



VERISURE MIDHOLDING AB (PUBL)

FULL YEAR REPORT
JANUARY– DECEMBER 2021

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

Key operating highlights for the fourth quarter and full year ending December 31, 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 are also, through Arlo Europe, the leading provider of camera video surveillance systems in Europe. We offer premium monitored alarm services to our portfolio of over 4.2 million customers and design, sell, install and monitor alarm and video surveillance systems across 16 countries in Europe and Latin America. 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 fourth quarter of 2021, the Group continued to deliver strong operational and financial performance. Our customer portfolio continued to grow and passed 4.2 million customers, which represents an annual portfolio growth of +13.6% compared to Q4 2020. We have added more than 510 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 +14.1% in Q4 2021 compared to Q4 2020 (+13.6% in constant currencies). For the full year, portfolio services adjusted EBITDA has increased +17.7% (+16.8% in constant currencies) compared to the same period last year. Total reported adjusted EBITDA in the quarter increased +7.5% compared to Q4 2020 (+7.2% in constant currencies), and 15.4% during the last twelve months (+14.4% in constant currencies).

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 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 and has enriched the proposition to further position us for continued long-term growth.

Summary of the fourth quarter and full year 2021 and 2020 financials:

- Total reported revenues amounted to EUR 652.6 million in the fourth quarter 2021, increasing +12.1% from EUR 582.2 million in the same period last year. In constant currencies, total reported revenue grew +11.7% in the quarter. Portfolio services revenues, representing 82.2% of total Group revenues in the quarter, grew by +16.7% to EUR 536.5 million. In constant currencies, portfolio services revenues grew +16.1% in the quarter. For the full year 2021 total reported revenues increased to EUR 2,508.8 million compared to EUR 2,138.9 million in 2020, which represents an increase of +17.3% in actual currencies and +16.6% in constant currencies. Portfolio services revenues grew +17.4% in 2021, reaching EUR 2,043.7 million (+16.6% in constant currencies).
- Total reported adjusted EBITDA amounted to EUR 243.8 million in the quarter compared to EUR 226.8 million in Q4 2020, an increase of +7.5% vs. prior year. In constant currencies, total reported adjusted EBITDA grew +7.2% in the quarter. For the full year 2021 total reported adjusted EBITDA increased +15.4% to EUR 984.4 million compared to EUR 853.1 million in 2020 (+14.4% in constant currencies).
- Portfolio services adjusted EBITDA increased to EUR 380.4 million in the quarter from EUR 333.2 million in Q4 2020, representing an increase of +14.1%. In constant currencies, portfolio adjusted EBITDA increased by +13.6% in the quarter. For the full year 2021 portfolio services adjusted EBITDA amounted to EUR 1,477.5 million, which represents an increase of +17.7% in actual currencies and +16.8% in constant currencies compared to 2020. On an annualised basis our portfolio adjusted EBITDA is now over EUR 1.5 billion.
- ARPU reached EUR 42.4 in the quarter, which represents an increase of +2.3% vs. prior year (and +1.8% in constant currencies). For the full year 2021 ARPU increased +2.8% compared to 2020 (+2.1% in constant currencies). EPC remained stable at EUR 30.1 in the quarter (+0.1% vs. prior year). For the full year 2021, EPC increased +3.0% (+2.3% in constant currencies).

- Acquisitions of new customers continued to be strong in the fourth quarter. We added over 195,000 (195,221) new customers in the quarter. It is the second strongest fourth quarter ever for the Group, slightly lower than the very strong fourth quarter in 2020 (198,601). For the full year 2021, we added 769,583 new customers, which represents an increase of 19.0% vs. last year and the strongest absolute growth ever for the Group.

- Net subscriber growth was 128,457 in the quarter compared to 140,921 in Q4 2020 and 110,486 in Q4 2019. At the end of the year our customer portfolio stood at 4,274,827 customers, up 510,882 customers or +13.6% 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 during the last two years to ensure positive operational and financial performance and flexibility in our customer acquisition segment during these unprecedented times. Our performance since the onset of the pandemic 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 5.4 years as of the end of 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)	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Consolidated				
Non-IFRS and IFRS financial data				
Revenue ¹	652,615	582,150	2,508,847	2,138,903
Organic revenue growth	11.7%	18.1%	16.7%	14.4%
Adjusted EBITDA excl. SDIs	251,104	256,559	1,047,995	919,569
Adjusted EBITDA margin excl. SDIs	38.5%	44.1%	41.8%	43.0%
Adjusted EBITDA incl. SDIs	243,826	226,766	984,388	853,128
Adjusted EBITDA margin incl. SDIs	37.4%	39.0%	39.2%	39.9%
Operating profit ¹	91,406	88,793	378,864	324,226
Capital expenditures	220,117	207,750	762,444	634,980
Net Debt per SFA	7,171,870	5,108,146	7,171,870	5,108,146
Unaudited operating data				
Payback period (in years)	3.8	3.0	3.4	3.3
Portfolio services segment				
Non-IFRS and IFRS financial data				
Portfolio services revenue ¹	536,468	459,783	2,043,673	1,740,581
Portfolio services adjusted EBITDA excl. SDIs	380,347	333,227	1,477,479	1,255,774
Portfolio services adjusted EBITDA margin	70.9%	72.5%	72.3%	72.1%
Unaudited operating data				
Total subscribers (year-end), units	4,274,827	3,763,945	4,274,827	3,763,945
Cancellation, units	66,764	57,680	258,701	229,699
Attrition rate (LTM)	6.4%	6.5%	6.4%	6.5%
Net subscriber growth, units	128,457	140,921	510,882	417,233
Subscriber growth rate, net	13.6%	12.5%	13.6%	12.5%
Monthly average number of subscribers during the period, units	4,214,867	3,695,144	4,017,721	3,518,094
Average monthly revenue per user (ARPU), (in EUR)	42.4	41.5	42.4	41.2
Adjusted EBITDA per customer (EPC), (in EUR)	30.1	30.1	30.6	29.7
Customer acquisition segment				
Non-IFRS and IFRS financial data				
Customer acquisition revenue ¹	92,339	100,473	373,492	338,138
Customer acquisition adjusted EBITDA excl. SDIs	(125,641)	(72,263)	(421,036)	(321,999)
Customer acquisition capital expenditures	140,277	144,351	546,440	451,374
Unaudited operating data				
New subscribers added (gross)	195,221	198,601	769,583	646,932
Cash acquisition cost per new subscriber (CPA), (in EUR)	1,362	1,090	1,257	1,195
Adjacencies segment				
Non-IFRS and IFRS financial data				
Adjacencies revenue ¹	23,808	21,894	91,682	60,184
Adjacencies adjusted EBITDA excl. SDIs	(3,601)	(4,405)	(8,448)	(14,206)

