



VERISURE MIDHOLDING AB (PUBL)

INTERIM REPORT
JANUARY– JUNE 2023

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

Key operating and financial highlights for the second quarter ending June 30th, 2023, and 2022

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 4.9 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. We have a strong track record of profitable growth, primarily delivered organically by our differentiated business model with high share of recurring revenues (approximately 80%) and industry leading retention.

In the second quarter of 2023, the Group continued to deliver strong operating and financial performance while preserving strong unit economics. Our customer portfolio continued to grow and is now over 4.9 million, representing an annual growth rate of 9.7% compared to the same period last year. Growth has been driven by new installations of 201,000 and attrition of 7.5% in the quarter. We have added over 437,000 customers to our portfolio in the last twelve months. Total revenue and adjusted EBITDA incl. SDIs increased 9.7% and 20.9%, respectively, in the quarter. In constant currency, total revenue and adjusted EBITDA incl. SDIs increased 11.4% and 22.9%, respectively.

The performance of our portfolio services segment remains strong. Portfolio revenue and portfolio services adjusted EBITDA increased 12.1% and 10.7%, respectively, in the quarter. In constant currency, growth was 14.1% and 12.5%, respectively.

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 product and service innovations to further position us for continued long-term growth.

Summary of second quarter 2023 financials:

- Total revenue reached EUR 765.7 million in the second quarter of 2023, up 9.7% from EUR 698.3 million in the same period last year. In constant currency, total revenue grew 11.4% in the quarter. Portfolio services revenue, representing 85.2% of total revenue in the quarter, grew 12.1% to EUR 652.6 million. In constant currency, portfolio services revenue grew 14.1% in the quarter. In the first six months of 2023, total revenue increased to EUR 1,523.6 million compared to EUR 1,380.4 million last year, representing an increase of 10.4% in actual currency and 11.9% in constant currency. Portfolio services revenue grew 12.8% to EUR 1,296.1 million in the first six months of the year (14.5% increase in constant currency).
- Adjusted EBITDA incl. SDIs increased to EUR 323.3 million in the quarter compared to EUR 267.5 million in the same period last year, an increase of 20.9%. In constant currency, total adjusted EBITDA incl. SDIs increased 22.9% in the quarter. In the first six months of the year, total adjusted EBITDA incl. SDIs increased 19.6% to EUR 646.2 million compared to EUR 540.4 million in 2022 (21.3% increase in constant currency).
- Operating income was EUR 148.4 million in the quarter compared to EUR 110.1 million in Q2 2022, an increase of 34.7%. In the first six months of the year, operating income increased 34.7% to EUR 300.2 million compared to EUR 222.8 million in 2022.
- Portfolio services adjusted EBITDA increased to EUR 465.2 million in the quarter compared to EUR 420.4 million the same period last year, representing an increase of 10.7%. In constant currency, portfolio services adjusted EBITDA increased 12.5% in the quarter. Portfolio services adjusted EBITDA margin was 71.3% in the period, compared to 72.2% in the same period last year. On an annualized basis, our portfolio services adjusted EBITDA reached EUR 1,860.8 million in the quarter. In the first six months of 2023, portfolio services adjusted EBITDA reached EUR 922.5 million, representing an increase of 11.2% in actual currency and 12.8% in constant currency compared to the same period last year.
- ARPU reached EUR 44.4 in the quarter, an increase of 1.9% compared to the same period last year (3.8% increase in constant currency). In the first six months of 2023, ARPU increased 2.2% vs. last year (3.8% increase in constant currency). EPC increased to EUR 31.6 in the quarter, an increase of 0.6% vs. last year (2.3% increase in constant currency). In the first six months, EPC increased 0.8% compared to the same period in 2022 (2.2% increase in constant currency).
- Acquisition of new customers was strong in the second quarter of the year. We added 200,710 new customers in the quarter. This is our second strongest Q2 ever in new sales, 2.4% down vs. last year. New customers added to our portfolio in the first six months of 2023 was 405,059, a decrease of 1.6% vs. the same period last year. We remain disciplined and focused on high-quality customer intake.

• Net subscriber growth was 106,915 in the quarter, compared to 127,339 in Q2 2022. At the end of the quarter our customer portfolio stood at 4,966,612 customers, up 437,282 customers or 9.7% year-on-year. LTM attrition rate was 7.5% as of the end of the quarter.

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 needs for security and peace of mind are not expected to reduce. We believe that these needs 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 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022
Consolidated				
Non-IFRS and IFRS financial data				
Revenue ¹	765,744	698,337	1,523,613	1,380,353
Adjusted EBITDA excl. SDIs	330,680	276,209	658,643	552,691
Adjusted EBITDA margin excl. SDIs	43.2%	39.6%	43.2%	40.0%
Adjusted EBITDA incl. SDIs	323,294	267,459	646,229	540,428
Adjusted EBITDA margin incl. SDIs	42.2%	38.3%	42.4%	39.2%
Operating profit ¹	148,361	110,133	300,228	222,824
Capital expenditures	219,888	213,037	424,986	399,327
Net Debt per SFA	7,400,482	7,286,736	7,400,482	7,286,736
Unaudited operating data				
Payback period, years	3.7	3.8	3.7	3.7
Portfolio services segment				
Non-IFRS and IFRS financial data				
Portfolio services revenue ¹	652,571	582,048	1,296,059	1,148,910
Portfolio services adjusted EBITDA	465,198	420,357	922,543	829,352
Portfolio services adjusted EBITDA margin	71.3%	72.2%	71.2%	72.2%
Unaudited operating data				
Total subscribers (end of period), units	4,966,612	4,529,330	4,966,612	4,529,330
Cancellation, units	93,795	78,273	187,544	154,010
Attrition rate (LTM)	7.5%	6.6%	7.5%	6.6%
Net subscriber growth, units	106,915	127,339	214,515	254,503
Subscriber growth rate, net	9.7%	12.7%	9.7%	12.7%
Monthly average number of subscribers during the period, units	4,904,152	4,458,203	4,851,757	4,395,349
Average monthly revenue per user (ARPU), EUR	44.4	43.5	44.5	43.6
Adjusted EBITDA per customer (EPC), EUR	31.6	31.4	31.7	31.4
Customer acquisition segment				
Non-IFRS and IFRS financial data				
Customer acquisition revenue ¹	89,801	94,440	183,224	189,791
Customer acquisition adjusted EBITDA	(134,964)	(144,409)	(268,881)	(277,591)
Customer acquisition capital expenditures	147,259	148,278	293,199	294,002
Unaudited operating data				
New subscribers added (gross)	200,710	205,612	402,059	408,513
Cash acquisition cost per new subscriber (CPA), EUR	1,406	1,423	1,398	1,399
Adjacencies segment				
Non-IFRS and IFRS financial data				
Adjacencies revenue ¹	23,373	21,848	44,329	41,652
Adjacencies adjusted EBITDA	446	260	4,981	930

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. 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.

