and cash equivalents	45.6	56.9	24.3
Drawn facility amount	(365.0)	(120.0)	(234.7)
Utilised letter of credit	(9.6)	(9.5)	(9.4)
Total available funds	371.0	627.4	480.1

The following table summarises our total gross financial indebtedness as of June 30, 2022, June 30, 2021 and December 31, 2021.

EUR million	Jun 2022	Jun 2021	Dec 2021
Revolving Credit Facility	365.0	120.0	234.7
Term Loan B	2,800.0	2,800.0	2,800.0
Senior Secured Notes	2,650.0	2,650.0	2,650.0
Senior Unsecured Notes	1,314.8	1,323.4	1,321.3
Other liabilities	43.5	43.3	39.9
Lease liability (IFRS 16)	159.0	149.2	150.2
Total	7,332.3	7,085.9	7,196.2

Risks and uncertainties

A detailed presentation of risks and a sensitivity analysis can be found in the Financial Risk Management section (note 21) and the Risk Factors section of the 2021 Verisure Midholding AB's annual report.

As per the issuance of the Q2 interim report 2021, on August 25, 2021, certain accounting estimates were done in relation to provisions related to the Norwegian Competition Authority (NCA) investigation, as well as in relation to the accounting of deferred and current taxes. These accounting estimates related to NCA and taxes have been subject to new information subsequent to the issuance of the Q2 2021 interim report, and as a consequence, adjusted amounts have been recognized in the balance sheets and income statements in interim reports thereafter.

Events during the reporting period

In July 2021, a newly established Alarm Customer Association initiates 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. The Alarm Customer Association now has until mid-September to file an appeal to the Supreme Court, which will then as a first step decide whether to grant leave for the appeal.

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

Events after the reporting period

The Group is evaluating a refinancing of its EUR 500 million Senior Secured Notes due in May 2023, subject to market conditions.

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 amortization, write offs and separately disclosed items.

Attrition rate

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

Average Revenue per user

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 on acquired portfolios.

Cash acquisition cost per new subscriber

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

Total number of new subscribers added.

Organic revenue growth

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

Payback period

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

Retirement of assets

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

Subscriber growth rate

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

Unaudited Consolidated Financial Statements

Consolidated income statements

EUR thousand	Note	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021
Revenue	3	698,337	626,133	1,380,353	1,222,456
Cost of sales		(408,434)	(342,912)	(802,164)	(650,126)
Gross profit		289,903	283,221	578,188	572,330
Selling expenses		(87,057)	(74,773)	(171,742)	(146,809)
Administrative expenses		(94,008)	(110,458)	(186,051)	(217,142)
Other income		1,296	1,302	2,429	2,610
Operating profit		110,133	99,292	222,824	210,989
Financial income		159	90	367	675
Financial expenses		(93,064)	(83,400)	(146,501)	(167,838)
Result before tax		17,229	15,982	76,690	43,826
Income tax expense and benefit		(20,315)	(14,284)	(47,493)	(26,078)
Result for the period		(3,086)	1,698	29,196	17,748
Whereof attributable to:					
- Parent company		(3,086)	1,698	29,196	17,748
- Non-controlling interest		-	-	-	-

Consolidated statements of comprehensive income

EUR thousand	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021
Result for the period	(3,086)	1,698	29,196	17,748
Other comprehensive income				
Items that may be reclassified to the income statement				
Hedging reserve	11,302	(564)	12,947	8,061
Currency translation differences on foreign operations	9,119	9,439	15,035	(7,102)
Income tax related to other comprehensive items	(2,328)	119	(2,667)	(1,721)
Other comprehensive income	18,093	8,994	25,315	(762)
Total comprehensive income for the period	15,007	10,692	54,511	16,986
Whereof attributable to:				
- Parent company	15,007	10,692	54,511	16,986
- Non-controlling interest	-	-	-	-

