



VERISURE MIDHOLDING AB (PUBL)

INTERIM REPORT
JANUARY– SEPTEMBER 2021

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

Key operating highlights for the third quarter ending September 30, 2021 and 2020

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 4.1 million customers and design, sell and install alarms with network connectivity across 16 countries in Europe and Latin America. 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.

Since the onset of the COVID-19 pandemic, we have been focused on protecting our employees and their families, our customers and our business. While the pandemic has created and continues to create unique challenges for our business, we have adapted rapidly to the new operating environment and have continued to evolve our approach as the situation continues to develop.

In the third quarter, the Group continued to deliver strong operational and financial performance. Our customer portfolio continued to grow and passed 4.1 million customers, which represents an annual portfolio growth rate of +14.4% compared to Q3 2020. We have added 523 thousand customers to our portfolio in the last twelve months. Our subscription-based portfolio has continued to demonstrate its resilience and our attrition rates have not been materially impacted by the pandemic to date. The performance of our portfolio services segment continues to be very strong, with portfolio services adjusted EBITDA increasing +18.2% in Q3 2021 compared to Q3 2020 (+17.4% in constant currencies). Total reported adjusted EBITDA in the quarter increased +8.0% compared to Q3 2020 (+7.3% in constant currencies), and 18.2% during the nine first months of the year (+17.0% in constant currencies).

Throughout this period, we have continued to provide piece of mind to our customers and have protected them against intrusion, fire, life-threatening emergencies and other hazards without interruption and at performance levels we believe are as high or higher than before the onset of the pandemic. In parallel, the Group has continued to invest in industry-leading innovations to further position us for continued long-term growth.

Summary of third quarter 2021 and 2020 financials:

- Total reported revenues amounted to EUR 633.8 million in the third quarter 2021, increasing +13.9% from EUR 556.6 million in the same period last year. In constant currencies, total reported revenue grew +13.1% in the quarter. Portfolio services revenues, representing 81.8% of total Group revenues in the quarter, grew by +18.1% to EUR 518.4 million. In constant currencies, portfolio services revenues grew +17.3% in the quarter. In the first nine months of 2021 total reported revenues increased to EUR 1,856.2 million compared to EUR 1,556.8 million in 2020, which represents an increase of +19.2% in actual currencies and +18.4% in constant currencies. Portfolio services revenues grew by 17.7 % to EUR 1,507.2 million in the first nine months of the year (+16.8% in constant currencies).
- Total reported adjusted EBITDA amounted to EUR 225.7 million in the quarter compared to EUR 209.0 million in Q3 2020, an increase of +8.0% vs. prior year. In constant currencies, total reported adjusted EBITDA grew +7.3% in the quarter. In the first nine months of 2021 total reported adjusted EBITDA increased +18.2% to EUR 740.6 million compared to EUR 626.4 million in 2020 (+17.0% in constant currencies).
- Portfolio services adjusted EBITDA increased to EUR 376.9 million in the quarter from EUR 318.8 million in Q3 2020, representing an increase of +18.2%. In constant currencies, portfolio adjusted EBITDA improved by +17.4% in the quarter. In the first nine months of 2021 portfolio services adjusted EBITDA amounted to EUR 1,097.1 million which represents an increase of +18.9% in actual currencies and +18.0% in constant currencies compared to 2020. On an annualized basis our portfolio adjusted EBITDA is now over EUR 1.5 billion.
- ARPU amounted to EUR 42.2 in the quarter, which is an increase of +2.5% vs. prior year (and +1.7% in constant currencies). In the first nine months of 2021 ARPU increased +3.0% compared to 2020 (+2.2% in constant currencies). EPC accelerated further to EUR 30.7 in the quarter, compared to EUR 29.9 in Q3 2020, representing an increase of +2.6% vs. prior year (and +1.8% in constant currencies). September year to date, EPC increased +4.1% compared to the same period in 2020 (+3.3% in constant currencies).
- Acquisitions of new customers continued to be strong in the third quarter. We added almost 190,000 (189,869) new customers in the quarter. It is the second strongest third quarter ever for the Group, slightly lower than the very strong third quarter in 2020 (211,006). Acquisitions of new customers were up +23.6% vs. Q3 2019.

- Net subscriber growth was 126,406 in the quarter compared to 155,229 in Q3 2020 and 105,416 in Q3 2019. At the end of the quarter our customer portfolio stood at 4,146,370 customers, up more than 500,000 customers or +14.4% year-on-year. All customer portfolio growth was organic.

We consider ourselves fortunate to have a subscription-based portfolio that has shown very strong resilience to date. We have taken decisive steps since the onset of the pandemic to ensure positive operational and financial performance and flexibility in our customer acquisition segment. Our performance in the quarter and year to date in 2021 further supports this.

In January 2021, the Group successfully accessed the debt capital markets to address its capital structure. We increased the average debt maturity of our debt complex, which stands at 5.6 years as of the end of September 2021, and secured an attractive cost of debt in historical terms for the upcoming years. Most of our debt now matures in 2026 or beyond.

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

We remain optimistic for the business, both medium and long term, even if the external environment is expected to remain challenging for a period. We have a successful business model that has shown strong resilience, and 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 (if not otherwise stated)	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020
Consolidated				
Non-IFRS and IFRS financial data				
Revenue ¹	633,777	556,561	1,856,232	1,556,753
Organic revenue growth	13.1%	18.2%	18.5%	13.0%
Adjusted EBITDA excl. SDIs	270,758	225,270	796,891	663,010
Adjusted EBITDA margin excl. SDIs	42.7%	40.5%	42.9%	42.6%
Adjusted EBITDA incl. SDIs	225,668	209,015	740,562	626,362
Adjusted EBITDA margin incl. SDIs	35.6%	37.6%	39.9%	40.2%
Operating profit ¹	76,468	76,348	287,458	235,433
Capital expenditures	181,389	177,977	542,327	427,230
Net Debt per SFA	7,069,641	5,046,291	7,069,641	5,046,291
Unaudited operating data				
Payback period (in years)	3.4	3.0	3.3	3.5
Portfolio services segment				
Non-IFRS and IFRS financial data				
Portfolio services revenue ¹	518,442	438,910	1,507,205	1,280,798
Portfolio services adjusted EBITDA excl. SDIs	376,864	318,765	1,097,132	922,547
Portfolio services adjusted EBITDA margin	72.7%	72.6%	72.8%	72.0%
Unaudited operating data				
Total subscribers (year-end), units	4,146,370	3,623,024	4,146,370	3,623,024
Cancellation, units	63,463	55,777	191,937	172,019
Attrition rate (LTM)	6.4%	6.5%	6.4%	6.5%
Net subscriber growth, units	126,406	155,229	382,425	276,312
Subscriber growth rate, net	14.4%	12.0%	14.4%	12.0%
Monthly average number of subscribers during the period, units	4,092,049	3,549,897	3,952,006	3,459,078
Average monthly revenue per user (ARPU), (in EUR)	42.2	41.2	42.4	41.1
Adjusted EBITDA per customer (EPC), (in EUR)	30.7	29.9	30.8	29.6
Customer acquisition segment				
Non-IFRS and IFRS financial data				
Customer acquisition revenue ¹	90,732	99,844	281,153	237,665
Customer acquisition adjusted EBITDA excl. SDIs	(103,975)	(90,974)	(295,395)	(249,736)
Customer acquisition capital expenditures	135,064	139,411	406,163	307,023
Unaudited operating data				
New subscribers added (gross)	189,869	211,006	574,362	448,331
Cash acquisition cost per new subscriber (CPA), (in EUR)	1,259	1,092	1,221	1,242
Adjacencies segment				
Non-IFRS and IFRS financial data				
Adjacencies revenue ¹	24,603	17,807	67,875	38,290
Adjacencies adjusted EBITDA excl. SDIs	(2,131)	(2,521)	(4,846)	(9,801)