1) IFRS financial data.

Analysis of Operating Results

The information presented and discussed in this report includes a number of measures that are not defined or recognised under IFRS including CPA, ARPU, EPC and Adjusted EBITDA. These are considered 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 amortisation, excluding separately disclosed items (SDIs), is considered by Management to give a fairer view of the year-on-year comparison of financial performance. SDIs are costs or income recognised in the income statement and which Management believes, due to their nature or size, should be disclosed separately to give a more comparable view of the year-on-year financial performance. All SDIs are further explained later in this section.

Three months ending December 31, 2021 and 2020

Results excluding SDIs

EUR million	Oct-Dec 2021	Oct-Dec 2020	Percentage change
Revenue	652.6	582.2	12.1%
Operating expenses	(403.0)	(326.9)	23.3%
Other income	1.5	1.3	16.2%
Adjusted EBITDA	251.1	256.6	(2.1)%
Adjusted EBITDA margin, %	38.5%	44.1%	-
Depreciation and amortisation	(102.8)	(69.2)	48.5%
Retirement of assets	(31.6)	(29.0)	9.1%
Operating profit	116.7	158.3	(26.3)%
Operating profit margin, %	17.9%	27.2%	-
Interest income and cost	(74.7)	(61.3)	21.9%
Other financial items	(1.4)	(0.4)	247.7%
Result before tax	40.6	96.6	(58.0)%

Revenue

The following table shows our revenue split by segment:

Revenue by segment

EUR million	Oct-Dec 2021	Oct-Dec 2020	Percentage change
Portfolio services	536.5	459.8	16.7%
Customer acquisition	92.3	100.5	(8.1)%
Adjacencies	23.8	21.9	8.7%
Total	652.6	582.2	12.1%

Total revenue in the fourth quarter 2021 increased by 12.1%, or EUR 70.4 million, to EUR 652.6 million, up from EUR 582.2 million in the prior period. Organic revenue growth was 11.7%, primarily due to the growing customer base. The customer base in December 31, 2021 was 4,274,827, an increase of more than 510,000 customers, or 13.6%, from 3,763,945 in December 31, 2020.

Portfolio services revenue in the fourth quarter 2021 increased by 16.7%, or EUR 76.7 million, to EUR 536.5 million, up from EUR 459.8 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 2.3%.

Customer acquisition revenue in the fourth quarter 2021 amounted to EUR 92.3 million, which represents a decrease of 8.1%, versus last year. The decrease is due to lower number of new installations compared to the fourth quarter 2020 as well as lower upfront revenue.

Operating expenses

Operating expenses in the fourth quarter 2021, increased by 23.3%, or EUR 76.1 million, to EUR 403.0 million, from EUR 326.9 million last year. The increase was mainly due to the growth in the portfolio as well as inflationary pressures on material and marketing costs.

Adjusted EBITDA

Adjusted EBITDA in the three months ending Dec 31, 2021 decreased by 2.1% or EUR 5.5 million to EUR 251.1 million, from EUR 256.6 million last year. The decrease is mainly driven by inflationary pressures on material and marketing costs.

Depreciation and amortisation

Depreciation and amortisation increased to EUR 102.8 million in the three months ending December 31, 2021, up from EUR 69.2 million last year. This is primarily related to the alarm equipment installed at our customers' premises and the capitalised direct cost related to the acquisition of customer contracts. Depreciation and amortisation have increased mainly due to the increased number of customers in our portfolio.

Retirement of assets

Retirements of assets increased to EUR 31.6 million in the fourth quarter of 2021, up from EUR 29.0 million last year. The cost corresponds mainly to the remaining balance of capitalised material and direct costs at the time customers leave the portfolio or upgrade to our new platform.