Consolidated statements of financial position

EUR thousand	Note	Jun 2022	Jun 2021	Dec 2021
Assets				
Non-current assets				
Property, plant and equipment		1,245,758	1,087,242	1,169,952
Right of use assets		155,720	145,639	146,864
Goodwill		868,868	868,294	867,680
Customer portfolio		1,029,375	996,541	1,011,677
Other intangible assets		289,634	266,017	282,831
Deferred tax assets		28,571	24,855	27,860
Trade and other receivables	4	313,307	311,888	311,653
Total non-current assets		3,931,234	3,700,476	3,818,516
Current assets				
Inventories		328,443	221,728	252,086
Trade receivables	4	206,335	173,939	147,629
Current tax assets		13,183	12,339	15,896
Derivatives	4	22,599	2,099	9,651
Prepayments and accrued income		59,944	76,035	59,097
Other current receivables	4	34,143	39,265	35,288
Cash and cash equivalents	4	45,595	56,884	24,283
Total current assets		710,242	582,289	543,930
Total assets		4,641,476	4,282,765	4,362,446

EUR thousand	Note	Jun 2022	Jun 2021	Dec 2021
Equity and liabilities				
Equity				
Share capital		56	56	56
Other paid in capital		624,686	624,686	624,686
Translation reserve		37,830	33,341	22,795
Hedging reserve		17,944	158	7,664
Retained earnings		(4,598,741)	(4,628,288)	(4,628,446)
Equity attributable to equity holders of the parent company		(3,918,225)	(3,970,047)	(3,973,245)
Non-controlling interest		-	-	-
Total equity		(3,918,225)	(3,970,047)	(3,973,245)
Non-current liabilities				
Long-term borrowings	4,5	7,179,026	6,915,972	7,029,477
Derivatives	4	-	36,660	-
Other non-current liabilities	4	100,048	94,763	86,792
Deferred tax liabilities		186,800	230,956	175,474
Other provisions		18,626	52,694	22,437
Total non-current liabilities		7,484,500	7,331,045	7,314,180
Current liabilities				
Trade payables	4	177,059	141,021	190,682
Current tax liabilities		96,011	45,816	85,203
Short-term borrowings	4,5	131,391	130,194	129,919
Derivatives	4	6,783	3,613	30,853
Accrued expenses and deferred income		607,213	557,756	545,839
Other current liabilities	4	56,745	43,367	39,015
Total current liabilities		1,075,201	921,767	1,021,511
Total equity and liabilities		4,641,476	4,282,765	4,362,446

Consolidated statement of changes in equity

EUR thousand	Attributable to equity holders of the parent company and non-controlling interest						Non-controlling interest	Total equity
	Share capital	Other paid in capital	Translation reserve	Hedging reserve	Retained earnings	Total		
Balance at January 1, 2022	56	624,686	22,795	7,664	(4,628,446)	(3,973,245)	-	(3,973,245)
Result for the period	-	-	-	-	29,196	29,196	-	29,196
Other comprehensive income	-	-	15,035	10,280	-	25,315	-	25,315
<i>Total comprehensive income</i>	-	-	15,035	10,280	29,196	54,511	-	54,511
Transactions with owners								
Share based payment expense	-	-	-	-	509	509	-	509
<i>Total transactions with owners</i>	-	-	-	-	509	509	-	509
Balance at June 30, 2022	56	624,686	37,830	17,944	(4,598,741)	(3,918,225)	-	(3,918,225)