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 September 30, 2021 and 2020

Results excluding SDIs

EUR million	Jul-Sep 2021	Jul-Sep 2020	Percentage change
Revenue	633.8	556.6	13.9%
Operating expenses	(364.2)	(332.6)	9.5%
Other income	1.1	1.3	(12.1%)
Adjusted EBITDA	270.8	225.3	20.2%
Adjusted EBITDA margin, %	42.7%	40.5%	-
Depreciation and amortization	(87.1)	(70.2)	24.1%
Retirement of assets	(29.6)	(22.8)	30.0%
Operating profit	154.0	132.3	16.4%
Operating profit margin, %	24.3%	23.8%	-
Interest income and cost	(75.5)	(59.5)	26.9%
Other financial items	(1.6)	(1.1)	43.8%
Result before tax	76.9	71.8	7.1%

Revenue

The following table shows our revenue split by segment:

Revenue by segment

EUR million	Jul-Sep 2021	Jul-Sep 2020	Percentage change
Portfolio services	518.4	438.9	18.1%
Customer acquisition	90.7	99.8	(9.1%)
Adjacencies	24.6	17.8	38.2%
Total	633.8	556.6	13.9%

Total revenue in the third quarter 2021 increased by 13.9%, or EUR 77.2 million, to EUR 633.8 million, up from EUR 556.6 million in the prior period. Organic revenue growth was 13.1%, primarily due to the growing customer base. The customer base in September 30, 2021 was 4,146,370, an increase of more than 520,000 customers, or 14.4%, from 3,623,024 in September 30, 2020.

Portfolio services revenue in the third quarter 2021 increased by 18.1%, or EUR 79.5 million, to EUR 518.4 million, up from EUR 438.9 million last year. The increase was primarily due to the increased number of customers in the portfolio and increased average monthly revenue per user (ARPU) of 2.5%.

Customer acquisition revenue in the three months ending September 30, 2021, amounted to EUR 90.7 million, which is a decrease of 9.1%, or EUR 9.1 million, compared to EUR 99.8 million last year. The decrease was mainly due to lower number of new installations compared to the same period last year.

Operating expenses

Operating expenses in the third quarter 2021, increased by 9.5%, or EUR 31.6 million, to EUR 364.2 million, from EUR 332.6 million last year. The increase was mainly due to the growth in the portfolio.

Adjusted EBITDA

Adjusted EBITDA in the three months ending September 30, 2021 increased by 20.2% or EUR 45.5 million to EUR 270.8 million, up from EUR 225.3 million last year. The increase is mainly driven by growth in the customer portfolio and higher earnings per customer, what improves the portfolio services adjusted EBITDA.

Depreciation and amortization

Depreciation and amortization increased to EUR 87.1 million in the three months ending September 30, 2021, up from EUR 70.2 million last year. This is primarily related to the alarm equipment installed at our customers' premises and the capitalized direct cost related to the acquisition of customer contracts. Depreciation and amortization have increased mainly due to the increased number of customers in our portfolio.

Retirement of assets

Retirements of assets increased to EUR 29.6 million in the third quarter of 2021, up from EUR 22.8 million 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.

Interest income and expenses

Interest income amounted to EUR 0.1 million in the three months ending September 30, 2021 compared to EUR 0.1 million in the same period last year. Interest expense amounted to EUR 75.6 million, compared to EUR 59.6 million in the prior period, mainly driven by an increase in gross debt as a result of the refinancing in Q1 2021.

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 1.6 million in Q3 2021, compared to 1.1 million in Q3 2020. The increase is mainly driven by the increased size of our Revolving Credit Facility, which was upsized from €300 million to €700 million in March 2021.

Reported consolidated income statement for the three months ending September 30, 2021 and 2020

EUR million	Jul-Sept 2021			Jul-Sept 2020		
	Result excluding SDIs	SDIs	Reported	Result excluding SDIs	SDIs	Reported
Revenue	633.8	-	633.8	556.6	-	556.6
Operating expenses	(364.2)	(45.1)	(409.3)	(332.6)	(16.3)	(348.8)
Other income	1.1	-	1.1	1.3	-	1.3
Adjusted EBITDA	270.8	(45.1)	225.7	225.3	(16.3)	209.0
Depreciation and amortization	(87.1)	(32.4)	(119.6)	(70.2)	(39.7)	(109.9)
Retirement of assets	(29.6)	-	(29.6)	(22.8)	-	(22.8)
Operating profit	154.0	(77.5)	76.5	132.3	(56.0)	76.3
Interest income and expenses	(75.5)	0.0	(75.5)	(59.5)	0.3	(59.2)
Other financial items	(1.6)	(6.8)	(8.4)	(1.1)	(43.2)	(44.2)
Result before tax	76.9	(84.3)	(7.4)	71.8	(98.9)	(27.1)
Income tax benefit and expense	-	-	2.7	-	-	(5.5)
Result for the period	-	-	(4.7)	-	-	(32.6)

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 third quarter of 2021, total costs amounted to EUR 45.1 million compared to EUR 16.3 million in the same period last year. The increase is mainly driven by a provision following a decision by the first appeal body (the Norwegian Competition Appeal Board (CAB)) on 25 November 2021 upholding the Norwegian Competition Authority (NCA) decision from November 2020. We do not agree with the decision and are evaluating next steps. Q3 2020 operating expenses are mostly driven by COVID 19 related exceptional costs.

SDIs affecting depreciation and amortization

The market value of the acquisition-related intangible assets is amortized over its expected useful life. The main part of the total cost of EUR 32.4 million in 2021 and EUR 39.7 in 2020 relates to the amortization of the contract portfolio acquired from Securitas Direct Group in 2011.

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 6.8 million during the third quarter of 2021, compared to a cost of EUR 42.9 million during the same period last year. For the three months ending September 30, 2021, other financial items include a negative non-cash FX revaluation of debt items and unrealized hedges of EUR 2.4 million, amortization of prepaid financing fees of EUR 3.3 million, other bank charges of EUR 0.3 million and a negative IFRS 9 adjustment regarding the modification of loan agreements of EUR 0.8 million. For the three months ending September 30, 2020, other financial items include a negative non-cash FX revaluation of debt items and hedges of EUR 1.4 million, amortization of prepaid financing fees of EUR 3.2 million, write-off of prepaid financing fees of EUR 12.7 million and a negative IFRS 9 adjustment regarding modification of loan agreement of EUR 25.5 million.

Income tax benefit and expense

Total tax impact was a benefit of EUR 2.7 million in the quarter compared with a total tax cost of EUR 5.5 million last year. Current tax expense was EUR 47.0 million in Q3 2021 compared with EUR 17.8 million in 2020. Deferred tax was a benefit of EUR 49.7 million in Q3 2021 compared to a benefit of EUR 12.3 million in 2020.