Three months ending June 30, 2023 and 2022

Results excluding SDIs

EUR million	Apr-Jun 2023	Apr-Jun 2022	Percentage change
Revenue	765.7	698.3	9.7%
Operating expenses	(436.1)	(423.4)	3.0%
Other income	1.0	1.3	(23.2)%
Adjusted EBITDA	330.7	276.2	19.7%
Adjusted EBITDA margin, %	43.2%	39.6%	-
Depreciation and amortization	(132.4)	(118.9)	11.3%
Retirement of assets	(29.2)	(20.4)	43.0%
Operating profit	169.1	136.9	23.5%
Operating profit margin, %	22.1%	19.6%	-
Interest income and expenses	(112.5)	(74.9)	50.1%
Other financial items	(4.1)	(1.4)	199.8%
Profit before tax	52.6	60.6	(13.2)%

Revenue

The following table shows our revenue split by segment:

Revenue by segment

EUR million	Apr-Jun 2023	Apr-Jun 2022	Percentage change
Portfolio services	652.6	582.0	12.1%
Customer acquisition	89.8	94.4	(4.9)%
Adjacencies	23.4	21.8	7.0%
Total	765.7	698.3	9.7%

Total revenue in the second quarter of 2023 increased 9.7%, or EUR 67.4 million, to EUR 765.7 million, up from EUR 698.3 million in the same prior last year. In constant currency, total revenue increased 11.4%. Revenue increase was primarily driven by the growing customer base, which increased 9.7%, from 4,529,330 in June 30, 2022, to 4,966,612 in June 30, 2023.

Portfolio services revenue in the second quarter of 2023 increased 12.1%, or EUR 70.5 million, to EUR 652.6 million, up from EUR 582.0 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), up 1.9% (3.8% in constant currency) compared to the same period last year.

Customer acquisition revenue in the second quarter of 2023 reached EUR 89.8 million, which represents a decrease of 4.9% compared to the same period last year. The decrease was mainly driven by a lower number of new installations in the quarter compared to last year.

Operating expenses

Operating expenses in the second quarter of 2023 increased 3.0%, or EUR 12.6 million, to EUR 436.1 million, from EUR 423.4 million last year. The increase was mainly driven by portfolio growth.

Adjusted EBITDA

Adjusted EBITDA in the three months ending June 30, 2023, increased 19.7%, or EUR 54.5 million, to EUR 330.7 million, from EUR 276.2 million in the same period last year. The increase was mainly driven by growth in the portfolio, as well as higher monthly adjusted EBITDA per customer (EPC).

Depreciation and amortization

Depreciation and amortization increased to EUR 132.4 million in the three months ending June 30, 2023, up from EUR 118.9 million in the same period last year, mainly due to growth in the portfolio. The impact from depreciation and amortization is primarily related to the alarm equipment installed at our customers' premises and the capitalized incremental costs of obtaining contracts with customers.

Retirement of assets

Retirements of assets increased to EUR 29.2 million in the second quarter of 2023, from EUR 20.4 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 increase in write-offs during the second quarter of 2023 is driven by the increase in cancellations compared to the same period last year.

Interest income and expenses

Interest income was EUR 0.4 million in the three months ending June 30, 2023, compared to EUR 0.2 million in the same period last year. Interest expense reached EUR 112.9 million in the three months ending June 30, 2023, compared to EUR 75.1 million in the same period last year, driven by increases in the cost of debt.

Other financial items

Other financial items, which mainly consist of changes in the fair value of derivatives and commitment fees for our Revolving Credit Facility and Ancillary Facilities, amounted to a cost of EUR 4.1 million in the second quarter of 2023, compared to EUR 1.4 million in the same period last year.

Reported consolidated income statement for the three months ending June 30, 2023 and 2022

EUR million	Apr-Jun 2023			Apr-Jun 2022		
	Result excluding SDIs	SDIs	Reported	Result excluding SDIs	SDIs	Reported
Revenue	765.7	-	765.7	698.3	-	698.3
Operating expenses	(436.1)	(7.4)	(443.4)	(423.4)	(8.7)	(432.2)
Other income	1.0	-	1.0	1.3	-	1.3
Adjusted EBITDA	330.7	(7.4)	323.3	276.2	(8.7)	267.5
Depreciation and amortization	(132.4)	(13.4)	(145.8)	(118.9)	(18.0)	(136.9)
Retirement of assets	(29.2)	-	(29.2)	(20.4)	-	(20.4)
Operating profit	169.1	(20.8)	148.4	136.9	(26.8)	110.1
Interest income and expenses	(112.5)	(0.7)	(113.2)	(74.9)	-	(74.9)
Other financial items	(4.1)	22.5	18.4	(1.4)	(16.6)	(18.0)
Profit before tax	52.6	0.9	53.5	60.6	(43.4)	17.2
Income tax expense	-	-	(19.3)	-	-	(20.3)
Net profit for the period	-	-	34.2	-	-	(3.1)

Separately disclosed items (SDIs)

SDIs affecting operating expenses

For the second quarter of 2023, total SDIs affecting operating expenses reached EUR 7.4 million, compared to EUR 8.7 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

For the second quarter of 2023, amortization and depreciation from acquisition-related intangible assets reached EUR 13.4 million EUR, compared to EUR 18.0 million last year. The difference between the years is due to some acquired contract portfolios being fully amortized.

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 21.8 million in the second quarter of 2023, compared to a cost of EUR 16.6 million during the same period last year. For the three months ending June 30, 2023, other financial items include positive non-cash FX revaluations of debt items and unrealized derivatives of EUR 28.8 million and a positive effect from realized derivatives of EUR 0.2 million, offset by the amortization of prepaid financing fees of EUR 4.0 million, and a negative IFRS 9 adjustment related to the modification of loan agreements of EUR 0.9 million. For the three months

ending June 30, 2022, other financial items include a negative non-cash FX devaluation of debt items and unrealized derivatives of EUR 12.5 million and a positive effect from realized derivatives of EUR 0.2 million, offset by the amortization of prepaid financing fees of EUR 3.5 million and a negative IFRS 9 adjustment related to the modification of loan agreements of EUR 0.8 million.