EUR thousand	Attributable to equity holders of the parent company and non-controlling interest						Non-controlling interest	Total equity
	Share capital	Other paid in capital	Translation reserve	Hedging reserve	Retained earnings	Total		
Balance at January 1, 2021	56	624,686	40,443	(6,182)	(2,915,240)	(2,256,237)	-	(2,256,237)
Result for the period	-	-	-	-	17,748	17,748	-	17,748
Other comprehensive income	-	-	(7,102)	6,340	-	(762)	-	(762)
<i>Total comprehensive income</i>	-	-	(7,102)	6,340	17,748	16,986	-	16,986
Transactions with owners								
Dividend	-	-	-	-	(1,729,796)	(1,729,796)	-	(1,729,796)
Transaction with non-controlling interest	-	-	-	-	(1,000)	(1,000)	-	(1,000)
<i>Total transactions with owners</i>	-	-	-	-	(1,730,796)	(1,730,796)	-	(1,730,796)
Balance at June 30, 2021	56	624,686	33,341	158	(4,628,288)	(3,970,047)	-	(3,970,047)

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

Consolidated statements of cash flows

EUR thousand	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021
Operating activities				
Operating profit	110,132	99,291	222,823	210,989
Reversal of depreciation and amortization	136,932	123,805	278,899	236,962
Other non-cash items	20,395	35,281	38,708	66,942
Paid taxes	(18,970)	(12,208)	(22,974)	(15,773)
Cash flow from operating activities before change in working capital	248,489	246,169	517,456	499,120
Change in working capital				
Change in inventories	(37,657)	(14,012)	(71,630)	(58,662)
Change in trade receivables	(45,562)	(16,432)	(70,060)	(10,216)
Change in other receivables	20,979	(10,895)	12,230	(22,441)
Change in trade payables	1,439	(17,877)	(14,132)	(42,451)
Change in other payables	28,576	(258)	91,037	11,029
<i>Cash flow from change in working capital</i>	<i>(32,225)</i>	<i>(59,474)</i>	<i>(52,555)</i>	<i>(122,741)</i>
Cash flow from operating activities	216,264	186,695	464,901	376,379
Investing activities				
Purchase of intangible assets	(103,926)	(94,069)	(188,788)	(182,057)
Purchase of property, plant and equipment	(109,111)	(90,739)	(210,664)	(179,555)
Settlement of deferred consideration	-	-	-	-
Acquisition of non-controlling interest	-	(1,000)	-	(1,000)
Cash flow from investing activities	(213,037)	(185,808)	(399,452)	(362,612)
Financing activities				
Change in borrowings	79,813	65,220	109,297	103,225
Paid bank and advisory fees	-	(12,537)	-	(73,983)
New financing	-	-	-	4,472,783
Repayment of financing	-	-	-	(2,734,562)
Net interest paid	(57,630)	(57,114)	(144,101)	(104,691)
Call cost old debt	-	-	-	(17,175)
Other financial items	(4,969)	1,240	(9,432)	(3,631)
Paid distribution	-	-	-	(1,703,787) ¹
Cash flow from financing activities	17,214	(3,192)	(44,236)	(61,821)
Cash flow for the period	20,441	(2,305)	21,213	(48,054)
Cash and cash equivalents at start of period	25,325	60,769	24,283	97,941
Exchange difference on translating cash and cash equivalents	(171)	(1,579)	98	6,997
Cash and cash equivalents at end of period	45,595	56,884	45,595	56,884

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

Notes to the Unaudited Consolidated Financial Statements

Note 1 Accounting Policies

Basis of presentation and accounting periods

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The report includes both the financial statements of the Group and separate financial statements for the parent company.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. The most important accounting principles under IFRS, which is the basis for the preparation of this interim report, can be found in note 1 in the annual report for 2021. The accounting policies are unchanged compared with those applied in 2021.

These consolidated financial statements should be read in conjunction with the annual report 2021. The consolidated interim financial statements have not been audited.

Note 2 Critical Accounting Estimates and Judgments

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

Due to the inherent uncertainty involved in making assumptions and estimates, actual outcomes could differ from those assumptions and estimates. An analysis of key areas of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year is described in note 2 in the annual report for 2021. There have been no significant changes compared to what is described in the annual report.