Cash Flow

The following table shows a summary of our cash flow on a historical basis for the three months ending September 30, 2021 and 2020.

EUR million	Jul-Sep 2021	Jul-Sep 2020
Cash flow from operating activities before change in working capital	254.2	198.3
Change in working capital	11.5	112.9
Cash flow from operating activities¹	265.8	311.2
Cash flow from investing activities	(181.4)	(178.0)
Cash flow from financing activities ²	(111.7)	(41.8)
Cash flow for the period	(27.3)	91.4
Cash and cash equivalents at beginning of period	56.9	62.1
Translation differences on cash and cash equivalents	(0.4)	(1.0)
Cash and cash equivalents at end of period	29.2	152.5

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 265.8 million and EUR 311.2 million for the three months ending September 30, 2021 and 2020, respectively. Despite a strong improvement in cash flow from operating activities before changes in working capital, mainly driven by higher operating profit, the normalization of working capital levels resulted in a decrease in cash flow from operating activities. Such decrease is driven by the abnormally high positive impact enjoyed last year due to the COVID situation, especially in Other Payables and Other Receivables.

Cash flow from investing activities

Cash flow from investing activities amounted to an outflow of EUR 181.4 million and EUR 178.0 million for the three months ending September 30, 2021 and 2020, respectively. The increase mainly relates to the higher number of new installations during the period.

Cash flow from financing activities

Cash flow from financing activities totalled an outflow of EUR 111.7 million and EUR 41.8 million for the three months ending September 30, 2021 and 2020, respectively. Key driver of the increase is net paid interests, which increased from EUR 23.1 million in 2020 to EUR 108.7 million in 2021 as a result of higher gross debt and, more importantly, the concentration of meaningful interest payments during the third quarter of this year. In addition, changes in borrowings amounted to EUR 7.1 million this year compared to negative EUR 12.2 million last year. Other financial items totalled an outflow of EUR 9.9 million for the three months ending September 30, 2021 compared to an inflow of EUR 10.8 million during the same period last year. On the other hand, paid and advisory fees were negligible this year compared to an outflow of EUR 17.3 million last year, driven by the refinancing conducted in July 2020.

Nine months ending September 30, 2021 and 2020

Results excluding SDIs

EUR million	Jan-Sep 2021	Jan-Sep 2020	Percentage change
Revenue	1,856.2	1,556.8	19.2%
Operating expenses	(1,063.1)	(897.5)	18.5%
Other income	3.8	3.8	(1.2%)
Adjusted EBITDA	796.9	663.0	20.2%
Adjusted EBITDA margin, %	42.9%	42.6%	-
Depreciation and amortization	(244.6)	(205.0)	19.3%
Retirement of assets	(96.6)	(66.7)	44.8%
Operating profit	455.7	391.3	16.5%
Operating profit margin, %	24.5%	25.1%	-
Interest income and cost	(209.9)	(170.7)	23.0%
Other financial items	(4.4)	(2.3)	89.3%
Result before tax	241.4	218.4	10.6%

Revenue

The following table shows our revenue split by segment:

Revenue by segment

EUR million	Jan-Sep 2021	Jan-Sep 2020	Percentage change
Portfolio services	1,507.2	1,280.8	17.7%
Customer acquisition	281.2	237.7	18.3%
Adjacencies	67.9	38.3	77.2%
Total	1,856.2	1,556.8	19.2%

Total revenue in the first nine months of 2021 increased by 19.2%, or EUR 299.4 million, to EUR 1,856.2 million, up from EUR 1,556.8 million in the prior period. Organic revenue growth was 18.5%, primarily due to the growing customer base. The customer base on September 30, 2021 was 4,146,370, an increase of more than 520,000 customers, or 14.4%, from 3,623,024 on September 30, 2020.

Portfolio services revenue in the nine months ending September 30, 2021, increased by 17.7%, or EUR 226.4 million, to EUR 1,507.2 million, up from EUR 1,280.8 million last year. The increase was primarily due to the increased number of customers in the portfolio and increased average monthly revenue per user (ARPU) of 3.0%.

Customer acquisition revenue in the nine months ending September 30, 2021, amounted to EUR 281.2 million, which represents an increase of 18.3%, or EUR 43.5 million, compared to EUR 237.7 million last year. The increase was mainly due to higher number of new installations compared to the same period last year.

Operating expenses

Operating expenses in the first nine months of 2021, increased by 18.5%, or EUR 165.6 million, to EUR 1,063.1 million, up from EUR 897.5 million in the same period last year. The increase was mainly due to the growth in the portfolio as well as the increased new installations.

Adjusted EBITDA

Adjusted EBITDA in the nine months ending September 30, 2021, increased by 20.2% or EUR 133.9 million to EUR 796.9 million, up from EUR 663.0 million in the prior period. The increase in adjusted EBITDA was mainly driven by both the growth in the customer portfolio and higher earnings per customer, which improves the portfolio services adjusted EBITDA.

Depreciation and amortization

Depreciation and amortization increased to EUR 244.6 million in the nine months ending September 30, 2021, up from EUR 205.0 million in the prior period. This is primarily related to the alarm equipment installed at our customers' premises and the capitalized direct cost related to the acquisition of customer contracts. Depreciation and amortization have increased mainly due to the increased number of customers in our portfolio.

Retirement of assets

Retirements of assets increased to EUR 96.6 million in the first nine months of 2021, up from EUR 66.7 million 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.

Interest income and expenses

Interest income amounted to EUR 0.4 million in the nine months ending September 30, 2021, compared to EUR 0.2 million in the same period last year. Interest expense amounted to EUR 210.3 million, compared to EUR 170.9 million last year, mainly driven by an increase in gross debt.

Other financial items

Other financial items, mainly consisting of commitment fees for our Revolving Credit Facility and Ancillary Facilities, and charges for excess cash, amounted to a cost of EUR 4.4 million in the nine months ending September 30, 2021, compared to 2.3 million in the same period last year. The increase is mainly driven by the increased size of our Revolving Credit Facility, which was upsized from €300 million to €700 million in March 2021.

Reported consolidated income statement for the nine months ending September 30, 2021 and 2020

EUR million	Jan-Sep 2021			Jan-Sep 2020		
	Result excluding SDIs	SDIs	Reported	Result excluding SDIs	SDIs	Reported
Revenue	1,856.2	-	1,856.2	1,556.8	-	1,556.8
Operating expenses	(1063.1)	(56.3)	(1119.4)	(897.5)	(36.6)	(934.2)
Other income	3.8	-	3.8	3.8	-	3.8
Adjusted EBITDA	796.9	(56.3)	740.6	663.0	(36.6)	626.4
Depreciation and amortization	(244.6)	(111.9)	(356.5)	(205.0)	(119.3)	(324.3)
Retirements of assets	(96.6)	-	(96.6)	(66.7)	-	(66.7)
Operating profit	455.7	(168.2)	287.5	391.3	(155.9)	235.4
Interest income and expenses	(209.9)	0.4	(209.5)	(170.7)	0.3	(170.4)
Other financial items	(4.4)	(37.2)	(41.5)	(2.3)	(135.9)	(138.1)
Result before tax	241.4	(205.0)	36.4	218.4	(291.5)	(73.1)
Income tax benefit and expense	-	-	(23.4)	-	-	(28.9)
Result for the period	-	-	13.1	-	-	(102.0)

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 nine months of 2021, total costs amounted to EUR 56.3 million compared to EUR 36.6 million in the same period last year. The first nine months of 2021 include a provision related to the ongoing appeal of the NCA decision, and the first nine months of 2020 includes some COVID-19 related exceptional costs.