Income tax benefit and expense

For the three months ending June 30, 2023, income tax represented a cost of EUR 19.3 million, compared to a cost of EUR 20.3 million in the same period last year. While current tax expense totalled EUR 18.6 million in the second quarter of 2023, compared to EUR 20.9 million in the same period last year, deferred tax totalled a cost of EUR 0.7 million in the second quarter of 2023 and a benefit of EUR 0.6 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, 2023 and 2022.

EUR million	Apr-Jun 2023	Apr-Jun 2022
Cash flow from operating activities before change in working capital	302.2	248.5
Change in working capital	31.9	(32.2)
Cash flow from operating activities¹	334.1	216.3
Cash flow from investing activities	(219.9)	(213.0)
Cash flow from financing activities ²	(118.8)	17.2
Cash flow for the period	(4.6)	20.4
Cash and cash equivalents at beginning of period	38.7	25.3
Translation differences on cash and cash equivalents	-	(0.2)
Cash and cash equivalents at end of period	34.2	45.6

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 334.1 million and EUR 216.3 million in the three months ending June 30, 2023 and 2022, respectively. Cash flow from operating activities before change in working capital increased from EUR 248.5 million in the second quarter of 2022 to EUR 302.2 million in the second quarter of 2023 mainly driven by higher adjusted EBITDA. Change in working capital had a positive impact on cash flow generation of EUR 31.9 million in the second quarter of 2023, compared to a negative impact of EUR 32.2 million in the same period 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, positive developments in trade receivables and other payables further contribute to positive cash flow generation from change in working capital, more than offsetting a negative impact from changes in other receivables.

Cash flow from investing activities

Cash flow from investing activities reached EUR 219.9 million and EUR 213.0 million for the three months ending June 30, 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 118.8 million compared to an inflow of EUR 17.2 million for the three months ending June 30, 2023 and 2022, respectively. Key components in the three months ending June 30, 2023, include net interest payments of EUR 86.4 million, a negative net change in borrowings of EUR 28.0 million, and paid bank, advisory fees, and other financial items of EUR 4.4 million. Compared to the same period last year, net interest payments increased by EUR 28.7 million, from EUR 57.6 million, mainly due to higher cost of debt.

Six months ending June 30, 2023 and 2022

Results excluding SDIs

EUR million	Jan-Jun 2023	Jan-Jun 2022	Percentage change
Revenue	1,523.6	1,380.4	10.4%
Operating expenses	(867.1)	(830.1)	4.5%
Other income	2.2	2.4	(10.3)%
Adjusted EBITDA	658.6	552.7	19.2%
Adjusted EBITDA margin, %	43.2%	40.0%	-
Depreciation and amortization	(261.0)	(242.6)	7.6%
Retirement of assets	(57.8)	(38.7)	49.3%
Operating profit	339.8	271.4	25.2%
Operating profit margin, %	22.3%	19.7%	-
Interest income and expenses	(216.9)	(149.4)	45.2%
Other financial items	(11.0)	(3.2)	246.3%
Profit before tax	111.9	118.9	(5.9)%

Revenue

The following table shows our revenue split by segment:

Revenue by segment

EUR million	Jan-Jun 2023	Jan-Jun 2022	Percentage change
Portfolio services	1,296.1	1,148.9	12.8%
Customer acquisition	183.2	189.8	(3.5)%
Adjacencies	44.3	41.7	6.4%
Total	1,523.6	1,380.4	10.4%

Total revenue in the six months ending June 30, 2023, increased by 10.4%, or EUR 143.3 million, to EUR 1,523.6 million, up from EUR 1,380.4 million in the prior period. In constant currency the increase in revenue was 11.9%, primarily due to the growing customer base, which increased by 9.7%, from 4,529,330 in June 30, 2022, to 4,966,612 in June 30, 2023.

Portfolio services revenue in the first six months of 2023 increased by 12.8%, or EUR 147.1 million, to EUR 1,296.1 million, up from EUR 1,148.9 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), up 2.2% (3.8% in constant currency) compared to the same period last year.

Customer acquisition revenue in the six months ending June 30, 2023, reached EUR 183.2 million, which represents a minor decrease of -3.5% compared to the same period last year. The decrease is mainly driven by less new installations compared to last year.

Operating expenses

Operating expenses in the first six months of 2023, increased by 4.5%, or EUR 37.1 million, to EUR 867.1 million, up from EUR 830.1 million in the same period last year. The increase was mainly driven by growth in the portfolio.

Adjusted EBITDA

Adjusted EBITDA in the six months ending June 30, 2023, increased by 19.2%, or EUR 106.0 million, to EUR 658.6 million, from EUR 552.7 million in the same period last year. The increase is mainly driven by growth in the portfolio, as well as a slightly higher monthly adjusted EBITDA per customer (EPC).

Depreciation and amortization

Depreciation and amortization increased to EUR 261.0 million in the six months ending June 30, 2023, up from EUR 242.6 million in the same period last year, mainly due to growth in portfolio. The impact from depreciation and amortization is primarily related to the alarm equipment installed at our customers' premises and the capitalized incremental costs of obtaining contracts with customers.

Retirement of assets

Retirements of assets increased to EUR 57.8 million in the first six months of 2023, from EUR 38.7 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 increase in write-offs during the first six months of 2023 is driven by the increase in cancellations compared to the same period last year.

Interest income and expenses

Interest income reached EUR 0.8 million in the six months ending June 30, 2023, compared to EUR 0.4 million in the same period last year. Interest expense reached EUR 217.7 million in the six months ending June 30, 2023, compared to EUR 149.8 million in the same period last year, driven by increases in the cost of debt.

Other financial items

Other financial items, which mainly consist of changes in the fair value of derivatives and commitment fees for our Revolving Credit Facility and Ancillary Facilities, amounted to a cost of EUR 11.0 million in the six months ending June 30, 2023, compared to EUR 3.2 million in the same period last year. The increase is mainly driven by a reclassification of fair value changes in derivatives held for trading (Interest rate swaps and cross-currency swaps) from interest expenses to other financial items, following IFRS 9.

