



VERISURE MIDHOLDING AB (PUBL)

FULL YEAR REPORT
JANUARY– DECEMBER 2022

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

Key operating highlights for the fourth quarter ending December 31, 2022 and 2021

Verisure Midholding Group, hereafter referred to as the Group, is the leading provider of professionally monitored alarm solutions for residential households and small businesses in Europe. We offer premium monitored alarm services to our portfolio of over 4.7 million customers and design, sell and install alarms with network connectivity across 17 countries in Europe and Latin America. We are also the leading provider of connected video surveillance systems through our Arlo Europe camera business. We have a strong track record of profitable growth, primarily delivered organically by our differentiated business model with high share of recurring revenues (c. 80%) and industry leading retention.

In the fourth quarter of 2022, the Group continued to deliver strong operational and financial performance while preserving strong unit economics. Our customer portfolio continued to grow and passed the 4.7 million customer milestone, which represents an annual portfolio growth rate of +11.2% compared to the same period last year. We have added close to 500 thousand customers to our portfolio in the last twelve months. Given the ongoing cost of living crisis, we are very pleased with this continued strong performance. The performance of our portfolio services segment continues to be strong, with portfolio services adjusted EBITDA increasing +14.3% in Q4 2022 compared to Q4 2021. Total adjusted EBITDA incl. SDIs in the quarter increased +14.3% vs. Q4 2021, and +13.4% during the full year of 2022 vs. 2021.

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

Summary of fourth quarter 2022 and 2021 financials:

- Total revenue reached EUR 724.7 million in the fourth quarter of 2022, increasing +11.0% from EUR 652.6 million in the same period last year. In constant currencies, total revenue grew by +11.4% in the quarter. Portfolio services revenue, representing 84.3% of total Group revenues in the quarter, grew by +13.9% to EUR 611.3 million. In constant currencies, portfolio services revenue grew by +14.5% in the quarter. For the full year 2022, total reported revenue increased to EUR 2,827.0 million compared to EUR 2,508.8 million last year, what represents an increase of +12.7% in actual currencies and +12.5% in constant currencies. Portfolio services revenue grew +15.4% to EUR 2,358.2 million for the full year 2022 compared to 2021 (+15.4% in constant currencies).
- Adjusted EBITDA incl. SDIs increased to EUR 278.6 million in the quarter compared to EUR 243.8 million in Q4 2021, an increase of +14.3%. In constant currencies, total adjusted EBITDA incl. SDIs grew by +14.9% in the quarter. For the full year 2022, total reported adjusted EBITDA incl. SDIs increased +13.4% to EUR 1,116.2 million compared to EUR 984.4 million in 2021 (+13.7% in constant currencies).
- Portfolio services adjusted EBITDA increased to EUR 434.6 million in the quarter from EUR 380.3 million in Q4 2021, representing an increase of +14.3%. In constant currencies, portfolio services adjusted EBITDA increased +14.8% in the quarter. Portfolio services adjusted EBITDA margin was 71.1% in the period, compared to 70.9% in the same period last year. For the full year 2022, portfolio services adjusted EBITDA reached EUR 1,694.4 million, what represents an increase of +14.7% in actual currencies and +14.7% in constant currencies compared to the same period last year.
- ARPU reached EUR 43.3 in the quarter, what represents an increase of +2.1% vs. prior year (+2.6% in constant currencies). For the full year 2022, ARPU increased +2.5% vs. prior year (+2.5% in constant currencies). EPC increased to EUR 30.8 in the quarter, representing an increase of +2.4% vs. prior year (2.9% in constant currencies). For the full year, EPC increased +1.9% compared to the same period in 2021 (+1.9% in constant currencies).
- Acquisition of new customers continued to be strong in the fourth quarter of the year. We added 195,604 new customers in the quarter. In the full year, we have added more than 800 thousand new customers to our portfolio, what represents an increase of +4.2% vs. last year. This represents an acceleration in our new customer addition pace versus 2021. All the growth was organic.
- Net subscriber growth was 107,199 in the quarter, compared to 128,457 in Q4 2021. Growth deceleration is driven by a modest uptick in attrition rate (LTM), up from 6.4% in Q4 2021 to 7.2% this year. At the end of the quarter our customer portfolio stood at 4,752,097 customers, up 477,270 customers or +11.2% year-on-year.

In 2022, we officially started operations in Ireland. This is our first opening since Argentina in 2019. We are now proud to protect customers in our 17th country.