Interest income and expenses

Interest income amounted to EUR 0.1 million in the three months ending December 31, 2021, in line with last year. Interest expense amounted to EUR 74.8 million, compared to EUR 61.4 million in the prior period, mainly driven by an increase in gross debt as a result of the refinancing conducted 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 1.4 million in Q4 2021, compared to 0.4 million in Q4 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 December 31, 2021 and 2020

EUR million	Oct-Dec 2021			Oct-Dec 2020		
	Result excluding SDIs	SDIs	Reported	Result excluding SDIs	SDIs	Reported
Revenue	652.6	-	652.6	582.2	-	582.2
Operating expenses	(403.0)	(7.3)	(410.3)	(326.9)	(29.8)	(356.7)
Other income	1.5	-	1.5	1.3	-	1.3
Adjusted EBITDA	251.1	(7.3)	243.8	256.6	(29.8)	226.8
Depreciation and amortisation	(102.8)	(18.0)	(120.8)	(69.2)	(39.7)	(108.9)
Retirement of assets	(31.6)	-	(31.6)	(29.0)	-	(29.0)
Operating profit	116.7	(25.3)	91.4	158.3	(69.5)	88.8
Interest income and expenses	(74.7)	-	(74.7)	(61.3)	0.3	(61.0)
Other financial items	(1.4)	10.1	8.7	(0.4)	(2.0)	(2.3)
Result before tax	40.6	(15.2)	25.4	96.6	(71.2)	25.4
Income tax benefit and expense	-	-	(23.5)	-	-	(16.4)
Result for the period	-	-	1.8	-	-	9.0

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 fourth quarter of 2021, total costs amounted to EUR 7.3 million compared to EUR 29.8 million in the same period last year. The decrease is mainly driven by a provision recorded in 2020 related to a fine imposed by the Norwegian Competition Authority (NCA) from November 2020. In December 2021 the fine was paid by Verisure Holding AS.

SDIs affecting depreciation and amortisation

The market value of the acquisition-related intangible assets is amortised over its expected useful life. Most of the EUR 18.0 million in 2021 and EUR 39.7 million in 2020 relate to the amortisation of the contract portfolio acquired from Securitas Direct Group in 2011. Year on year decrease is driven by the fact that part of the contract portfolios were fully amortised in Q3 2021.

SDIs affecting interest income and expenses and other financial items

SDIs affecting interest income and expenses and other financial items totalled an income of EUR 10.1 million in Q4 2021, compared to a cost of EUR 1.7 million during the same period last year. For the three months ending December 31, 2021, other financial items include a positive non-cash FX revaluation of debt items and unrealised hedges of EUR 14.6 million, offset by the amortisation of prepaid financing fees of EUR 3.4 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 December 31, 2020, other financial items include a positive non-cash FX revaluation of debt items and hedges of EUR 6.0 million, offset by the amortisation of prepaid financing fees, other bank charges and a negative IFRS 9 adjustment regarding the modification of loan agreements totalling EUR 7.3 million.

Income tax benefit and expense

Total tax impact had a cost of EUR 23.5 million in the quarter compared with a cost of EUR 16.4 million last year. Current tax expense was EUR 34.5 million in Q4 2021 compared with EUR 14.2 million in 2020. Deferred tax had a benefit of EUR 11.0 million in Q4 2021 compared to a cost of EUR 2.2 million in 2020.

Cash Flow

The following table shows a summary of our cash flow for the three months ending December 31, 2021 and 2020.

EUR million	Oct-Dec 2021	Oct-Dec 2020
Cash flow from operating activities before change in working capital	169.4	238.1
Change in working capital	5.3	18.2
Cash flow from operating activities¹	174.7	256.3
Cash flow from investing activities	(220.2)	(207.9)
Cash flow from financing activities ²	36.7	(103.2)
Cash flow for the period	(8.7)	(54.8)
Cash and cash equivalents at beginning of period	29.2	152.5
Translation differences on cash and cash equivalents	3.8	0.2
Cash and cash equivalents at end of period	24.3	97.9

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

2) Cash flow from financing activities includes paid interest.

Cash flow from operating activities

Cash flow from operating activities amounted to EUR 174.7 million and EUR 256.3 million for the three months ending December 31, 2021 and 2020, respectively. Cash flow from operating activities before change in working capital decreased from EUR 238.1 million in Q4 2020 to EUR 169.4 million in Q4 2021 mainly driven by negative non-cash items of EUR 7.4 million in Q4 2021 compared to positive EUR 53.0 million in Q4 2020, in addition to higher paid taxes.

Cash flow from investing activities

Cash flow from investing activities amounted to an outflow of EUR 220.2 million and EUR 207.9 million for the three months ending December 31, 2021 and 2020, respectively. The increase mainly relates to incremental investments to further enhance our offering during the period.

Cash flow from financing activities

Cash flow from financing activities totalled an inflow of EUR 36.7 million and an outflow of EUR 103.2 million for the three months ending December 31, 2021 and 2020, respectively. Part of the movement is explained by lower net interests paid in Q4 2021 (EUR 49.6 million) versus Q4 2020 (EUR 85.5 million) despite having higher gross debt this year, as 2021 interest payments were highly skewed towards Q3 while 2020 interest payments were more skewed towards Q4. In addition, changes in borrowings amounted to EUR 80 million in Q4 2021 compared to minus EUR 4.6 million in the same period last year. In addition, changes in borrowings amounted to EUR 80 million in Q4 2021 compared to minus EUR 4.6 million in the same period last year.

Twelve months ending December 31, 2021 and 2020

Results excluding SDIs

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

Revenue

The following table shows our revenue split by segment:

Revenue by segment

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

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

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

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

Operating expenses

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

Adjusted EBITDA

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

Depreciation and amortisation

Depreciation and amortisation increased to EUR 347.4 million in the twelve months ending December 31, 2021, up from EUR 274.2 million in the prior period. This is primarily related to the alarm equipment installed at our customers' premises and the capitalised direct cost related to the acquisition of customer contracts. Depreciation and amortisation have increased mainly due to the increased number of customers in our portfolio.