Reported consolidated income statement for the six months ending June 30, 2023 and 2022

EUR million	Jan-Jun 2023			Jan-Jun 2022		
	Result excluding SDIs	SDIs	Reported	Result excluding SDIs	SDIs	Reported
Revenue	1,523.6	-	1,523.6	1,380.4	-	1,380.4
Operating expenses	(867.1)	(12.4)	(879.6)	(830.1)	(12.3)	(842.4)
Other income	2.2	-	2.2	2.4	-	2.4
Adjusted EBITDA	658.6	(12.4)	646.2	552.7	(12.3)	540.4
Depreciation and amortization	(261.0)	(27.2)	(288.2)	(242.6)	(36.3)	(278.9)
Retirement of assets	(57.8)	-	(57.8)	(38.7)	-	(38.7)
Operating profit	339.8	(39.6)	300.2	271.4	(48.6)	222.8
Interest income and expenses	(216.9)	(0.7)	(217.7)	(149.4)	-	(149.4)
Other financial items	(11.0)	1.7	(9.3)	(3.2)	6.4	3.2
Profit before tax	111.9	(38.6)	73.3	118.9	(42.2)	76.7
Income tax expense	-	-	(30.4)	-	-	(47.5)
Net profit for the period	-	-	42.9	-	-	29.2

Separately disclosed items (SDIs)

SDIs affecting operating expenses

For the first six months of 2023, total SDIs affecting operating expenses reached EUR 12.4 million, compared to EUR 12.3 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

For the six months ending June 30, 2023, amortization and depreciation from acquisition-related intangible assets reached EUR 27.2 million EUR, compared to EUR 36.3 million last year. The difference between the years is due to some acquired contract portfolios being fully amortized.

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 1.0 million in the first six months of 2023, compared to an income of EUR 6.4 million during the same period last year. For the six months ending June 30, 2023, other financial items include positive non-cash FX revaluations of debt items and unrealized derivatives of EUR 12.9 million and a positive effect from realized derivatives of EUR 0.1 million, offset by the amortization of prepaid financing fees of EUR 7.9 million, and a negative IFRS 9 adjustment related to the modification of loan agreements of EUR 1.7 million. For the six months ending June 30, 2022, other financial items include a positive non-cash FX revaluation of debt items and unrealized derivatives of EUR 17.9 million, offset by the amortization of prepaid financing fees of EUR 6.9 million, a negative IFRS 9 adjustment related to the modification of loan agreements of EUR 1.7 million, and a negative impact from realized derivatives of EUR 2.9 million.

Income tax benefit and expense

For the six months ending June 30, 2023, income tax represented a cost of EUR 30.4 million, compared to a cost of EUR 47.5 million in the same period last year. While current tax expense totalled EUR 42.5 million in the first six months of 2023, compared to EUR 36.5 million in the same period last year, deferred tax totalled a benefit of EUR 12.1 million in the first six months of 2023 and a cost of EUR 11.0 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, 2023 and 2022.

EUR million	Jan-Jun 2023	Jan-Jun 2022
Cash flow from operating activities before change in working capital	621.5	517.5
Change in working capital	40.8	(52.6)
Cash flow from operating activities¹	662.3	464.9
Cash flow from investing activities	(425.0)	(399.5)
Cash flow from financing activities ²	(246.7)	(44.2)
Cash flow for the period	(9.4)	21.2
Cash and cash equivalents at beginning of period	43.6	24.3
Translation differences on cash and cash equivalents	(0.0)	0.1
Cash and cash equivalents at end of period	34.2	45.6

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 662.3 million and EUR 464.9 million in the six months ending June 30, 2023, and 2022, respectively. Cash flow from operating activities before change in working capital increased from EUR 517.5 million in the first six months of 2022 to EUR 621.5 million in the first six months of 2023 mainly driven by higher adjusted EBITDA. Change in working capital had a positive impact on cash flow generation of EUR 40.8 million in the six months ending June 30, 2023, compared to a negative impact of EUR 52.6 million in the same period 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, positive developments in trade receivables and other payables further contributed to positive cash flow generation from changes in working capital, more than offsetting a negative impact from changes in other receivables.

Cash flow from investing activities

Cash flow from investing activities reached EUR 425.0 million and EUR 399.5 million for the six months ending June 30, 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 246.7 million for the six months ending June 30, 2023, compared to an outflow of EUR 44.2 million in the same period last year. Key components in the six months ending June 30, 2023, include net interest payments of EUR 213.6 million, negative net changes in borrowings of EUR 12.7 million and paid bank, advisory fees and other financial items of EUR 20.4 million. Compared to the same period last year, net interest payments increased by EUR 69.5 million, from EUR 144.1 million, mainly due to 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. 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, 2023, and 2022.

EUR million	Apr-Jun 2023	Apr-Jun 2022
Customer acquisition capital expenditures, material	85.5	85.1
Customer acquisition capital expenditures, direct costs	61.7	63.2
Portfolio services capital expenditures	28.8	22.9
Adjacencies capital expenditures	4.8	1.1
Capital expenditures other	39.1	40.7
Total	219.9	213.0

Capital expenditures reached EUR 219.9 million in the three months ending June 30, 2023, compared to EUR 213.0 million in the same period last year. The increase is mainly driven by upselling activity to existing customers as well as incremental investments to further enhance our offering.

The following table shows a summary of our capital expenditures for the six months ending June 30, 2023, and 2022.

EUR million	Jan-Jun 2023	Jan-Jun 2022
Customer acquisition capital expenditures, material	170.2	169.0
Customer acquisition capital expenditures, direct costs	123.0	125.0
Portfolio services capital expenditures	57.5	43.1
Adjacencies capital expenditures	9.4	2.8
Capital expenditures other	64.9	59.5
Total	425.0	399.3

Capital expenditures reached EUR 425.0 million in the six months ending June 30, 2023, compared to EUR 399.3 million in the same period last year. The increase is mainly driven by upselling activity to existing customers as well as incremental investments to further enhance our offering.

Liquidity, Liabilities and Financing agreements

Our primary sources of liquidity are cash flow from operations, as well as borrowings under our EUR 700 million Revolving Credit Facility. Our primary liquidity requirements are funding of our customer acquisition operations, servicing of our debt, and other general corporate purposes.

As of June 30, 2023, the Group had a total of EUR 491.0 million of available funds.

EUR million	Jun 2023	Jun 2022	Dec 2022
Revolving Credit Facility	700.0	700.0	700.0
Cash and cash equivalents	34.2	45.6	43.6
Drawn facility amount	(225.0)	(365.0)	(454.5)
Utilised letter of credit	(18.2)	(17.5)	(17.6)
Total available funds	491.0	363.1	271.6

The following table summarises our total gross financial indebtedness as of June 30, 2023, 2022 and December 31, 2022.