Note 3 Segment Reporting

The Group's operating segments are identified by grouping together the business by revenue stream, as this is the basis on which information is provided to the chief operating decision maker (CODM) for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. The Group has identified the management team as its CODM. The segments identified based on the Group's operating activities are customer acquisition, portfolio services and adjacencies. The customer acquisition segment develops, sources, purchases, provides and installs alarm systems for new customers in return for an installation fee. The portfolio services segment provides monitoring services to existing customers for a monthly subscription fee. The adjacency segment captures the sale of remote monitoring and assistance devices and services for senior citizens and the sale of internet connected cameras under the Arlo brand.

Apr-Jun 2022						
EUR thousands	Customer Acquisition	Portfolio Services	Adjacencies	Total Group – Excl SDIs	SDIs	Group Total
Revenue	94,440	582,048	21,848	698,337	-	698,337
Adjusted EBITDA	(144,409)	420,357	260	276,209	(8,750)	267,459
Depreciation and amortization	-	-	-	(118,899)	(18,033)	(136,932)
Retirements of assets	-	-	-	(20,394)	-	(20,394)
Financial items	-	-	-	(76,291)	(16,613)	(92,904)
Result before tax	-	-	-	60,624	(43,396)	17,229

Apr-Jun 2021						
EUR thousands	Customer Acquisition	Portfolio Services	Adjacencies	Total Group – Excl SDIs	SDIs	Group Total
Revenue	99,111	503,173	23,850	626,133	-	626,133
Adjusted EBITDA	(101,836)	366,557	(1,776)	262,945	(4,567)	258,378
Depreciation and amortization	-	-	-	(84,037)	(39,768)	(123,805)
Retirements of assets	-	-	-	(35,282)	-	(35,282)
Financial items	-	-	-	(77,228)	(6,082)	(83,310)
Result before tax	-	-	-	66,399	(50,417)	15,982

Jan-Jun 2022						
EUR thousands	Customer Acquisition	Portfolio Services	Adjacencies	Total Group – Excl SDIs	SDIs	Group Total
Revenue	189,791	1,148,910	41,652	1,380,353	-	1,380,353
Adjusted EBITDA	(277,591)	829,352	930	552,691	(12,263)	540,428
Depreciation and amortization	-	-	-	(242,553)	(36,344)	(278,899)
Retirements of assets	-	-	-	(38,707)	-	(38,707)
Financial items	-	-	-	(152,543)	6,409	(146,134)
Result before tax	-	-	-	118,888	(42,198)	76,690

Jan-Jun 2021						
EUR thousands	Customer Acquisition	Portfolio Services	Adjacencies	Total Group – Excl SDIs	SDIs	Group Total
Revenue	190,421	988,763	43,272	1,222,456	-	1,222,456
Adjusted EBITDA	(191,421)	720,269	(2,715)	526,133	(11,239)	514,894
Depreciation and amortization	-	-	-	(157,481)	(79,481)	(236,962)
Retirements of assets	-	-	-	(66,943)	-	(66,943)
Financial items	-	-	-	(137,192)	(29,971)	(167,163)
Result before tax	-	-	-	164,517	(120,691)	43,826

Note 4 Financial Risk Management

Financial instruments by category and valuation level

EUR thousand	Jun 2022		Jun 2021		Dec 2021	
	Financial Asset	Financial Liability	Financial Asset	Financial Liability	Financial Asset	Financial Liability
Hedge accounting						
FX Forwards ¹	22,599	-	2,099	-	9,651	-
Fair value through profit or loss						
FX Swaps ¹	-	-	-	1,709	-	3,479
Cross currency swaps ¹	-	4,909	-	25,558	-	18,630
Interest rate swaps ¹	-	1,874	-	13,006	-	8,744
Amortized cost						
Trade and other receivables	313,307	-	311,888	-	311,653	-
Trade receivables, current ³	206,335	-	173,939	-	147,629	-
Other current receivables ³	34,143	-	39,265	-	35,288	-
Cash and cash equivalent	45,595	-	56,884	-	24,283	-
Long-term borrowings ²	-	7,179,026	-	6,915,972	-	7,029,477
Other non-current liabilities ²	-	100,048	-	94,763	-	86,792
Trade payables ^{2, 3}	-	177,059	-	141,021	-	190,682
Short-term borrowings ^{2, 3}	-	131,391	-	130,194	-	129,919
Other current liabilities ^{2, 3}	-	56,745	-	43,367	-	39,015

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 5.