SDIs affecting depreciation and amortization

The market value of the acquisition-related intangible assets is amortized over its expected useful life. The main part of the total cost of EUR 111.9 million in 2021 and EUR 119.3 in 2020 relates to amortization of the contract portfolio acquired from Securitas Direct Group in 2011.

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 36.8 million during the first nine months of 2021, compared to a cost of EUR 135.6 million during the same period last year. For the nine months ending September 30, 2021, other financial items consisted of a positive non-cash FX revaluation of debt items and unrealized hedges of EUR 21.6 million, offset by the write-off of prepaid financing fees of EUR 17.2 million, amortization of prepaid financing fees of 11.5 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 2.5 million, and an IFRS 9 adjustment regarding the modification of loan agreements of EUR 10.5 million. For the nine months ending September 30, 2020, other financial items consisted of a negative non-cash FX revaluation of debt items and hedges of EUR 105.0 million, write-off of prepaid financing fees of EUR 12.7 million, amortization of prepaid financing fees of 12.7 million and an IFRS 9 adjustment regarding a modification of a loan agreement, of EUR 38.9 million. On the other hand, realized hedges had a positive effect of EUR 33.9 million.

Income tax benefit and expense

Total tax expense was EUR 23.4 million in the nine months compared with EUR 28.9 million for the same period last year. Current tax expense was EUR 64.3 million in 2021 compared with EUR 43.9 million in 2020. Deferred tax generated a benefit of EUR 40.9 million in the first nine months of 2021 compared to a benefit of EUR 15.0 million in the same period last year.

Cash Flow

The following table shows a summary of our cash flow on a historical basis for the nine months ending September 30, 2021 and 2020.

EUR million	Jan-Sep 2021	Jan-Sep 2020
Cash flow from operating activities before change in working capital	753.4	605.3
Change in working capital	(111.2)	80.0
Cash flow from operating activities¹	642.2	685.4
Cash flow from investing activities	(544.0)	(429.7)
Cash flow from financing activities ²	(173.5)	(113.4)
Cash flow for the period	(75.3)	142.2
Cash and cash equivalents at beginning of period	97.9	12.8
Translation differences on cash and cash equivalents	6.5	(2.5)
Cash and cash equivalents at end of period	29.2	152.5

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 642.2 million and EUR 685.4 million for the nine months ending September 30, 2021 and 2020, respectively. Despite a strong improvement in cash flow from operating activities before changes in working capital of EUR 148.0 million, mainly driven by higher operating profit, the normalization of working capital levels resulted in a decrease in cash flow from operating activities of EUR 43.2 million. Such decrease is driven by the abnormally high positive impact enjoyed last year due the COVID situation, especially in Other Payables and Other Receivables, which is partially reverting in 2021. In addition, we have increased inventory stocks this year due to the tense electronics environment context and anticipated business growth.

Cash flow from investing activities

Cash flow from investing activities amounted to an outflow of EUR 544.0 million and EUR 429.7 million for the nine months ending September 30, 2021 and 2020 respectively. The increase relates mainly to the higher number of new installations during the period.

Cash flow from financing activities

Cash flow from financing activities totalled an outflow of EUR 173.5 million and EUR 113.4 million for the nine months ending September 30, 2021 and 2020, respectively. Key components for the nine months ending September 30, 2021, include new financing of EUR 4,472.8 million, a repayment of financing of EUR 2,734.6 million, a paid distribution of EUR 1,703.8 million, a call premia payment of EUR 17.2 million related to the amortization of our Senior Unsecured debt during the refinancing conducted in January 2021, paid bank and advisory fees of EUR 74.1 million, mainly related to January's refinancing also, and changes in borrowings of EUR 110.3 million. In addition, net interest paid amounted to EUR 213.4 million, an increase of EUR 79.5 million year on year driven by higher gross debt.

Capital Expenditures

The Group's capital expenditures primarily consist of (i) customer acquisition capital expenditures, which include purchases of equipment for new customers and direct costs related to the acquisition of customer contracts; (ii) portfolio services capital expenditures which relate to new equipment for existing customers; (iii) agencies capital expenditures which include direct costs related to the acquisition of a new customer contract; and (iv) capital expenditures relating to investments in R&D, IT and premises. In accordance with IFRS, the costs of the alarm equipment installed in connection with newly acquired subscribers are 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 September 30, 2021 and 2020.

EUR million	Jul-Sep 2021	Jul-Sep 2020
Customer acquisition capital expenditures, material	74.1	78.4
Customer acquisition capital expenditures, direct costs	60.9	61.1
Portfolio capital expenditures	16.0	13.6
Agencies capital expenditures	2.1	1.5
Capital expenditures other	28.2	23.5
Total	181.4	178.0

Capital expenditures were EUR 181.4 million for the three months ending September 30, 2021 and EUR 178.0 million in the same period last year. The increase in capital expenditure is mainly due to capitalisation of new material to our existing customers and capitalised development costs.

The following table shows a summary of our capital expenditures for the nine months ending September 30, 2021 and 2020.

EUR million	Jan-Sep 2021	Jan-Sep 2020
Customer acquisition capital expenditures, material	222.3	172.3
Customer acquisition capital expenditures, direct costs	183.8	134.7
Portfolio capital expenditures	50.2	35.4
Adjacencies capital expenditures	8.4	4.4
Capital expenditures other	77.5	80.5
Total	542.3	427.2

Capital expenditures were EUR 542.3 million for the nine months ending September 30, 2021 and EUR 427.2 million in the prior period. The increase in capital expenditure is mainly due to the growth in acquisition of new customers as well as capitalisation of new material to our existing customers.

Liquidity, Liabilities and Financing agreements

The primary source of liquidity for our business is cash flow from operations, while our significant 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 September 30, 2021, the Group had a total of EUR 581.0 million of available funds.

EUR million	Sep 2021	Sep 2020	Dec 2020
Revolving Credit Facility	700.0	300.0	300.0
Cash and cash equivalents	29.2	152.5	98.0
Drawn facility amount	(138.6)	-	-
Utilized letter of credit	(9.5)	(6.7)	(6.5)
Total available funds	581.0	445.8	391.4

The following table summarizes our total financial indebtedness on September 30, 2021 and 2020, and December 2020.

EUR million	Sep 2021	Sep 2020	Dec 2020
Revolving Credit Facility	138.6	-	-
Term Loan B	2,800.0	2,292.0	2,292.0
Senior Secured Notes	2,650.0	1,500.0	1,500.0
Senior Unsecured Notes	1,322.5	1,236.1	1,244.4
Other liabilities	43.2	31.8	38.0
Lease liability (IFRS 16)	144.4	138.9	131.6
Total	7,098.8	5,198.8	5,206.0

Risks and uncertainties

As previously reported, in June 2017, the NCA launched an investigation involving Verisure Norway. On November 25, 2020, the NCA issued a decision to fine Verisure Norway and Verisure Midholding a total amount of approximately EUR 75 million (NOK 766 million), for which the two companies would be jointly and severally liable. We filed an appeal with the CAB in May 2021. For the latest development, we refer to *Events after the reporting period* below.