EUR million	Jun 2023	Jun 2022	Dec 2022
Revolving Credit Facility	225.0	365.0	454.5
Term Loan B	2,800.0	2,800.0	2,800.0
Senior Secured Notes	2,900.0	2,650.0	2,650.0
Senior Unsecured Notes	1,302.1	1,314.8	1,309.9
Other Debt	44.8	43.5	51.3
Lease liability (IFRS 16)	162.8	159.0	160.6
Total Indebtedness	7,434.7	7,332.3	7,426.3

Risks and uncertainties

A detailed presentation of risks and a sensitivity analysis can be found in the Financial Risk Management section (note 22) and the Risk Factors section of the 2022 Verisure Midholding AB's annual report.

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”.

In Q1 2023, Alex Froment-Curtil joined Verisure as Managing Director of France and a member of the Group Management Team. Prior to joining Verisure, Alex was the Chief Commercial Officer of the Vodafone Group and member of the Executive Committee. Over 18 years, he has held many senior commercial roles across Europe and Africa, such as CEO for Vodafone Turkey, Vodafone Egypt and Vodafone Hungary. Prior to working at Vodafone, Alex worked for the strategy consulting firm Booz Allen Hamilton.

Anthony Loizeau, General Manager for the Nordics Cluster, has left the company effective 1 April 2023. Anthony joined Verisure in 2012 as Managing Director for Latin America. In 2020, Anthony was appointed to lead our Nordics Cluster.

Vincent Litrico, Group Chief Financial Officer, has left the Company effective 31 July 2023. Vincent joined the company in 2016.

We would like to recognize and thank Anthony and Vincent for their many contributions and commitment over the past years, helping to bring us to where we are today.

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.

Events after the reporting period

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.

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 operating 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 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022
Revenue	3	765,744	698,337	1,523,613	1,380,353
Cost of sales		(419,915)	(408,434)	(835,554)	(802,164)
Gross profit		345,829	289,903	688,059	578,188
Selling expenses		(93,752)	(87,057)	(188,495)	(171,742)
Administrative expenses		(104,712)	(94,008)	(201,515)	(186,051)
Other income		996	1,296	2,178	2,429
Operating profit		148,361	110,133	300,228	222,824
Financial income		394	159	812	367
Financial expenses		(95,209)	(93,064)	(227,738)	(146,501)
Profit before tax		53,546	17,229	73,302	76,690
Income tax expense		(19,325)	(20,315)	(30,384)	(47,493)
Net profit for the period		34,221	(3,086)	42,918	29,196
Whereof attributable to:					
- Parent company		34,221	(3,086)	42,918	29,196

Consolidated statements of comprehensive income

EUR thousand	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022
Net profit for the period	34,221	(3,086)	42,918	29,196
Other comprehensive income				
Items that may be reclassified to the income statement				
Hedging reserve	1,798	11,302	(5,598)	12,947
Currency translation differences on foreign operations	(13,995)	9,119	(13,853)	15,035
Income tax related to these items	(371)	(2,328)	1,153	(2,667)
Items that may be reclassified to the income statement	(12,568)	18,093	(18,298)	25,315
Other comprehensive income	(12,568)	18,093	(18,298)	25,315
Total comprehensive income for the period	21,653	15,007	24,620	54,511
Whereof attributable to:				
- Parent company	21,653	15,007	24,620	54,511

Consolidated statements of financial position

EUR thousand	Note	Jun 2023	Jun 2022	Dec 2022
Assets				
Non-current assets				
Property, plant and equipment		1,377,301	1,245,758	1,316,626
Right of use assets		159,807	155,720	157,255
Goodwill		754,701	868,868	777,765
Customer portfolio		1,063,173	1,029,375	1,037,603
Other intangible assets		317,604	289,634	316,344
Deferred tax assets		28,192	28,571	28,778
Derivatives	4	23,294	-	1,363
Trade and other receivables	4	324,306	313,307	302,693
Total non-current assets		4,048,378	3,931,234	3,938,428
Current assets				
Inventories		353,676	328,443	342,732
Trade receivables	4	189,892	206,335	193,131
Current tax assets		5,014	13,183	12,434
Derivatives	4	1,727	22,599	6,244
Prepayments and accrued income		101,189	59,944	81,827
Other current receivables	4	50,637	34,143	42,159
Cash and cash equivalents	4	34,205	45,595	43,629
Total current assets		736,340	710,242	722,156
Total assets		4,784,718	4,641,476	4,660,583

EUR thousand	Note	Jun 2023	Jun 2022	Dec 2022
Equity and liabilities				
Equity				
Share capital		56	56	56
Other paid in capital		624,686	624,686	624,686
Translation reserve		(72,743)	37,830	(58,890)
Hedging reserve		(3,596)	17,944	849
Retained earnings		(4,539,320)	(4,598,741)	(4,583,528)
Total equity		(3,990,917)	(3,918,225)	(4,016,827)
Non-current liabilities				
Long-term borrowings	4,5	7,281,305	7,179,026	7,252,455
Derivatives	4	-	-	4,593
Other non-current liabilities	4	152,318	100,048	111,241
Deferred tax liabilities		165,712	186,800	184,455
Other provisions		15,980	18,626	16,815
Total non-current liabilities		7,615,315	7,484,500	7,569,559
Current liabilities				
Trade payables	4	170,400	177,059	188,664
Current tax liabilities		91,251	96,011	79,777
Short-term borrowings	4,5	160,626	131,391	166,724
Derivatives	4	6,268	6,783	5,175
Accrued expenses and deferred income		654,413	607,213	606,993
Other current liabilities	4	77,362	56,745	60,517
Total current liabilities		1,160,320	1,075,201	1,107,850
Total liabilities		8,775,635	8,559,701	8,677,409
Total equity and liabilities		4,784,718	4,641,476	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 at January 1, 2023	56	624,686	(58,890)	849	(4,583,528)	(4,016,827)
Net profit for the period	-	-	-	-	42,918	42,918
Other comprehensive income	-	-	(13,853)	(4,445)	-	(18,298)
<i>Total comprehensive income</i>	-	-	(13,853)	(4,445)	42,918	24,620
Transactions with owners						
Group contribution	-	-	-	-	290	290
Shareholder's contribution	-	-	-	-	1,000	1,000
<i>Total transactions with owners</i>	-	-	-	-	1,290	1,290
Balance at June 30, 2023	56	624,686	(72,743)	(3,596)	(4,539,320)	(3,990,917)