Retirement of assets

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

Interest income and expenses

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

Other financial items

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

Reported consolidated income statement for the twelve months ending December 31, 2021 and 2020

EUR million	Jan-Dec 2021			Jan-Dec 2020		
	Result excluding SDIs	SDIs	Reported	Result excluding SDIs	SDIs	Reported
Revenue	2,508.8	-	2,508.8	2,138.9	-	2,138.9
Operating expenses	(1466.1)	(63.6)	(1529.7)	(1224.4)	(66.4)	1290.9
Other income	5.3	-	5.3	5.1	-	5.1
Adjusted EBITDA	1048.0	(63.6)	984.4	919.6	(66.4)	853.1
Depreciation and amortisation	(347.4)	(129.9)	(477.3)	(274.2)	(159.0)	(433.2)
Retirements of assets	(128.2)	-	(128.2)	(95.7)	-	95.7
Operating profit	572.4	(193.5)	378.9	549.7	(225.4)	324.2
Interest income and expenses	(284.6)	0.4	(284.2)	(232.0)	0.6	(231.4)
Other financial items	(5.7)	(27.1)	(32.9)	(2.6)	(137.8)	(140.5)
Result before tax	282.0	(220.2)	61.8	315.0	(362.7)	(47.6)
Income tax benefit and expense	-	-	(46.9)	-	-	(45.3)
Result for the period	-	-	14.9	-	-	(92.9)

Separately disclosed items (SDIs)

SDIs affecting operating expenses

SDIs affecting operating expenses typically include one-off costs related to various projects within the Group.

In 2021, total costs amounted to EUR 63.6 million compared to EUR 66.4 million in the same period last year. Both 2021 and 2020 include provision costs related to a fine imposed by the NCA in Norway, in addition to costs related to transformational projects. In 2020 we also incurred some COVID-19 related exceptional costs.

SDIs affecting depreciation and amortisation

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

SDIs affecting interest income and expenses and other financial items

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

Income tax benefit and expense

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

Cash Flow

The following table shows a summary of our cash flow for the twelve months ending December 31, 2021 and 2020.

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

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

2) Cash flow from financing activities includes paid interest.

Cash flow from operating activities

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

Cash flow from investing activities

Cash flow from investing activities amounted to an outflow of EUR 764.2 million and EUR 637.6 million for the twelve months ending December 31, 2021 and 2020 respectively. The increase relates mainly to the higher number of new installations during the period.

Cash flow from financing activities

Cash flow from financing activities totalled an outflow of EUR 136.8 million and EUR 216.6 million for the twelve months ending December 31, 2021 and 2020, respectively. Key components for the twelve months ending December 31, 2021, mainly include new financing of EUR 4,472.8 million, a repayment of financing of EUR 2,734.6 million, a paid distribution of EUR 1,703.8 million, a call premia payment of EUR 17.2 million related to the amortisation of our Senior Unsecured debt during the refinancing conducted in January 2021, paid bank and advisory fees of EUR 74.1 million, mainly related to January's refinancing also, and changes in borrowings of EUR 190.6 million. In addition, net interest paid amounted to EUR 263.0 million, an increase of EUR 43.6 million year on year driven by higher gross debt.

Capital Expenditures

The Group's capital expenditures primarily consist of (i) customer acquisition capital expenditures, which include purchases of equipment for new customers and direct costs related to the acquisition of customer contracts; (ii) portfolio services capital expenditures which relate to new equipment for existing customers; (iii) 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 capitalised as tangible fixed assets to the extent we retain ownership of the equipment. The Group also capitalises direct costs related to the acquisition of customer contracts as intangible fixed assets.

The following table shows a summary of our capital expenditures for the three months ending December 31, 2021 and 2020.

EUR million	Oct-Dec 2021	Oct-Dec 2020
Customer acquisition capital expenditures, material	84.7	74.2
Customer acquisition capital expenditures, direct costs	55.6	70.2
Portfolio capital expenditures	18.5	16.1
Agencies capital expenditures	1.3	3.5
Capital expenditures other	60.0	43.8
Total	220.1	207.8

Capital expenditures were EUR 220.1 million for the three months ending December 31, 2021 and EUR 207.8 million in the same period last year. The increase mainly relates to incremental investments to further enhance our offering during the period.

The following table shows a summary of our capital expenditures for the twelve months ending December 31, 2021 and 2020.

EUR million	Jan-Dec 2021	Jan-Dec 2020
Customer acquisition capital expenditures, material	307.0	246.5
Customer acquisition capital expenditures, direct costs	239.4	204.9
Portfolio capital expenditures	68.7	51.5
Adjacencies capital expenditures	9.8	7.8
Capital expenditures other	137.6	124.2
Total	762.4	635.0

Capital expenditures were EUR 762.4 million for the twelve months ending December 31, 2021 and EUR 635.0 million in the period last year. The increase in capital expenditure is mainly due to the growth in acquisition of new customers as well as capitalisation of new material to our existing customers and increase in capitalised development costs.

Liquidity, Liabilities and Financing agreements

The primary 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 December 31, 2021, the Group had a total of EUR 480.1 million of available funds.