In addition to the above, 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 Verisure Midholding AB's annual report 2020.

Events during the reporting period

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

The proceeds of the Senior Secured Notes and Senior Unsecured Bonds, net of fees and transaction costs, were used in January 2021 to repay in full outstanding Senior Unsecured Notes and approximately EUR 1.1 billion of the existing Term Loan B1E tranche with maturity in 2022. The proceeds of the new Floating rate Term Loan B, net of fees and transaction costs, were used in March 2021 to repay remaining outstanding amounts of the Term Loan B1E tranche with maturity in 2022 and to finance a distribution to the Group's shareholders. The average maturity of our debt portfolio is 5.6 years as of September 30, 2021, and most of our debt matures in 2026 or beyond.

Events after the reporting period

As stated above under Risks and uncertainties, the NCA on November 25, 2020, issued a decision to fine Verisure Norway and Verisure Midholding a total amount of approximately EUR 75 million (NOK 766 million). We filed an appeal with the CAB and, on November 25, 2021, the CAB issued a decision on the appeal that upholds the NCA findings. We are disappointed with the outcome of the CAB's appeal process. We do not agree with the decision and we will now carefully review its content before deciding on next steps.

No other significant events have occurred after the reporting period.

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	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020
Revenue	3	633,777	556,561	1,856,232	1,556,753
Cost of sales		(342,224)	(287,351)	(992,350)	(793,787)
Gross profit		291,552	269,210	863,882	762,966
Selling expenses		(74,765)	(68,872)	(221,574)	(199,283)
Administrative expenses		(141,462)	(125,271)	(358,602)	(332,042)
Other income		1,143	1,281	3,753	3,793
Operating profit		76,468	76,348	287,458	235,433
Financial income		164	346	839	521
Financial expenses		(84,022)	(103,788)	(251,859)	(309,029)
Result before tax		(7,389)	(27,093)	36,438	(73,073)
Income tax expense and benefit		2,725	(5,481)	(23,354)	(28,924)
Result for the period		(4,665)	(32,574)	13,083	(101,997)
Whereof attributable to:					
- Parent company		(4,665)	(32,574)	13,083	(101,997)
- Non-controlling interest		-	-	-	-

Consolidated statements of comprehensive income

EUR thousand	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020
Result for the period	(4,665)	(32,574)	13,083	(101,997)
Other comprehensive income				
Items that may be reclassified to the income statement				
Hedging reserve	5,892	(3,685)	13,952	(3,503)
Currency translation differences on foreign operations	(4,251)	783	(11,351)	14,301
Income tax related to other comprehensive items	(1,216)	-	(2,937)	-
Other comprehensive income	425	(2,902)	(336)	10,798
Total comprehensive income for the period	(4,240)	(35,476)	12,747	(91,199)
Whereof attributable to:				
- Parent company	(4,240)	(35,476)	12,747	(91,199)
- Non-controlling interest	-	-	-	-

Consolidated statements of financial position

EUR thousand	Note	Sep 2021	Sep 2020	Dec 2020
Assets				
Non-current assets				
Property, plant and equipment		1,120,261	940,882	1,005,923
Right of use assets		140,847	136,730	129,112
Goodwill		867,498	865,084	866,819
Customer portfolio		999,248	968,812	990,060
Other intangible assets		265,075	250,802	265,154
Deferred tax assets		26,271	26,700	24,016
Trade and other receivables	4	309,020	310,028	315,147
Total non-current assets		3,728,220	3,499,038	3,596,231
Current assets				
Inventories		222,451	156,269	161,190
Trade receivables	4	155,507	147,608	161,147
Current tax assets		19,401	19,420	16,053
Derivatives	4	6,828	527	1,589
Prepayments and accrued income		70,783	50,182	77,325
Other current receivables	4	34,187	24,331	40,027
Cash and cash equivalents	4	29,185	152,494	97,941
Total current assets		538,342	550,831	555,272
Total assets		4,266,562	4,049,869	4,151,503
Equity and liabilities				
Equity				
Share capital		56	56	56
Other paid in capital		624,686	625,047	624,686
Other reserves		33,925	43,443	34,261
Retained earnings		(4,632,953)	(2,923,170)	(2,915,240)
Equity attributable to equity holders of the parent company		(3,974,286)	(2,254,624)	(2,256,237)
Non-controlling interest		-	-	-
Total equity		(3,974,286)	(2,254,624)	(2,256,237)
Non-current liabilities				
Long-term borrowings	4,5	6,930,173	5,064,172	5,073,558
Derivatives	4	32,980	31,339	45,509
Other non-current liabilities	4	88,825	102,443	105,102
Deferred tax liabilities		184,343	218,731	219,250
Other provisions		90,564	16,751	53,892
Total non-current liabilities		7,326,886	5,433,436	5,497,311
Current liabilities				
Trade payables	4	129,629	130,703	183,115
Current tax liabilities		89,483	49,245	47,809
Short-term borrowings	4,5	99,777	121,565	102,238
Derivatives	4	43	7,218	7,865
Accrued expenses and deferred income		547,980	515,789	522,308
Other current liabilities	4	47,051	46,536	47,094
Total current liabilities		913,963	871,056	910,429
Total equity and liabilities		4,266,562	4,049,869	4,151,503

Consolidated statement of changes in equity

EUR thousand	Attributable to equity holders of the parent company and non-controlling interest						Total equity
	Share capital	Other paid in capital	Other reserve	Retained earnings	Total	Non-controlling interest	
Balance at January 1, 2021	56	624,686	34,261	(2,915,240)	(2,256,237)	-	(2,256,237)
Result for the period	-	-	-	13,083	13,083	-	13,083
Other comprehensive income	-	-	(336)	-	(336)	-	(336)
<i>Total comprehensive income</i>	-	-	(336)	13,083	12,747	-	12,747
<i>Transaction with owner</i>							
Transaction with non-controlling interest	-	-	-	(1,000)	(1,000)	-	(1,000)
Dividend	-	-	-	(1,729,796)	(1,729,796)	-	(1,729,796)
<i>Total transaction with owners</i>	-	-	-	(1,730,796)	(1,730,796)	-	(1,730,796)
Balance at September 30, 2021	56	624,686	33,925	(4,632,953)	(3,9374,286)	-	(3,974,286)

EUR thousand	Attributable to equity holders of the parent company and non-controlling interest						Total equity
	Share capital	Other paid in capital	Other reserve	Retained earnings	Total	Non-controlling interest	
Balance at January 1, 2020	56	624,686	32,645	(2,821,173)	(2,163,786)	-	(2,163,786)
Result for the period	-	-	-	(101,997)	(101,997)	-	(101,997)
Other comprehensive income	-	-	10,798	-	10,798	-	10,798
<i>Total comprehensive income</i>	-	-	10,798	(101,997)	(91,199)	-	(91,199)
<i>Transaction with owners</i>							
Shareholder's contribution	-	361	-	-	361	-	361
<i>Total transaction with owners</i>	-	361	-	-	361	-	361
Balance at September 30, 2020	56	625,047	43,443	(2,923,170)	(2,254,624)	-	(2,254,624)