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

EUR thousand	Attributable to equity holders of the parent company					Total
	Share capital	Other paid in capital	Translation reserve	Hedging reserve	Retained earnings	
Balance at January 1, 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>	-	-	(81,685)	(6,815)	43,778	(44,722)
Transactions with owners						
Group contribution	-	-	-	-	124	124
Shareholder's contribution	-	-	-	-	1,016	1,016
<i>Total transactions with owners</i>	-	-	-	-	1,140	1,140
Balance at December 31, 2022	56	624,686	(58,890)	849	(4,583,528)	(4,016,827)

Consolidated statements of cash flows

EUR thousand	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022
Operating activities				
Operating profit	148,361	110,132	300,228	222,823
Reversal of depreciation and amortization	144,426	136,932	288,210	278,899
Other non-cash items	29,165	20,395	57,791	38,708
Paid taxes	(19,721)	(18,970)	(24,734)	(22,974)
Cash flow from operating activities before change in working capital	302,231	248,489	621,495	517,456
Change in working capital				
Change in inventories	11,418	(37,657)	(12,290)	(71,630)
Change in trade receivables	(27,371)	(45,562)	(14,115)	(70,060)
Change in other receivables	(9,422)	20,979	(29,049)	12,230
Change in trade payables	5,012	1,439	(16,021)	(14,132)
Change in other payables	52,262	28,576	112,243	91,037
<i>Cash flow from change in working capital</i>	<i>31,899</i>	<i>(32,225)</i>	<i>40,768</i>	<i>(52,555)</i>
Cash flow from operating activities	334,130	216,264	662,263	464,901
Investing activities				
Net investments in intangible assets	(104,846)	(103,926)	(197,907)	(188,788)
Net investments in property, plant, and equipment	(115,012)	(109,111)	(227,051)	(210,664)
Cash flow from investing activities	(219,858)	(213,037)	(424,958)	(399,452)
Financing activities				
Change in borrowings	171,961	79,813	187,265	109,297
Paid bank and advisory fees	(2)	-	(5,416)	-
New financing	-	-	450,000	-
Repayment of financing	(200,000)	-	(650,000)	-
Net interest paid	(86,356)	(57,630)	(213,617)	(144,101)
Other financial items	(4,439)	(4,969)	(14,941)	(9,432)
Cash flow from financing activities	(118,836)	17,214	(246,709)	(44,236)
Cash flow for the period	(4,564)	20,441	(9,404)	21,213
Cash and cash equivalents at start of period	38,740	25,325	43,629	24,283
Exchange difference on translating cash and cash equivalents	29	(171)	(20)	98
Cash and cash equivalents at end of period	34,205	45,595	34,205	45,595

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 2 in the annual report for 2022. The accounting policies are unchanged compared with those applied in 2022.

These consolidated financial statements should be read in conjunction with the annual report 2022. 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 3 in the annual report for 2022. 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 2023

EUR thousands	Customer Acquisition	Portfolio Services	Adjacencies	Total Group – Excl SDIs	SDIs	Group Total
Revenue	89,801	652,571	23,373	765,744	-	765,744
Adjusted EBITDA	(134,964)	465,198	446	330,680	(7,386)	323,294
Depreciation and amortization	-	-	-	(132,373)	(13,395)	(145,768)
Retirements of assets	-	-	-	(29,165)	-	(29,165)
Financial items	-	-	-	(116,542)	21,727	(94,815)
Net profit before tax	-	-	-	52,600	946	53,546

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)
Net profit before tax	-	-	-	60,624	(43,396)	17,229

Jan-Jun 2023

EUR thousands	Customer Acquisition	Portfolio Services	Adjacencies	Total Group – Excl SDIs	SDIs	Group Total
Revenue	183,224	1,296,059	44,329	1,523,613	-	1,523,613
Adjusted EBITDA	(268,881)	922,543	4,981	658,643	(12,414)	646,229
Depreciation and amortization	-	-	-	(261,045)	(27,166)	(288,211)
Retirements of assets	-	-	-	(57,790)	-	(57,790)
Financial items	-	-	-	(227,927)	1,001	(226,926)
Net profit before tax	-	-	-	111,881	(38,579)	73,302

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)
Net profit before tax	-	-	-	118,888	(42,198)	76,690

Note 4 Financial Risk Management

Financial instruments by category and valuation level

EUR thousand	Jun 2023		Jun 2022		Dec 2022	
	Financial Asset	Financial Liability	Financial Asset	Financial Liability	Financial Asset	Financial Liability
Hedge accounting						
FX Forwards ¹	1,727	6,256	22,599	-	6,244	5,175
Fair value through profit or loss						
FX Swaps ¹	-	12	-	-	-	-
Cross currency swaps ¹	18,981	-	-	4,909	1,363	-
Interest rate swaps ¹	4,313	-	-	1,874	-	4,593
Amortized cost						
Trade and other receivables	302,407	-	297,933	-	285,959	-
Trade receivables, current ³	189,892	-	206,335	-	193,131	-
Other current receivables ³	20,402	-	17,099	-	17,028	-
Cash and cash equivalent	34,205	-	45,595	-	43,629	-
Long-term borrowings ²	-	7,166,767	-	7,063,604	-	7,138,198
Other non-current liabilities ²	-	1,685	-	2,643	-	3,152
Trade payables, current ³	-	170,400	-	177,059	-	188,664
Accrued expenses, current ³	-	217,636	-	231,325	-	206,812
Short-term borrowings ^{2, 3}	-	112,323	-	87,777	-	120,346
Other current liabilities ^{2, 3}	-	29,433	-	18,658	-	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 5.