EUR million	Dec 2021	Dec 2020
Revolving Credit Facility	700.0	300.0
Cash and cash equivalents	24.3	98.0
Drawn facility amount	(234.7)	-
Utilised letter of credit	(9.4)	(6.5)
Total available funds	480.1	391.4

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

EUR million	Dec 2021	Dec 2020
Revolving Credit Facility	234.7	-
Term Loan B	2,800.0	2,292.0
Senior Secured Notes	2,650.0	1,500.0
Senior Unsecured Notes	1,321.3	1,244.4
Other liabilities	39.9	38.0
Lease liability (IFRS 16)	150.2	131.6
Total	7,196.2	5,206.0

Risks and uncertainties

A detailed presentation of risks and a sensitivity analysis can be found in the Financial Risk Management section (note 21) and the Risk Factors section of the 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 5.4 years as of December 31, 2021, and most of our debt matures in 2026 or beyond.

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

Events after the reporting period

No 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 amortisation, write offs and separately disclosed items.

Attrition rate

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

Average Revenue per user

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 recognised 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	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Revenue	3	652,615	582,150	2,508,847	2,138,903
Cost of sales		(383,184)	(301,190)	(1,375,534)	(1,094,978)
Gross profit		269,431	280,960	1,133,312	1,043,925
Selling expenses		(77,316)	(68,738)	(298,890)	(268,021)
Administrative expenses		(102,219)	(124,764)	(460,821)	(456,806)
Other income		1,510	1,336	5,263	5,128
Operating profit		91,406	88,793	378,864	324,226
Financial income		139	390	978	911
Financial expenses		(66,190)	(63,739)	(318,049)	(372,767)
Result before tax		25,355	25,444	61,793	(47,630)
Income tax expense and benefit		(23,504)	(16,390)	(46,859)	(45,313)
Result for the period		1,851	9,054	14,933	(92,943)
Whereof attributable to:					
- Parent company		1,851	9,054	14,933	(92,943)
- Non-controlling interest		-	-	-	-

Consolidated statements of comprehensive income

EUR thousand	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Result for the period	1,851	9,054	14,933	(92,943)
Other comprehensive income				
Items that will not be reclassified to the income statement				
Re-measurement of defined benefit plan	1,623	(688)	1,623	(688)
Items that may be reclassified to the income statement				
Hedging reserve	3,564	(4,362)	17,517	(7,865)
Currency translation differences on foreign operations	(4,251)	(6,518)	(17,648)	7,783
Income tax related to other comprehensive items	(1,198)	1,699	(3,653)	1,699
Other comprehensive income	(262)	(9,869)	(2,161)	929
Total comprehensive income for the period	1,589	(815)	12,772	(92,015)
Whereof attributable to:				
- Parent company	1,589	(815)	12,772	(92,015)
- Non-controlling interest	-	-	-	-

Consolidated statements of financial position

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

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

Consolidated statement of changes in equity

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

EUR thousand	Attributable to equity holders of the parent company and non-controlling interest						Non-controlling interest	Total equity
	Share capital	Other paid in capital	Translation reserve	Hedging reserve	Retained earnings	Total		
Balance at January 1, 2020	56	624,686	32,645	-	(2,821,173)	(2,163,786)	-	(2,163,786)
Result for the period	-	-	-	-	(92,943)	(92,943)	-	(92,943)
Other comprehensive income	-	-	7,798	(6,182)	(688)	929	-	929
<i>Total comprehensive income</i>	-	-	<i>7,798</i>	<i>(6,182)</i>	<i>(93,631)</i>	(92,015)	-	(92,015)
<i>Transactions with owners</i>								
Share based payment expense	-	-	-	-	1,244	1,244	-	1,244
Repurchase of share options on behalf of parent company	-	-	-	-	(1,756)	(1,756)	-	(1,756)
Income tax on share base payments effects	-	-	-	-	76	76	-	76
<i>Total transaction with owners</i>	-	-	-	-	<i>(436)</i>	(436)	-	(436)
Balance at December 31, 2020	56	624,686	40,443	(6,182)	(2,915,240)	(2,256,237)	-	(2,256,237)

Consolidated statements of cash flows

EUR thousand	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Operating activities				
Operating profit	91,406	88,793	378,864	324,226
Reversal of depreciation and amortisation	120,780	108,933	477,294	433,189
Other non-cash items	(7,360)	53,045	128,230	119,714
Paid taxes	(35,394)	(12,644)	(61,589)	(33,676)
Cash flow from operating activities before change in working capital	169,433	238,127	922,800	843,453
Change in working capital				
Change in inventories	(28,817)	(3,209)	(89,186)	(37,423)
Change in trade receivables	12,032	(13,188)	21,640	(7,124)
Change in other receivables	6,437	(33,600)	(5,874)	(19,416)
Change in trade payables	60,939	50,829	7,753	45,644
Change in other payables	(45,277)	17,388	(40,212)	116,563
<i>Cash flow from change in working capital</i>	<i>5,315</i>	<i>18,221</i>	<i>(105,878)</i>	<i>98,245</i>
Cash flow from operating activities	174,748	256,348	816,922	941,698
Investing activities				
Purchase of intangible assets	(104,804)	(110,978)	(378,151)	(327,194)
Purchase of property, plant and equipment	(115,362)	(96,910)	(385,016)	(308,797)
Settlement of deferred consideration	-	-	-	(1,630)
Acquisition of non-controlling interest	-	-	(1,000)	-
Cash flow from investing activities	(220,166)	(207,888)	(764,168)	(637,621)
Financing activities				
Change in borrowings	80,290	(4,615)	190,620	(179,218)
Paid bank and advisory fees	-	(235)	(74,077)	(20,973)
New financing	-	-	4,472,783	1,800,000
Repayment of financing	-	-	(2,734,562)	(1,600,000)
Net interest paid	(49,597)	(85,470)	(263,031)	(219,409)
Call cost old debt	-	-	(17,175)	-
Other financial items	6,020	(2,829)	(7,536)	28,123
Loan to group companies	-	(10,093)	-	(25,152)
Paid distribution ¹	-	-	(1,703,787)	-
Cash flow from financing activities	36,714	(103,242)	(136,764)	(216,629)
Cash flow for the period	(8,704)	(54,782)	(84,009)	87,448
Cash and cash equivalents at start of period	29,185	152,494	97,941	12,770
Exchange difference on translating cash and cash equivalents	3,801	229	10,350	(2,277)
Cash and cash equivalents at end of period	24,283	97,941	24,283	97,941