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

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

Key Figures

EUR thousand (unless otherwise stated)	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Consolidated				
Non-IFRS and IFRS financial data				
Revenue ¹	724,690	652,615	2,827,022	2,508,847
Organic revenue growth	12.0%	11.7%	12.8%	16.7%
Adjusted EBITDA excl. SDIs	297,119	251,104	1,151,969	1,047,995
Adjusted EBITDA margin excl. SDIs	41.0%	38.5%	40.7%	41.8%
Adjusted EBITDA incl. SDIs	278,644	243,826	1,116,191	984,388
Adjusted EBITDA margin incl. SDIs	38.5%	37.4%	39.5%	39.2%
Operating profit ¹	111,787	91,406	471,278	378,864
Capital expenditures	234,790	220,117	841,059	762,444
Net Debt per SFA	7,382,658	7,171,870	7,382,658	7,171,870
Unaudited operating data				
Payback period, years	3.9	3.8	3.8	3.4
Portfolio services segment				
Non-IFRS and IFRS financial data				
Portfolio services revenue ¹	611,257	536,468	2,358,158	2,043,673
Portfolio services adjusted EBITDA excl. SDIs	434,586	380,347	1,694,390	1,477,479
Portfolio services adjusted EBITDA margin	71.1%	70.9%	71.9%	72.3%
Unaudited operating data				
Total subscribers (end of period), units	4,752,097	4,274,827	4,752,097	4,274,827
Cancellation, units	88,405	66,764	324,828	258,701
Attrition rate (LTM)	7.2%	6.4%	7.2%	6.4%
Net subscriber growth, units	107,199	128,457	477,270	510,882
Subscriber growth rate, net	11.2%	13.6%	11.2%	13.6%
Monthly average number of subscribers during the period, units	4,704,140	4,214,867	4,522,759	4,017,721
Average monthly revenue per user (ARPU), EUR	43.3	42.4	43.4	42.4
Adjusted EBITDA per customer (EPC), EUR	30.8	30.1	31.2	30.6
Customer acquisition segment				
Non-IFRS and IFRS financial data				
Customer acquisition revenue ¹	92,801	92,339	385,954	373,492
Customer acquisition adjusted EBITDA excl. SDIs	(137,338)	(125,641)	(544,846)	(421,036)
Customer acquisition capital expenditures	141,460	140,277	583,738	546,440
Unaudited operating data				
New subscribers added (gross)	195,604	195,221	802,098	769,583
Cash acquisition cost per new subscriber (CPA), EUR	1,425	1,362	1,407	1,257
Adjacencies segment				
Non-IFRS and IFRS financial data				
Adjacencies revenue ¹	20,633	23,808	82,910	91,682
Adjacencies adjusted EBITDA excl. SDIs	(129)	(3,601)	2,424	(8,448)

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. As a result of rounding, numbers presented in this interim report may in some cases not add up to the total. Percentages presented are always calculated taking the exact underlying value, and therefore deviations may occur if percentages are calculated taking the rounded figures presented in the tables.

Three months ending December 31, 2022 and 2021

Results excluding SDIs

EUR million	Oct-Dec 2022	Oct-Dec 2021	Percentage change
Revenue	724.7	652.6	11.0%
Operating expenses	(428.8)	(403.0)	6.4%
Other income	1.3	1.5	(17.1)%
Adjusted EBITDA	297.1	251.1	18.3%
Adjusted EBITDA margin, %	41.0%	38.5%	-
Depreciation and amortization	(124.3)	(102.8)	20.9%
Retirement of assets	(26.4)	(31.6)	(16.5)%
Operating profit	146.4	116.7	25.5%
Operating profit margin, %	20.2%	17.9%	-
Interest income and expenses	(90.9)	(74.7)	21.6%
Other financial items	(1.3)	(1.4)	(9.0)%
Result before tax	54.3	40.6	33.7%

Revenue

The following table shows our revenue split by segment:

Revenue by segment

EUR million	Oct-Dec 2022	Oct-Dec 2021	Percentage change
Portfolio services	611.3	536.5	13.9%
Customer acquisition	92.8	92.3	0.5%
Adjacencies	20.6	23.8	(13.3)%
Total	724.7	652.6	11.0%

Total revenue in the fourth quarter of 2022 increased by 11.0%, or EUR 72.1 million, to EUR 724.7 million, up from EUR 652.6 million in the prior period. Organic revenue grew by 12.0%, primarily due to the growing customer base, which increased by 11.2%, from 4,274,827 in December 31, 2021, to 4,752,097 in December 31, 2022.

Portfolio services revenue in the fourth quarter of 2022 increased by 13.9%, or EUR 74.8 million, to EUR 611.3 million, up from EUR 536.5 million last year. The increase was driven by the increased number of customers in the portfolio as well as increased average monthly revenue per user (ARPU) of 2.1% compared to the same quarter last year.

Customer acquisition revenue in the fourth quarter of 2022 reached EUR 92.8 million, which is broadly in line with the same period last year.

Operating expenses

Operating expenses in the fourth quarter of 2022 increased by 6.4%, or EUR 25.8 million, to EUR 428.8 million, from EUR 403.0 million last year. The increase was mainly due to growth in the portfolio as well as some inflationary pressures, especially on material costs.