3) Due to the short-term nature of trade receivables, current receivables, trade payables, accrued expenses, 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 2023			Jun 2022			Dec 2022		
	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	2,900,000	(23,635)	2,876,365	2,650,000	(19,188)	2,630,812	2,650,000	(22,999)	2,627,001
Term Loan B ¹	2,800,000	(37,816)	2,762,184	2,800,000	(46,989)	2,753,011	2,800,000	(42,447)	2,757,553
Revolver Credit Facility	225,000	(8,897)	216,103	365,000	(10,814)	354,186	454,499	(9,863)	444,636
Unsecured									
Senior Unsecured Notes	1,302,059	(12,301)	1,289,758	1,314,795	(14,105)	1,300,690	1,309,870	(13,215)	1,296,655
Liabilities to other creditors	22,356	-	22,356	24,905	-	24,905	12,354	-	12,354
Lease liability	114,537	-	114,537	115,422	-	115,422	114,257	-	114,257
Long-term borrowings	7,363,953	(82,648)	7,281,305	7,270,122	(91,096)	7,179,026	7,340,980	(88,525)	7,252,455
Current liabilities									
Accrued interest expenses	89,893	-	89,893	69,181	-	69,181	81,416	-	81,416
Other liabilities	22,430	-	22,430	18,596	-	18,596	38,929	-	38,929
Lease liability	48,303	-	48,303	43,613	-	43,613	46,378	-	46,378
Short-term borrowings	160,626	-	160,626	131,390	-	131,390	166,724	-	166,724
Total	7,524,579	(82,648)	7,441,931	7,401,512	(91,096)	7,310,416	7,507,704	(88,525)	7,419,179

1) Of the total amount regarding adjustment amortized costs EUR (11,356) thousand in June 30, 2023, EUR (14,812) thousand in June 30, 2022 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.

Net Debt and Leverage (per SFA)

EUR thousand	Jun 2023	Jun 2022	Dec 2022
Total principal amount (as above)	7,524,579	7,401,512	7,507,704
Less accrued interest	(89,893)	(69,181)	(81,416)
Total indebtedness	7,434,687	7,332,331	7,426,287
Less cash and cash equivalents	(34,205)	(45,595)	(43,629)
Total net debt	7,400,482	7,286,736	7,382,658
Secured net debt	5,890,795	5,769,405	5,860,870
L2QA EBITDA	1,327,285	1,140,381	1,223,556
Total net leverage	5.6x	6.4x	6.0x
Total Secured net leverage	4.4x	5.1x	4.8x

Note 6 Pledged Assets and Contingent Liabilities

Pledged Assets

EUR thousand	Jun 2023	Jun 2022	Dec 2022
Shares in subsidiaries	2,663,699	2,594,390	2,583,898
Bank accounts	18,076	32,289	29,867
Accounts receivables	164,209	182,459	189,245
Inventories	758	712	645
Other operating assets	60,818	65,317	65,434
Trademark	50,848	61,564	56,206
Endowment insurance	549	608	567

Contingent Liabilities

EUR thousand	Jun 2023	Jun 2022	Dec 2022
Guarantees	37,503	36,381	37,431

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

Unaudited Parent Company Financial Statements

Parent company income statement

EUR thousand	Note	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022
Revenue		216	-	431	-
Administrative expenses		(2)	(2)	(259)	(5)
Operating profit		214	(2)	172	(5)
Financial income	2	11,879	12,040	23,686	23,870
Financial expenses	2	(22,038)	(20,545)	(42,359)	(39,384)
Profit before tax		(9,945)	(8,508)	(18,501)	(15,519)
Income tax expense and benefit		-	-	-	-
Net profit for the period		(9,945)	(8,508)	(18,501)	(15,519)

Parent Company Statement of Financial Position

EUR thousand	Note	Jun 2023	Jun 2022	Dec 2022
Assets				
Non-current assets				
Long-term investments				
Investments in subsidiaries		1,192,983	1,189,952	1,191,984
Receivables from Group companies		680,803	696,786	688,349
Total non-current assets		1,873,786	1,886,738	1,880,333
Current assets				
Current receivables		15,778	15,674	20,009
Cash and cash equivalents		828	1,022	627
Total current assets		16,606	16,696	20,636
Total assets		1,890,393	1,903,434	1,900,969
Equity and liabilities				
Equity				
Share capital		56	56	56
Other paid in capital		569,170	569,170	569,170
Retained earnings		(105,972)	(76,888)	(88,471)
Total equity		463,254	492,338	480,755
Non-current liabilities				
Long-term borrowings	3	1,289,758	1,300,690	1,296,655
Liabilities to Group companies		111,080	83,386	94,887
Total non-current liabilities		1,400,838	1,384,076	1,391,542
Current liabilities				
Accrued expenses and prepaid income	3	26,301	27,020	28,672
Total current liabilities		26,301	27,020	28,672
Total liabilities		1,427,139	1,411,096	1,420,214
Total equity and liabilities		1,890,393	1,903,434	1,900,969

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, 2023	56	569,170	(88,471)	480,755
Net profit for the period	-	-	(18,501)	(18,501)
Shareholders contribution	-	-	1,000	1,000
Balance at June 30, 2023	56	569,170	(105,972)	463,254

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
Net profit 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, 2022	56	569,170	(61,878)	507,349
Net profit for the period	-	-	(27,609)	(27,609)
Shareholders contribution	-	-	1,016	1,016
Balance at December 31, 2022	56	569,170	(88,471)	480,755

Parent Company Statements of Cash Flows

EUR thousand	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022
Operating activities				
Operating profit	214	(2)	172	(5)
Cash flow from operating activities before change in working capital	214	(2)	172	(5)
Change in working capital				
Change in trade payables	-	(71)	(15)	(17)
Change in other receivables	474	16	527	(36)
<i>Cash flow from change in working capital</i>	<i>474</i>	<i>(55)</i>	<i>512</i>	<i>(53)</i>
Cash flow from operating activities	688	(57)	684	(58)
Investing activities				
Cash flow from investing activities	-	-	-	-
Financing activities				
New loans from Group companies	847	-	16,193	6,000
Other financial items	28	-	(54)	-
Paid bank and advisory fees	-	(35)	-	(5)
Net interest received or paid	(855)	206	(16,623)	(5,976)
Cash flow from financing activities	20	171	(483)	19
Cash flow for the period	708	114	201	(39)
Cash and cash equivalents at start of period	120	908	627	1,061
Exchange difference on translating cash and cash equivalents	-	-	-	-
Cash and cash equivalents at end of period	828	1,022	828	1,022

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 2022.

These financial statements should be read in conjunction with the Annual Report 2022.