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

Notes to the 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 in 2020, the sale of internet connected cameras under the Arlo brand.

Oct-Dec 2021						
EUR thousands	Customer Acquisition	Portfolio Services	Adjacencies	Total Group – Excl SDIs	SDIs	Group Total
Revenue	92,339	536,468	23,808	652,615	-	652,615
Adjusted EBITDA	(125,641)	380,347	(3,601)	251,104	(7,278)	243,826
Depreciation and amortisation	-	-	-	(102,764)	(18,014)	(120,778)
Retirements of assets	-	-	-	(31,643)	-	(31,643)
Financial items	-	-	-	(76,122)	10,071	(66,051)
Result before tax	-	-	-	40,576	(15,221)	25,355

Oct-Dec 2020						
EUR thousands	Customer Acquisition	Portfolio Services	Adjacencies	Total Group – Excl SDIs	SDIs	Group Total
Revenue	100,473	459,783	21,894	582,150	-	582,150
Adjusted EBITDA	(72,263)	333,227	(4,405)	256,559	(29,793)	226,766
Depreciation and amortisation	-	-	-	(69,196)	(39,734)	(108,930)
Retirements of assets	-	-	-	(29,044)	-	(29,044)
Financial items	-	-	-	(61,685)	(1,664)	(63,349)
Result before tax	-	-	-	96,634	(71,191)	25,444

Jan-Dec 2021						
EUR thousands	Customer Acquisition	Portfolio Services	Adjacencies	Total Group – Excl SDIs	SDIs	Group Total
Revenue	373,492	2,043,673	91,682	2,508,847	-	2,508,847
Adjusted EBITDA	(421,036)	1,477,479	(8,448)	1,047,995	(63,607)	984,388
Depreciation and amortisation	-	-	-	(347,364)	(129,928)	(477,293)
Retirements of assets	-	-	-	(128,232)	-	(128,232)
Financial items	-	-	-	(290,381)	(26,691)	(317,072)
Result before tax	-	-	-	282,019	(220,227)	61,792

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

Note 4 Financial Risk Management

Financial instruments by category and valuation level

EUR thousands	Dec 2021	Dec 2020
Financial assets at fair value through profit or loss¹		
<i>Derivatives</i>		
Currency	9,651	1,589
Total	9,651	1,589
Financial liabilities at fair value through profit or loss¹		
<i>Derivatives</i>		
Currency	22,110	35,226
Interest rate	8,744	18,149
Total	30,853	53,375
Loans and receivables at amortised cost		
Trade and other receivables	311,653	315,147
Trade receivables ²	147,629	161,147
Other current receivables ²	35,288	40,027
Cash and cash equivalent	24,283	97,941
Other financial liabilities at amortised cost		
Long-term borrowings ³	7,029,477	5,073,558
Other non-current liabilities	86,792	105,101
Trade payables ²	190,682	183,115
Short-term borrowings ^{2,3}	129,919	102,238
Other current liabilities ²	39,015	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	Dec 2021			Dec 2020		
	Principal amount	Adjustment amortised costs	Carrying amount	Principal amount	Adjustment amortised costs	Carrying amount
Non-current liabilities						
Secured						
Senior Secured Notes	2,650,000	(21,472)	2,628,528	1,500,000	(10,820)	1,489,180
Term Loan B ¹	2,800,000	(51,445)	2,748,555	2,292,000	(48,893)	2,243,107
Revolver Credit Facility	234,715	(11,749)	222,966	-	-	-
Unsecured						
Senior Unsecured Notes	1,321,337	(14,972)	1,306,365	1,244,436	(6,968)	1,237,468
Liabilities to other creditors	14,014	-	14,014	10,375	-	10,375
Lease liability	109,049	-	109,049	93,428	-	93,428
Long-term borrowings	7,129,115	(99,638)	7,029,477	5,140,239	(66,681)	5,073,558
Current liabilities						
Accrued interest expenses	62,882	-	62,882	36,390	-	36,390
Other liabilities	25,935	-	25,935	27,694	-	27,694
Lease liability	41,102	-	41,102	38,154	-	38,154
Short-term borrowings	129,919	-	129,919	102,238	-	102,238
Total	7,259,034	(99,638)	7,159,397	5,242,477	(66,681)	5,175,796

1) Of the total amount regarding adjustment amortised costs EUR (16,482) thousand in December 31, 2021, ((27,756) in December 31, 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	Dec 2021	Dec 2020
Total principal amount (as above)	7,259,034	5,242,477
Less accrued interest	(62,882)	(36,390)
Indebtedness	7,196,153	5,206,087
Less cash and cash equivalents	(24,283)	(97,941)
Net debt (per SFA)¹	7,171,870	5,108,146