EUR thousand	Attributable to equity holders of the parent company and non-controlling interest						Total equity
	Share capital	Other paid in capital	Other reserve	Retained earnings	Total	Non-controlling interest	
Balance at January 1, 2020	56	624,686	32,645	(2,821,173)	(2,163,786)	-	(2,163,786)
Result for the period	-	-	-	(92,943)	(92,943)	-	(92,943)
Other comprehensive income	-	-	1,617	(688)	929	-	929
<i>Total comprehensive income</i>	-	-	1,617	(93,631)	(92,015)	-	(92,015)
<i>Transactions with owners</i>							
Repurchase of share options on behalf of parent company	-	-	-	(1,756)	(1,756)	-	(1,756)
Share based payment expense	-	-	-	1,244	1,244	-	1,244
Income tax on share base payments effects	-	-	-	76	76	-	76
<i>Total transaction with owners</i>	-	-	-	(436)	(436)	-	(436)
Balance at December 31, 2020	56	624,686	34,261	(2,915,240)	(2,256,237)	-	(2,256,237)

Consolidated statements of cash flows

EUR thousand	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020
Operating activities				
Operating profit	76,468	76,348	287,458	235,433
Reversal of depreciation and amortization	119,552	109,896	356,515	324,256
Other non-cash items	68,648	22,768	135,590	66,669
Paid taxes	(10,422)	(10,688)	(26,195)	(21,032)
Cash flow from operating activities before change in working capital	254,247	198,324	753,367	605,326
Change in working capital				
Change in inventories	(1,707)	7,866	(60,369)	(34,214)
Change in trade receivables	19,824	4,709	9,607	6,064
Change in other receivables	10,131	12,750	(12,310)	14,184
Change in trade payables	(10,735)	24,722	(53,186)	(5,185)
Change in other payables	(5,964)	62,803	5,065	99,175
<i>Cash flow from change in working capital</i>	<i>11,548</i>	<i>112,851</i>	<i>(111,193)</i>	<i>80,025</i>
Cash flow from operating activities	265,795	311,175	642,174	685,351
Investing activities				
Purchase of intangible assets	(91,290)	(86,949)	(273,347)	(216,216)
Purchase of property, plant and equipment	(90,099)	(91,028)	(269,655)	(211,887)
Settlement of deferred consideration	-	-	-	(1,630)
Acquisition of non-controlling interest	-	-	(1,000)	-
Cash flow from investing activities	(181,389)	(177,977)	(544,002)	(429,733)
Financing activities				
Change in borrowings	7,104	(12,218)	110,330	(174,603)
Paid bank and advisory fees	(94)	(17,267)	(74,077)	(20,738)
New financing	-	1,600,000	4,472,783	1,800,000
Repayment of financing	-	(1,600,000)	(2,734,562)	(1,600,000)
Net interest paid	(108,742)	(23,139)	(213,434)	(133,939)
Call cost old debt	-	-	(17,175)	-
Other financial items	(9,925)	10,836	(13,557)	30,952
Loan to group companies	-	-	-	(15,059)
Paid distribution ¹	-	-	(1,703,787)	-
Cash flow from financing activities	(111,657)	(41,789)	(173,477)	(113,388)
Cash flow for the period	(27,251)	91,409	(75,305)	142,230
Cash and cash equivalents at start of period	56,884	62,085	97,941	12,770
Exchange difference on translating cash and cash equivalents	(448)	(999)	6,549	(2,505)
Cash and cash equivalents at end of period	29,185	152,494	29,185	152,494

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 2020. The accounting policies are unchanged compared with those applied in 2020.

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

These consolidated financial statements should be read in conjunction with the annual report 2020. The consolidated interim financial statements have not been reviewed.

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 recognised during the accounting period. Such assumptions and estimates are based on factors such as historical experience, the observance of trends in the industries in which the Group operates and information available from the Group's customers and other outside sources.

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 2020. 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, starting 2020, selling internet connected cameras under the Arlo brand.

Jul-Sep 2021						
EUR thousands	Customer Acquisition	Portfolio Services	Adjacencies	Total Group – Excl SDIs	SDIs	Group Total
Revenue	90,732	518,442	24,603	633,777	-	633,777
Adjusted EBITDA	(103,975)	376,864	(2,131)	270,758	(45,090)	225,668
Depreciation and amortization	-	-	-	(87,119)	(32,433)	(119,552)
Retirements of assets	-	-	-	(29,646)	-	(29,646)
Financial items	-	-	-	(77,067)	(6,791)	(83,858)
Result before tax	-	-	-	76,925	(84,314)	(7,389)

Jul-Sep 2020						
EUR thousands	Customer acquisition	Portfolio services	Adjacencies	Total Group – Excl SDIs	SDIs	Group Total
Revenue	99,844	438,910	17,807	556,561	-	556,561
Adjusted EBITDA	(90,974)	318,765	(2,521)	225,270	(16,255)	209,015
Depreciation and amortization	-	-	-	(70,163)	(39,736)	(109,899)
Retirements of assets	-	-	-	(22,769)	-	(22,769)
Financial items	-	-	-	(60,561)	(42,880)	(103,441)
Result before tax	-	-	-	71,778	(98,871)	(27,093)

Jan-Sep 2021						
EUR thousands	Customer Acquisition	Portfolio Services	Adjacencies	Total Group – Excl SDIs	SDIs	Group Total
Revenue	281,153	1,507,205	67,875	1,856,232	-	1,856,232
Adjusted EBITDA	(295,395)	1,097,132	(4,846)	796,891	(56,329)	740,562
Depreciation and amortization	-	-	-	(244,600)	(111,914)	(356,514)
Retirements of assets	-	-	-	(96,589)	-	(96,589)
Financial items	-	-	-	(214,259)	(36,762)	(251,021)
Result before tax	-	-	-	241,444	(205,006)	36,438

Jan-Sep 2020						
EUR thousands	Customer acquisition	Portfolio services	Adjacencies	Total Group – Excl SDIs	SDIs	Group Total
Revenue	237,665	1,280,798	38,290	1,556,753	-	1,556,753
Adjusted EBITDA	(249,736)	922,547	(9,801)	663,010	(36,648)	626,362
Depreciation and amortization	-	-	-	(204,990)	(119,268)	(324,259)
Retirements of assets	-	-	-	(66,670)	-	(66,670)
Financial items	-	-	-	(172,951)	(135,556)	(308,507)
Result before tax	-	-	-	218,399	(291,472)	(73,073)

Note 4 Financial Risk Management

Financial instruments by category and valuation level

EUR thousand	Sep 2021	Sep 2020	Dec 2020
Financial assets at fair value through profit or loss¹			
Derivatives			
Currency	6,828	527	1,589
Total	6,828	527	1,589
Financial liabilities at fair value through profit or loss¹			
Derivatives			
Currency	22,299	18,794	35,226
Interest rate	10,725	19,763	18,149
Total	33,024	38,557	53,375
Loans and receivables at amortized cost			
Trade and other receivables	309,020	310,028	315,147
Trade receivables ²	155,507	147,608	161,147
Other current receivables ²	34,187	24,331	40,027
Cash and cash equivalent	29,185	152,494	97,941
Other financial liabilities at amortized cost			
Long-term borrowings ³	6,930,173	5,064,172	5,073,558
Other non-current liabilities	88,825	102,443	105,101
Trade payables ²	129,629	130,703	183,115
Short-term borrowings ^{2,3}	99,777	121,565	102,238
Other current liabilities ²	47,051	46,536	47,094

1) Part of the Group's valuation techniques using observable market data.