Note 2 Financial income and expenses

EUR thousand	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022
Interest income from Group companies	11,878	12,040	23,685	23,870
Other financial income	1	-	1	-
Financial income	11,879	12,040	23,686	23,870
Interest expense	(18,438)	(17,543)	(36,694)	(34,986)
Interest expense to Group companies	(858)	(579)	(1,638)	(1,124)
Other financial expenses	(2,742)	(2,423)	(4,027)	(3,274)
Financial expenses	(22,038)	(20,545)	(42,359)	(39,384)

Note 3 Borrowings

EUR thousand	Jun 2023			Jun 2022		
	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
Unsecured						
Senior Unsecured Notes	24,657	1,289,758	1,314,416	24,218	1,300,690	1,324,908
Total (carrying amount)	24,657	1,289,758	1,314,416	24,218	1,300,690	1,324,908

EUR thousand	Dec 2022		
	Current liabilities	Non-current liabilities	Total
Senior Unsecured Notes	24,513	1,296,655	1,321,168
Total (carrying amount)	24,513	1,296,655	1,321,168

Quarterly summary

Key Figures

EUR thousand (unless otherwise stated)	Apr-Jun 2023	Jan-Mar 2023	Oct-Dec 2022	Jul-Sep 2022	Apr-Jun 2022
Consolidated					
Non-IFRS and IFRS financial data					
Revenue ¹	765,744	757,869	724,690	721,979	698,337
Adjusted EBITDA excl. SDIs	330,680	327,962	297,119	302,159	276,209
Adjusted EBITDA margin excl. SDIs	43.2%	43.3%	41.0%	41.9%	39.6%
Adjusted EBITDA incl. SDIs	323,294	322,934	278,644	297,119	267,459
Adjusted EBITDA margin incl. SDIs	42.2%	42.6%	38.5%	41.2%	38.3%
Operating profit	148,361	151,866	111,787	136,668	110,133
Capital expenditures	219,888	205,098	234,790	206,935	213,037
Net Debt per SFA	7,400,482	7,422,948	7,382,658	7,344,981	7,286,736
Unaudited operating data					
Payback period, years	3.7	3.6	3.9	3.8	3.8
Portfolio services segment					
Non-IFRS and IFRS financial data					
Portfolio services revenue ¹	652,571	643,489	611,257	597,992	582,048
Portfolio services adjusted EBITDA	465,198	457,345	434,586	430,453	420,357
Portfolio services adjusted EBITDA margin	71.3%	71.1%	71.1%	72.0%	72.2%
Unaudited operating data					
Total subscribers (end of period), units	4,966,612	4,859,697	4,752,097	4,644,898	4,529,330
Cancellation, units	93,795	93,749	88,405	82,413	78,273
Attrition rate (LTM)	7.5%	7.4%	7.2%	6.9%	6.6%
Net subscriber growth, units	106,915	107,600	107,199	115,568	127,339
Subscriber growth rate, net	9.7%	10.4%	11.2%	12.0%	12.7%
Average number of subscribers during the period, units	4,904,152	4,799,363	4,704,140	4,596,196	4,458,203
Average monthly revenue per user (ARPU), EUR	44.4	44.7	43.3	43.4	43.5
Adjusted EBITDA per customer (EPC), EUR	31.6	31.8	30.8	31.2	31.4
Customer acquisition segment					
Non-IFRS and IFRS financial data					
Customer acquisition revenue ¹	89,801	93,423	92,801	103,362	94,440
Customer acquisition adjusted EBITDA	(134,964)	(133,917)	(137,338)	(129,917)	(144,409)
Customer acquisition capital expenditures	147,259	145,940	141,460	148,275	148,278
Unaudited operating data					
New subscribers added (gross)	200,710	201,349	195,604	197,981	205,612
Cash acquisition cost per new subscriber (CPA), EUR	1,406	1,390	1,425	1,405	1,423
Adjacencies segment					
Non-IFRS and IFRS financial data					
Adjacencies revenue ¹	23,373	20,957	20,633	20,625	21,848
Adjacencies adjusted EBITDA	446	4,534	(129)	1,623	260

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 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022
Operating income according to consolidated income statement	148,361	110,133	300,228	222,824
Less depreciation and amortization	145,768	136,932	288,211	278,897
Less retirement of assets	29,165	20,394	57,790	38,707
Less separately disclosed items	7,386	8,750	12,414	12,263
Adjusted EBITDA	330,680	276,209	658,643	552,691
<i>Whereof adjusted EBITDA customer acquisition</i>	<i>(134,964)</i>	<i>(144,409)</i>	<i>(268,881)</i>	<i>(277,591)</i>
<i>Whereof adjusted EBITDA portfolio services</i>	<i>465,198</i>	<i>420,357</i>	<i>922,543</i>	<i>829,352</i>
<i>Whereof adjusted EBITDA adjacencies</i>	<i>446</i>	<i>260</i>	<i>4,981</i>	<i>930</i>

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 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022
Portfolio services segment revenue	652,571	582,048	1,296,059	1,148,910
Monthly average portfolio services segment revenue	217,524	194,016	216,010	191,485
Monthly average number of subscribers during the period, units	4,904,152	4,458,203	4,851,757	4,395,349
Monthly average portfolio services segment revenue (in EUR) divided by average monthly number of subscribers during the period – ARPU (In EUR)	44.4	43.5	44.5	43.6

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) by the average number of subscribers.

Calculation of EPC

EUR thousands	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022
Portfolio services segment adjusted EBITDA	465,198	420,357	922,543	829,352
Monthly average portfolio services segment adjusted EBITDA	155,066	140,119	153,757	138,225
Monthly average number of subscribers during the period, units	4,904,152	4,458,203	4,851,757	4,395,349
Monthly average portfolio services segment adjusted EBITDA (in EUR) divided by monthly average number of subscribers during the period – EPC (In EUR)	31.6	31.4	31.7	31.4

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 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022
Customer acquisition Adjusted EBITDA	(134,964)	(144,409)	(268,881)	(277,591)
Customer acquisition capital expenditure	(147,259)	(148,278)	(293,199)	(294,002)
Customer acquisition cost	(282,223)	(292,686)	(562,080)	(571,593)
New subscribers added (gross)	200,710	205,612	402,059	408,513
Customer acquisition cost (in EUR) divided by new subscribers added (gross) - CPA (In EUR)	1,406	1,423	1,398	1,399

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 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022
Cash acquisition cost per new subscriber ("CPA")	1,406	1,423	1,398	1,399
Monthly adjusted EBITDA per customer ("EPC")	31.6	31.4	31.7	31.4
CPA divided by EPC divided by 12	3.7	3.8	3.7	3.7

Malmö, August 21, 2023

Austin Lally
Group CEO

Colin Smith
Group CFO

Cecilia Hultén
Chairman

Daniel Bruzaeus

Elizabeth Henry