3) Due to the short-term nature of trade receivables, current receivables, trade payables, short-term borrowings, and other current liabilities, their carrying amount is assumed to be the same as their fair value.

Note 5 Borrowings

EUR thousand	Jun 2022			Jun 2021			Dec 2021		
	Principal amount	Adjustment amortized costs	Carrying amount	Principal amount	Adjustment amortized costs	Carrying amount	Principal amount	Adjustment amortized costs	Carrying amount
Non-current liabilities									
Secured									
Senior Secured Notes	2,650,000	(19,188)	2,630,812	2,650,000	(23,674)	2,626,326	2,650,000	(21,472)	2,628,528
Term Loan B ¹	2,800,000	(46,989)	2,753,011	2,800,000	(55,745)	2,744,255	2,800,000	(51,445)	2,748,555
Revolver Credit Facility	365,000	(10,814)	354,186	120,000	(12,654)	107,346	234,715	(11,749)	222,966
Unsecured									
Senior Unsecured Notes	1,314,795	(14,105)	1,300,690	1,323,353	(15,815)	1,307,538	1,321,337	(14,972)	1,306,365
Liabilities to other creditors	24,905	-	24,905	21,737	-	21,737	14,014	-	14,014
Lease liability	115,422	-	115,422	108,770	-	108,770	109,049	-	109,049
Long-term borrowings	7,270,122	(91,096)	7,179,026	7,023,860	(107,889)	6,915,972	7,129,115	(99,638)	7,029,477
Current liabilities									
Accrued interest expenses	69,181	-	69,181	68,247	-	68,247	62,882	-	62,882
Other liabilities	18,596	-	18,596	21,548	-	21,548	25,935	-	25,935
Lease liability	43,613	-	43,613	40,399	-	40,399	41,102	-	41,102
Short-term borrowings	131,390	-	131,390	130,194	-	130,194	129,919	-	129,919
Total	7,401,512	(91,096)	7,310,416	7,154,054	(107,889)	7,046,165	7,259,034	(99,638)	7,159,397

1) Of the total amount regarding adjustment amortized costs EUR (14,812) thousand in June 30, 2022 (18,115) in June 30, 2021 and (16,482) in December 2021) relates to a non-cash adjustment derived from the modification of loan terms during the loans contract period calculated according to IFRS 9.

Net Debt and Leverage (per SFA)

EUR thousand	Jun 2022	Jun 2021	Dec 2021
Total principal amount (as above)	7,401,512	7,154,054	7,259,034
Less accrued interest	(69,181)	(68,247)	(62,882)
Total indebtedness	7,332,331	7,085,807	7,196,153
Less cash and cash equivalents	(45,595)	(56,884)	(24,283)
Total net debt	7,286,736	7,028,923	7,171,870
Secured net debt	5,769,405	5,513,116	5,660,432
L2QA EBITDA	1,140,381	1,067,267	1,078,723
Total net leverage	6.4x	6.6x	6.6x
Total Secured net leverage	5.1x	5.2x	5.2x

Note 6 Pledged Assets and Contingent Liabilities

Pledged Assets

EUR thousand	Jun 2022	Jun 2021	Dec 2021
Shares in subsidiaries	2,594,390	2,180,686	2,393,895
Bank accounts	32,289	17,254	15,126
Accounts receivables	182,459	150,983	124,264
Inventories	712	510	729
Other operating assets	65,317	68,249	67,822
Trademark	61,564	72,321	66,925
Endowment insurance	608	663	622

Contingent Liabilities

EUR thousand	Jun 2022	Jun 2021	Dec 2021
Guarantees	36,381	31,622	36,769

The pledged assets are collateral for bank borrowings. Guarantees relate primarily to guarantees provided to suppliers.