2) 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.

3) Details of borrowings are presented in note 5.

Note 5 Borrowings

EUR thousand	Sep 2021			Sep 2020			Dec 2020		
	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	(22,597)	2,627,403	1,500,000	(11,221)	1,488,779	1,500,000	(10,820)	1,489,180
Term Loan B ¹	2,800,000	(53,640)	2,746,360	2,292,000	(54,708)	2,237,292	2,292,000	(48,893)	2,243,107
Revolving Credit Facility	138,649	(12,211)	126,438	-	-	-	-	-	-
Unsecured									
Senior Unsecured Notes	1,322,517	(15,397)	1,307,120	1,236,083	(7,526)	1,228,557	1,244,436	(6,968)	1,237,468
Liabilities to other creditors	18,551	-	18,551	10,392	-	10,392	10,375	-	10,375
Lease liability	104,301	-	104,301	99,152	-	99,152	93,428	-	93,428
Long-term borrowings	7,034,018	(103,845)	6,930,173	5,137,627	(73,455)	5,064,172	5,140,239	(66,681)	5,073,558
Current liabilities									
Accrued interest expenses	34,969	-	34,969	60,407	-	60,407	36,390	-	36,390
Other liabilities	24,695	-	24,695	21,370	-	21,370	27,694	-	27,694
Lease liability	40,113	-	40,113	39,788	-	39,788	38,154	-	38,154
Short-term borrowings	99,777	-	99,777	121,565	-	121,565	102,238	-	102,238
Total	7,133,795	(103,845)	7,029,950	5,259,192	(73,455)	5,185,737	5,242,477	(66,681)	5,175,796

1) Of the total amount regarding adjustment amortized costs EUR (17,303) thousand in September 30, 2021, ((31,815) in September 30, 2020 and (27,756) in December 2020) 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 per SFA

EUR thousand	Sep 2021	Sep 2020	Dec 2020
Total principal amount (as above)	7,133,795	5,259,192	5,242,477
Less accrued interest	(34,969)	(60,407)	(36,390)
Indebtedness	7,098,826	5,198,785	5,206,087
Less cash and cash equivalents	(29,185)	(152,494)	(97,941)
Net debt including IFRS 16 (per SFA)¹	7,069,641	5,046,291	5,108,146

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

Note 6 Pledged Assets and Contingent Liabilities

Pledged Assets

EUR thousand	Sep 2021	Sep 2020	Dec 2020
Shares in subsidiaries	2,221,929	2,160,215	2,054,531
Bank accounts	6,616	128,962	79,705
Accounts receivables	128,817	73,705	96,092
Inventories	522	339	557
Other operating assets	67,444	-	-
Trademark	69,622	44,583	43,333
Endowment insurance	661	684	666
Motor vehicles	0	9	9

Contingent Liabilities

EUR thousand	Sep 2021	Sep 2020	Dec 2020
Guarantees	37,140	24,027	24,001

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	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020
Administrative expenses		(39,002)	(4)	(39,143)	(12)
Operating result		(39,002)	(4)	(39,143)	(12)
Financial income	2	12,291	12,254	36,471	36,321
Financial expenses	2	(18,771)	(19,380)	(79,985)	(57,156)
Dividend		-	-	295,868	-
Result before tax		(45,482)	(7,130)	213,210	(20,846)
Income tax expense and benefit		-	-	-	-
Result for the period		(45,482)	(7,130)	213,210	(20,846)

Parent Company Statement of Financial Position

EUR thousand	Note	Sep 2021	Sep 2020	Dec 2020
Assets				
Non-current assets				
Long-term investments				
Investments in subsidiaries		1,191,365	1,190,482	1,191,365
Receivables from Group companies		705,824	698,133	708,518
Total non-current assets		1,897,189	1,888,615	1,899,883
Current assets				
Current receivables		14,191	13,640	1,438,709
Cash and cash equivalents		3,207	590	396
Total current assets		17,398	14,230	1,439,105
Total assets		1,914,587	1,902,845	3,338,988
Equity and liabilities				
Equity				
Share capital		56	56	56
Other paid in capital		569,170	569,170	569,170
Retained earnings		(124,077)	(1,585)	1,392,508
Total equity		445,149	567,641	1,961,734
Provisions				
Other provisions	3	75,000	-	36,000
Total provisions		75,000	-	36,000
Non-current liabilities				
Long-term borrowings	4	1,307,121	1,228,556	1,237,468
Liabilities to Group companies		77,387	85,349	97,979
Total non-current liabilities		1,384,508	1,313,905	1,335,447
Current liabilities				
Accounts payable		-	-	-
Accrued expenses and prepaid income	4	9,930	21,299	5,807
Other current liabilities		-	-	-
Total current liabilities		9,930	21,299	5,807
Total equity and liabilities		1,914,587	1,902,845	3,338,988

Parent Company Statements of Changes in Equity

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
Balance at January 1, 2021	56	569,170	1,392,508	1,961,734
Result for the period	-	-	213,210	213,210
Shareholders contribution	-	-	-	-
Dividend	-	-	(1,729,796)	(1,729,796)
Balance at September 30, 2021	56	569,170	(124,077)	445,149

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
Balance at January 1, 2020	56	569,170	18,901	588,127
Result for the period	-	-	(20,846)	(20,846)
Shareholders contribution	-	-	360	360
Balance at September 30, 2020	56	569,170	(1,585)	567,641

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

Parent Company Statements of Cash Flows

EUR thousand	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020
Operating activities				
Operating result	(39,002)	(4)	(39,143)	(12)
Other non-cash items	39,000	-	39,000	-
Cash flow from operating activities before change in working capital	(2)	(4)	(143)	(12)
Change in working capital				
Change in trade payables	3	-	(4)	-
Change in other receivables	-	8	2	8
Cash flow from change in working capital	3	8	(2)	8
Cash flow from operating activities	1	4	(145)	(4)
Investing activities				
Cash flow from investing activities	-	-	-	-
Financing activities				
New financing	-	-	1,322,783	-
Repayment of loan	-	-	(1,242,576)	-
Dividend received	-	-	1,703,787	-
Dividend paid ¹	-	-	(1,703,787)	-
New loans from Group companies	34,000	-	39,810	12,791
Repayment of loan from Group companies	(18,000)	-	(60,402)	-
Paid bank and advisory fees	(45)	(8)	(16,732)	(8)
Call cost old debt	-	-	(17,175)	-
Net interest received or paid	(34,076)	(77)	(22,752)	(12,308)
Cash flow from financing activities	(18,121)	(85)	2,956	475
Cash flow for the period	(18,120)	(81)	2,811	471
Cash and cash equivalents at start of period	21,327	671	396	119
Exchange difference on translating cash and cash equivalents	-	-	-	-
Cash and cash equivalents at end of period	3,207	590	3,207	590

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 2020.