1) Starting in Q1 2021 and in compliance with our Senior Facilities Agreement ("SFA") dated January 25th, 2021, Net Debt per SFA is reported on a post-IFRS basis. In order to be consistent with this agreement, 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	Dec 2021	Dec 2020
Shares in subsidiaries	2,393,895	2,054,531
Bank accounts	15,126	79,705
Accounts receivables	124,264	96,092
Inventories	729	557
Other operating assets	67,822	-
Trademark	66,925	43,333
Endowment insurance	622	666
Motor vehicles	-	9

Contingent Liabilities

EUR thousand	Dec 2021	Dec 2020
Guarantees	36,769	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	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Administrative expenses		74,997	(35,992)	35,854	(36,004)
Operating result		74,997	(35,992)	35,854	(36,004)
Financial income	2	6,627	14,315	43,098	50,182
Financial expenses	2	(19,028)	(19,043)	(99,013)	(75,743)
Dividend		-	1,433,928	295,868	1,433,928
Result before tax		62,597	1,393,209	275,807	1,372,363
Income tax expense and benefit		-	-	-	-
Result for the period		62,597	1,393,209	275,807	1,372,363

Parent Company Statement of Financial Position

EUR thousand	Note	Dec 2021	Dec 2020
Assets			
Non-current assets			
Long-term investments			
Investments in subsidiaries		1,190,969	1,191,365
Receivables from Group companies		704,210	708,518
Total non-current assets		1,895,178	1,899,883
Current assets			
Current receivables		20,766	1,438,709
Cash and cash equivalents		1,061	396
Total current assets		21,827	1,439,105
Total assets		1,917,005	3,338,988
Equity and liabilities			
Equity			
Share capital		56	56
Other paid in capital		569,170	569,170
Retained earnings		(61,878)	1,392,508
Total equity		507,349	1,961,734
Provisions			
Other provisions	3	-	36,000
Total provisions		-	36,000
Non-current liabilities			
Long-term borrowings	4	1,306,365	1,237,468
Liabilities to Group companies		77,387	97,979
Total non-current liabilities		1,383,752	1,335,447
Current liabilities			
Accounts payable		9	-
Accrued expenses and prepaid income	4	25,983	5,807
Other current liabilities		2	-
Total current liabilities		25,904	5,807
Total equity and liabilities		1,917,005	3,338,988

Parent Company Statements of Changes in Equity

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

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	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Operating activities				
Operating result	38,997	(35,992)	(146)	(36,004)
Other non-cash items	(39,000)	36,000	-	36,000
Cash flow from operating activities before change in working capital	(3)	8	(146)	(4)
Change in working capital				
Change in trade payables	14	(7)	9	1
Change in other receivables	-	(2)	2	(2)
Cash flow from change in working capital	14	(9)	11	(1)
Cash flow from operating activities	11	(1)	(134)	(5)
Investing activities				
Cash flow from investing activities	-	-	-	-
Financing activities				
New financing	-	-	1,322,783	-
Repayment of loan	-	-	(1,242,562)	-
Dividend received	-	-	1,703,787	-
Dividend paid	-	-	(1,703,787)	-
New loans from Group companies	-	14,162	39,810	26,953
Repayment of loan from Group companies	-	-	(60,402)	-
Paid bank and advisory fees	(47)	(2)	(16,793)	(10)
Call cost old debt	-	-	(17,175)	-
Net interest received or paid	(2,109)	(14,353)	(24,862)	(26,661)
Cash flow from financing activities	(2,157)	(193)	798	282
Cash flow for the period	(2,146)	(194)	664	277
Cash and cash equivalents at start of period	3,207	590	396	119
Exchange difference on translating cash and cash equivalents	-	-	-	-
Cash and cash equivalents at end of period	1,061	396	1,061	396

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	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Interest income from Group companies	6,627	12,249	43,098	48,570
Other financial income	-	2,066	-	1,612
Financial income	6,627	14,315	43,098	50,182
Interest expense	(17,598)	(17,850)	(70,392)	(71,416)
Interest expense to Group companies	(524)	(630)	(1,671)	(2,130)
Other financial expenses	(907)	(563)	(26,950)	(2,197)
Financial expenses	(19,028)	(19,043)	(99,013)	(75,743)

Note 3 Provisions

The parent company reported a provision related to the Norwegian Competition Authority (the "NCA") case in Dec 2020. The fine was paid on December 29, 2021. Refer to the description in the section Risk and uncertainties for the Group on page 12 for more information.

Note 4 Borrowings

EUR thousand	Dec 2021			Dec 2020		
	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
Unsecured						
Senior Unsecured Notes	24,208	1,306,365	1,330,573	5,790	1,237,468	1,243,258
Total (carrying amount)	24,208	1,306,365	1,330,573	5,790	1,237,468	1,243,258