In July 2021, a newly established Alarm Customer Association initiates 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. The Alarm Customer Association now has until mid-September to file an appeal to the Supreme Court, which will then as a first step decide whether to grant leave for the appeal.

Unaudited Parent Company Financial Statements

Parent company income statement

EUR thousand	Note	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021
Administrative expenses		(2)	(138)	(5)	(141)
Operating result		(2)	(138)	(5)	(141)
Financial income	2	12,040	12,855	23,870	24,180
Financial expenses	2	(20,545)	(18,438)	(39,384)	(61,214)
Dividend		-	-	-	295,868
Result before tax		(8,508)	(5,721)	(15,519)	258,693
Income tax expense and benefit		-	-	-	-
Result for the period		(8,508)	(5,721)	(15,519)	258,693

Parent Company Statement of Financial Position

EUR thousand	Note	Jun 2022	Jun 2021	Dec 2021
Assets				
Non-current assets				
Long-term investments				
Investments in subsidiaries		1,189,952	1,191,365	1,190,969
Receivables from Group companies		696,786	706,967	704,210
Total non-current assets		1,886,738	1,898,332	1,895,178
Current assets				
Current receivables		15,674	4,268	20,766
Cash and cash equivalents		1,022	21,328	1,061
Total current assets		16,696	25,596	21,827
Total assets		1,903,434	1,923,928	1,917,005
Equity and liabilities				
Equity				
Share capital		56	56	56
Other paid in capital		569,170	569,170	569,170
Retained earnings		(76,888)	(78,595)	(61,877)
Total equity		492,338	490,631	507,349
Provisions				
Other provisions	3	-	36,000	-
Total provisions		-	36,000	-
Non-current liabilities				
Long-term borrowings	4	1,300,690	1,307,538	1,306,365
Liabilities to Group companies		83,386	61,387	77,387
Total non-current liabilities		1,384,076	1,368,925	1,383,752
Current liabilities				
Accounts payable		-	-	9
Accrued expenses and prepaid income	4	27,020	28,372	25,893
Other current liabilities		-	-	2
Total current liabilities		27,020	28,372	25,904
Total equity and liabilities		1,903,434	1,923,928	1,917,005

Parent Company Statements of Changes in Equity

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
Balance at January 1, 2022	56	569,170	(61,878)	507,349
Result for the period	-	-	(15,519)	(15,519)
Shareholders contribution	-	-	509	509
Balance at June 30, 2022	56	569,170	(76,888)	492,338

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
Balance at January 1, 2021	56	569,170	1,392,508	1,961,734
Result for the period	-	-	258,693	258,693
Dividend	-	-	(1,729,796)	(1,729,796)
Balance at June 30, 2021	56	569,170	(78,595)	490,631

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

Parent Company Statements of Cash Flows

EUR thousand	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021
Operating activities				
Operating result	(2)	(138)	(5)	(141)
Cash flow from operating activities before change in working capital	(2)	(138)	(5)	(141)
Change in working capital				
Change in trade payables	(71)	(513)	(17)	(7)
Change in other receivables	16	287	(36)	2
Cash flow from change in working capital	(55)	(226)	(53)	(5)
Cash flow from operating activities	(57)	(364)	(58)	(146)
Investing activities				
Cash flow from investing activities	-	-	-	-
Financing activities				
New financing	-	-	-	1,322,783
Repayment of loan	-	-	-	(1,242,562)
Dividend received	-	-	-	1,703,787
Dividend paid	-	-	-	(1,703,787) ¹⁾
New loans from Group companies	-	4,110	6,000	5,810
Repayment of loan from Group companies	-	-	-	(42,402)
Paid bank and advisory fees	(35)	(4,540)	(5)	(16,701)
Call cost old debt	-	-	-	(17,175)
Net interest received or paid	206	22,036	(5,976)	11,324
Cash flow from financing activities	171	21,606	19	21,078
Cash flow for the period	114	21,242	(39)	20,932
Cash and cash equivalents at start of period	908	86	1,061	396
Exchange difference on translating cash and cash equivalents	-	-	-	-
Cash and cash equivalents at end of period	1,022	21,328	1,022	21,328