These financial statements should be read in conjunction with the Annual Report 2020.

Note 2 Financial income and expenses

EUR thousand	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020
Interest income from Group companies	12,291	12,254	36,471	36,321
Other financial income	-	-	-	-
Financial income	12,291	12,254	36,471	36,321
Interest expense	(17,620)	(17,952)	(52,794)	(53,566)
Interest expense to Group companies	(381)	(590)	(1,147)	(1,501)
Other financial expenses	(770)	(838)	(26,043)	(2,089)
Financial expenses	(18,771)	(19,380)	(79,985)	(57,156)

Note 3 Provisions

The parent company reports a provision related to the Norwegian Competition Authority (the "NCA") case, refer to description in the section Risk and uncertainties for the Group on page 12 for more information.

Note 4 Borrowings

EUR thousand	Sep 2021			Sep 2020		
	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
Unsecured						
Senior Unsecured Notes	8,771	1,307,121	1,315,892	21,273	1,228,556	1,249,829
Total (carrying amount)	8,771	1,307,121	1,315,892	21,273	1,228,556	1,249,829

EUR thousand	Dec 2020		
	Current liabilities	Non-current liabilities	Total
Senior Unsecured Notes	5,790	1,237,468	1,243,258
Total (carrying amount)	5,790	1,237,468	1,243,258

Quarterly summary

Key Figures

EUR thousand (if not otherwise stated)	Jul-Sep 2021	Apr-Jun 2021	Jan-Mar 2021	Oct-Dec 2020	Jul-Sep 2020
Consolidated					
Non-IFRS and IFRS financial data					
Revenue ¹	633,777	626,133	596,323	582,150	556,561
Organic revenue growth	13.1%	26.6%	16.4%	18.1%	18.2%
Adjusted EBITDA excl. SDIs	270,758	262,945	263,190	256,559	225,270
Adjusted EBITDA margin excl. SDIs	42.7%	42.0%	44.1%	44.1%	40.5%
Adjusted EBITDA incl. SDIs	225,668	258,378	256,517	226,766	209,015
Adjusted EBITDA Margin incl. SDIs	35.6%	41.3%	43.0%	39.0%	37.6%
Operating profit	76,468	99,292	111,699	88,793	76,348
Capital expenditures	181,389	184,808	176,129	207,750	177,977
Net Debt per SFA	7,069,641	7,028,924	6,928,550	5,108,146	5,046,292
Unaudited operating data					
Payback period (in years)	3.4	3.2	3.3	3.0	3.0
Portfolio services segment					
Non-IFRS and IFRS financial data					
Portfolio services revenue ¹	518,442	503,173	485,590	459,783	438,910
Portfolio services adjusted EBITDA excl. SDIs	376,864	366,557	353,712	333,227	318,765
Portfolio services adjusted EBITDA margin excl. SDIs	72.7%	72.8%	72.8%	72.5%	72.6%
Unaudited operating data					
Total subscribers (year-end), units	4,146,370	4,019,964	3,884,382	3,763,945	3,623,024
Cancellation, units	63,463	62,692	65,782	57,680	55,777
Attrition rate (LTM)	6.4%	6.4%	6.5%	6.5%	6.5%
Net subscriber growth, units	126,406	135,582	120,437	140,921	155,229
Subscriber growth rate, net	14.4%	15.9%	13.2%	12.5%	12.0%
Average number of subscribers during the period, units	4,092,049	3,945,462	3,818,506	3,695,144	3,549,897
Average monthly revenue per user (ARPU), (in EUR)	42.2	42.5	42.4	41.5	41.2
Monthly adjusted EBITDA per subscriber (EPC), (in EUR)	30.7	31.0	30.9	30.1	29.9
Customer acquisition segment					
Non-IFRS and IFRS financial data					
Customer acquisition revenue ¹	90,732	99,111	91,310	100,473	99,844
Customer acquisition adjusted EBITDA excl. SDIs	(103,975)	(101,836)	(89,585)	(72,263)	(90,974)
Customer acquisition capital expenditures	135,064	136,368	134,731	144,351	139,411
Unaudited operating data					
New subscribers added (gross)	189,869	198,274	186,219	198,601	211,006
Cash acquisition cost per new subscriber (CPA), (in EUR)	1,259	1,201	1,205	1,090	1,092
Adjacencies segment					
Non-IFRS and IFRS financial data					
Adjacencies revenue ¹	24,603	23,850	19,423	21,894	17,807
Adjacencies adjusted EBITDA excl. SDIs	(2,131)	(1,776)	(938)	(4,405)	(2,521)

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	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020
Operating profit according to consolidated income statement	76,468	76,348	287,458	235,433
Depreciation and amortization add-back	119,552	109,899	356,514	324,259
Retirement of assets add-back	29,646	22,769	96,589	66,670
Separately disclosed items add-back	45,091	16,255	56,329	36,648
Adjusted EBITDA	270,758	225,270	796,891	663,010
Whereof adjusted EBITDA customer acquisition	(103,975)	(90,974)	(295,395)	(249,736)
Whereof adjusted EBITDA portfolio services	376,864	318,765	1,097,132	922,547
Whereof adjusted EBITDA adjacencies	(2,131)	(2,521)	(4,846)	(9,801)

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	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020
Portfolio services segment revenue	518,442	438,910	1,507,205	1,280,798
Monthly average portfolio services segment revenue	172,814	146,303	167,467	142,311
Average number of subscribers during the period, units	4,092,049	3,549,897	3,952,006	3,459,078
Monthly average portfolio services segment revenue (in EUR) divided by average number of subscribers during the period – ARPU (In EUR)	42.2	41.2	42.4	41.1

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	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020
Portfolio services segment adjusted EBITDA excl. SDIs	376,864	318,765	1,097,132	922,547
Monthly average portfolio services segment adjusted EBITDA excl. SDIs	125,621	106,255	121,904	102,505
Average number of subscribers during the period, units	4,092,049	3,549,897	3,952,006	3,459,078
Monthly average portfolio services segment adjusted EBITDA (in EUR) divided by average number of subscribers during the period – EPC (In EUR)	30.7	29.9	30.8	29.6

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	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020
Customer acquisition Adjusted EBITDA excl. SDIs	(103,975)	(90,974)	(295,395)	(249,736)
Customer acquisition capital expenditure	(135,064)	(139,411)	(406,163)	(307,023)
Customer acquisition cost	(239,038)	(230,385)	(701,558)	(556,759)
New subscribers added (gross)	189,869	211,006	574,362	448,331
Customer acquisition cost (in EUR) divided by new subscribers added (gross) - CPA (In EUR)	1,259	1,092	1,221	1,242

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	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020
Cash acquisition cost per new subscriber ("CPA")	1,259	1,092	1,221	1,242
Monthly adjusted EBITDA per customer ("EPC")	30.7	29.9	30.8	29.6
CPA divided by EPC divided by 12	3.4	3.0	3.3	3.5

Malmö, November 26, 2021

Austin Lally
CEO

Cecilia Hultén
Chairman

Vincent Litrico

Daniel Bruzaeus

Elizabeth Henry