Quarterly summary

Key Figures

EUR thousand (if not otherwise stated)	Oct-Dec 2021	Jul-Sep 2021	Apr-Jun 2021	Jan-Mar 2021	Oct-Dec 2020
Consolidated					
Non-IFRS and IFRS financial data					
Revenue ¹	652,615	633,777	626,133	596,323	582,150
Organic revenue growth	11.7%	13.1%	26.6%	16.4%	18.1%
Adjusted EBITDA excl. SDIs	251,104	270,758	262,945	263,190	256,559
Adjusted EBITDA margin excl. SDIs	38.5%	42.7%	42.0%	44.1%	44.1%
Adjusted EBITDA incl. SDIs	243,826	225,668	258,378	256,517	226,766
Adjusted EBITDA Margin incl. SDIs	37.4%	35.6%	41.3%	43.0%	39.0%
Operating profit	91,406	76,468	99,292	111,699	88,793
Capital expenditures	220,117	181,389	184,808	176,129	207,750
Net Debt per SFA	7,171,870	7,069,641	7,028,924	6,928,550	5,108,146
Unaudited operating data					
Payback period (in years)	3.8	3.4	3.2	3.3	3.0
Portfolio services segment					
Non-IFRS and IFRS financial data					
Portfolio services revenue ¹	536,468	518,442	503,173	485,590	459,783
Portfolio services adjusted EBITDA excl. SDIs	380,347	376,864	366,557	353,712	333,227
Portfolio services adjusted EBITDA margin excl. SDIs	70.9%	72.7%	72.8%	72.8%	72.5%
Unaudited operating data					
Total subscribers (year-end), units	4,274,827	4,146,370	4,019,964	3,884,382	3,763,945
Cancellation, units	66,764	63,463	62,692	65,782	57,680
Attrition rate (LTM)	6.4%	6.4%	6.4%	6.5%	6.5%
Net subscriber growth, units	128,457	126,406	135,582	120,437	140,921
Subscriber growth rate, net	13.6%	14.4%	15.9%	13.2%	12.5%
Average number of subscribers during the period, units	4,214,867	4,092,049	3,945,462	3,818,506	3,695,144
Average monthly revenue per user (ARPU), (in EUR)	42.4	42.2	42.5	42.4	41.5
Monthly adjusted EBITDA per subscriber (EPC), (in EUR)	30.1	30.7	31.0	30.9	30.1
Customer acquisition segment					
Non-IFRS and IFRS financial data					
Customer acquisition revenue ¹	92,339	90,732	99,111	91,310	100,473
Customer acquisition adjusted EBITDA excl. SDIs	(125,641)	(103,975)	(101,836)	(89,585)	(72,263)
Customer acquisition capital expenditures	140,277	135,064	136,368	134,731	144,351
Unaudited operating data					
New subscribers added (gross)	195,221	189,869	198,274	186,219	198,601
Cash acquisition cost per new subscriber (CPA), (in EUR)	1,362	1,259	1,201	1,205	1,090
Adjacencies segment					
Non-IFRS and IFRS financial data					
Adjacencies revenue ¹	23,808	24,603	23,850	19,423	21,894
Adjacencies adjusted EBITDA excl. SDIs	(3,601)	(2,131)	(1,776)	(938)	(4,405)

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 amortisation, write offs and SDIs.

EUR thousands	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Operating profit according to consolidated income statement	91,406	88,793	378,864	324,226
Less depreciation and amortisation	120,778	108,930	477,293	433,189
Less retirement of assets	31,643	29,044	128,232	97,714
Less separately disclosed items	7,278	29,793	63,607	66,441
Adjusted EBITDA	251,104	256,559	1,047,995	919,569
Whereof adjusted EBITDA customer acquisition	(125,641)	(72,263)	(421,036)	(321,999)
Whereof adjusted EBITDA portfolio services	380,347	333,227	1,477,479	1,255,774
Whereof adjusted EBITDA adjacencies	(3,601)	(4,405)	(8,448)	(14,206)

Average Revenue per user

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

Calculation of ARPU

EUR thousands	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Portfolio services segment revenue	536,468	459,783	2,043,673	1,740,581
Monthly average portfolio services segment revenue	178,823	153,261	170,306	145,048
Average number of subscribers during the period, units	4,214,867	3,695,144	4,017,721	3,518,094
Monthly average portfolio services segment revenue (in EUR) divided by average number of subscribers during the period – ARPU (in EUR)	42.4	41.5	42.4	41.2

Monthly adjusted EBITDA per subscriber

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

Calculation of EPC

EUR thousands	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Portfolio services segment adjusted EBITDA excl. SDIs	380,347	333,227	1,477,479	1,255,774
Monthly average portfolio services segment adjusted EBITDA excl. SDIs	126,782	111,076	123,123	104,648
Average number of subscribers during the period, units	4,214,867	3,695,144	4,017,721	3,518,094
Monthly average portfolio services segment adjusted EBITDA (in EUR) divided by average number of subscribers during the period – EPC (in EUR)	30.1	30.1	30.6	29.7

Cash acquisition cost per new subscriber

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

Calculation of CPA

EUR thousands	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Customer acquisition Adjusted EBITDA excl. SDIs	(125,641)	(72,263)	(421,036)	(321,999)
Customer acquisition capital expenditure	(140,277)	(144,351)	(546,440)	(451,374)
Customer acquisition cost	(265,918)	(216,614)	(967,476)	(773,373)
New subscribers added (gross)	195,221	198,601	769,583	646,932
Customer acquisition cost (in EUR) divided by new subscribers added (gross) - CPA (In EUR)	1,362	1,090	1,257	1,195

Payback period

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

Calculation of Payback period

EUR thousands	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Cash acquisition cost per new subscriber ("CPA")	1,362	1,090	1,257	1,195
Monthly adjusted EBITDA per customer ("EPC")	30.1	30.1	30.6	29.7
CPA divided by EPC divided by 12	3.8	3.0	3.4	3.3

Malmö, Feb 23, 2022

Austin Lally
CEO

Cecilia Hultén
Chairman

Vincent Litrico

Daniel Bruzaeus

Elizabeth Henry