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

Note to the Unaudited Parent Company Financial Statements

Note 1 Accounting Policies

The parent company Verisure Midholding AB (publ) applies the Swedish Financial Reporting Board's recommendation "RFR 2". The accounting policies are unchanged compared with those applied in 2021.

These financial statements should be read in conjunction with the Annual Report 2021.

Note 2 Financial income and expenses

EUR thousand	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021
Interest income from Group companies	12,040	12,149	23,870	24,180
Other financial income	-	706	-	-
Financial income	12,040	12,855	23,870	24,180
Interest expense	(17,543)	(17,535)	(34,986)	(35,174)
Interest expense to Group companies	(579)	(347)	(1,124)	(766)
Other financial expenses	(2,423)	(557)	(3,274)	(25,274)
Financial expenses	(20,545)	(18,438)	(39,384)	(61,214)

Note 3 Provisions

The parent company reports a provision in 2021 related to the Norwegian Competition Authority (the "NCA") case. The fine was paid in December 2021 and the provision thereby reversed.

Note 4 Borrowings

EUR thousand	Jun 2022			Jun 2021		
	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
Unsecured						
Senior Unsecured Notes	24,218	1,300,690	1,324,908	27,597	1,307,538	1,335,135
Total (carrying amount)	24,218	1,300,690	1,324,908	27,597	1,307,538	1,335,135

EUR thousand	Dec 2021		
	Current liabilities	Non-current liabilities	Total
Senior Unsecured Notes	24,208	1,306,365	1,330,573
Total (carrying amount)	24,208	1,306,365	1,330,573

Quarterly summary

Key Figures

EUR thousand (unless otherwise stated)	Apr-Jun 2022	Jan-Mar 2022	Oct-Dec 2021	Jul-Sep 2021	Apr-Jun 2021
Consolidated					
Non-IFRS and IFRS financial data					
Revenue ¹	698,337	682,016	652,615	633,777	626,133
Organic revenue growth	11.4%	14.0%	11.7%	13.1%	26.6%
Adjusted EBITDA excl. SDIs	276,209	276,482	251,104	270,758	262,945
Adjusted EBITDA margin excl. SDIs	39.6%	40.5%	38.5%	42.7%	42.0%
Adjusted EBITDA incl. SDIs	267,459	272,969	243,826	225,668	258,378
Adjusted EBITDA Margin incl. SDIs	38.3%	40.0%	37.4%	35.6%	41.3%
Operating profit	110,133	112,691	91,406	76,468	99,292
Capital expenditures	213,037	186,290	220,117	181,389	184,808
Net Debt per SFA	7,286,736	7,215,951	7,171,870	7,069,641	7,028,924
Unaudited operating data					
Payback period, years	3.8	3.6	3.8	3.4	3.2
Portfolio services segment					
Non-IFRS and IFRS financial data					
Portfolio services revenue ¹	582,048	566,861	536,468	518,442	503,173
Portfolio services adjusted EBITDA excl. SDIs	420,357	408,995	380,347	376,864	366,557
Portfolio services adjusted EBITDA margin excl. SDIs	72.2%	72.2%	70.9%	72.7%	72.8%
Unaudited operating data					
Total subscribers (end of period), units	4,529,330	4,401,991	4,274,827	4,146,370	4,019,964
Cancellation, units	78,273	75,737	66,764	63,463	62,692
Attrition rate (LTM)	6.6%	6.5%	6.4%	6.4%	6.4%
Net subscriber growth, units	127,339	127,164	128,457	126,406	135,582
Subscriber growth rate, net	12.7%	13.3%	13.6%	14.4%	15.9%
Average number of subscribers during the period, units	4,458,203	4,332,495	4,214,867	4,092,049	3,945,462
Average monthly revenue per user (ARPU), EUR	43.5	43.6	42.4	42.2	42.5
Monthly adjusted EBITDA per subscriber (EPC), EUR	31.4	31.5	30.1	30.7	31.0
Customer acquisition segment					
Non-IFRS and IFRS financial data					
Customer acquisition revenue ¹	94,440	95,351	92,339	90,732	99,111
Customer acquisition adjusted EBITDA excl. SDIs	(144,409)	(133,183)	(125,641)	(103,975)	(101,836)
Customer acquisition capital expenditures	148,278	145,725	140,277	135,064	136,368
Unaudited operating data					
New subscribers added (gross)	205,612	202,901	195,221	189,869	198,274
Cash acquisition cost per new subscriber (CPA), EUR	1,423	1,375	1,362	1,259	1,201
Adjacencies segment					
Non-IFRS and IFRS financial data					
Adjacencies revenue ¹	21,848	19,803	23,808	24,603	23,850
Adjacencies adjusted EBITDA excl. SDIs	260	670	(3,601)	(2,131)	(1,776)

1) IFRS financial data

Non-IFRS measures

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

Adjusted EBITDA

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

EUR thousands	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021
Operating profit according to consolidated income statement	110,133	99,292	222,824	210,989
Less depreciation and amortization	136,932	123,805	278,897	236,962
Less retirement of assets	20,394	35,282	38,707	66,943
Less separately disclosed items	8,750	4,567	12,263	11,239
Adjusted EBITDA	276,209	262,945	552,691	526,133
Whereof adjusted EBITDA customer acquisition	(144,409)	(101,836)	(277,591)	(191,421)
Whereof adjusted EBITDA portfolio services	420,357	366,557	829,352	720,269
Whereof adjusted EBITDA adjacencies	260	(1,776)	930	(2,715)

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	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021
Portfolio services segment revenue	582,048	503,173	1,148,910	988,763
Monthly average portfolio services segment revenue	194,016	167,724	191,485	164,794
Monthly average number of subscribers during the period, units	4,458,203	3,945,462	4,395,349	3,881,984
Monthly average portfolio services segment revenue (in EUR) divided by average monthly number of subscribers during the period – ARPU (In EUR)	43.5	42.5	43.6	42.5

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	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021
Portfolio services segment adjusted EBITDA excl. SDIs	420,357	366,557	829,352	720,269
Monthly average portfolio services segment adjusted EBITDA excl. SDIs	140,119	122,186	138,225	120,045
Monthly average number of subscribers during the period, units	4,458,203	3,945,462	4,395,349	3,881,984
Monthly average portfolio services segment adjusted EBITDA (in EUR) divided by monthly average number of subscribers during the period – EPC (In EUR)	31.4	31.0	31.4	30.9

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	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021
Customer acquisition Adjusted EBITDA excl. SDIs	(144,409)	(101,836)	(277,591)	(191,421)
Customer acquisition capital expenditure	(148,278)	(136,368)	(294,002)	(271,099)
Customer acquisition cost	(292,686)	(238,204)	(571,593)	(462,520)
New subscribers added (gross)	205,612	198,274	408,513	384,493
Customer acquisition cost (in EUR) divided by new subscribers added (gross) - CPA (In EUR)	1,423	1,201	1,399	1,203

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	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021
Cash acquisition cost per new subscriber ("CPA")	1,423	1,201	1,399	1,203
Monthly adjusted EBITDA per customer ("EPC")	31.4	31.0	31.4	30.9
CPA divided by EPC divided by 12	3.8	3.2	3.7	3.2

Malmö, Aug 24, 2022

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