Adjusted EBITDA

Adjusted EBITDA in the three months ending December 31, 2022 increased by 18.3%, or EUR 46.0 million, to EUR 297.1 million, from EUR 251.1 million in the same period last year. The increase is driven by growth in the number of total subscribers in our portfolio as well as higher monthly adjusted EBITDA per customer (EPC).

Depreciation and amortization

Depreciation and amortization increased to EUR 124.3 million in the three months ending December 31, 2022, up from EUR 102.8 million in the same period last year. This is primarily related to the alarm equipment installed at our customers' premises and the capitalized incremental costs of obtaining contracts with customers. Starting in January 2022, we simplified our treatment of direct costs related to the acquisition of customer contracts, which are no longer written-off upon customer cancellation. Instead, in accordance with IAS 38, these capitalized costs now follow a straight-line amortization approach (over a shorter life period than before). This change has no material impact on our operating profit, but results in higher depreciation and lower write-off costs.

Retirement of assets

Retirements of assets decreased to EUR 26.4 million in the fourth quarter of 2022, from EUR 31.6 million in the same period last year. The cost corresponds mainly to the remaining balance of capitalized material and direct costs, at the time customers leave the portfolio or upgrade to our new platform. The decrease in write-offs during the fourth quarter of 2022 is due to the new approach described above.

Interest income and expenses

Interest income reached EUR 0.3 million in the three months ending December 31, 2022, compared to EUR 0.1 million in the same period last year. Interest expense reached EUR 91.2 million in the three months ending December 31, 2022, compared to EUR 74.8 million in the same period last year. The increase in interest expense is mainly driven by increases in the cost of debt.

Other financial items

Other financial items, mainly consisting of commitment fees for our Revolving Credit Facility and Ancillary Facilities, amounted to a cost of EUR 1.3 million in the fourth quarter of 2022, compared to EUR 1.4 million in the same period last year.

Reported consolidated income statement for the three months ending December 31, 2022 and 2021

EUR million	Oct-Dec 2022			Oct-Dec 2021		
	Result excluding SDIs	SDIs	Reported	Result excluding SDIs	SDIs	Reported
Revenue	724.7	-	724.7	652.6	-	652.6
Operating expenses	(428.8)	(18.5)	(447.3)	(403.0)	(7.3)	(410.3)
Other income	1.3	-	1.3	1.5	-	1.5
Adjusted EBITDA	297.1	(18.5)	278.6	251.1	(7.3)	243.8
Depreciation and amortization	(124.3)	(16.2)	(140.4)	(102.8)	(18.0)	(120.8)
Retirement of assets	(26.4)	-	(26.4)	(31.6)	-	(31.6)
Operating profit	146.4	(34.6)	111.8	116.7	(25.3)	91.4
Interest income and expenses	(90.9)	-	(90.9)	(74.7)	-	(74.7)
Other financial items	(1.3)	(15.4)	(16.7)	(1.4)	10.1	8.7
Result before tax	54.3	(50.1)	4.2	40.6	(15.2)	25.4
Income tax benefit and expense	-	-	(36.5)	-	-	(23.5)
Result for the period	-	-	(32.3)	-	-	1.8

Separately disclosed items (SDIs)

SDIs affecting operating expenses

For the fourth quarter of 2022, total SDIs affecting operating expenses reached EUR 18.5 million, compared to EUR 7.3 million in the same period last year. SDIs affecting operating expenses include one-off costs related to various transition projects within the Group.

SDIs affecting depreciation and amortization

Acquisition-related intangible assets are amortized over their expected useful life. Most of the EUR 16.2 million cost in the fourth quarter of 2022, and the EUR 18.0 million cost in the same period last year, is related to the amortization of the contract portfolio acquired from the Securitas Direct Group in 2011.

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 15.4 million in the fourth quarter of 2022, compared to an income of EUR 10.1 million during the same period last year. For the three months ending December 31, 2022, other financial items include a negative non-cash FX revaluation of debt items and unrealised derivatives of EUR 9.3 million,

write-off of prepaid financing fees of EUR 0.2 million, amortization of prepaid financing fees of EUR 3.6 million, a negative IFRS 9 adjustment regarding the modification of loan agreements of EUR 0.9 million, and a negative impact from realized derivatives of EUR 1.4 million. For the three months ending December 31, 2021, other financial items include a positive non-cash FX revaluation of debt items and unrealized derivatives of EUR 14.6 million, offset by the amortization 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.

Income tax benefit and expense

For the three months ending December 31, 2022, income tax represented a cost of EUR 36.5 million, compared to a cost of EUR 23.5 million in the same period last year. While current tax expense totalled EUR 21.8 million in the fourth quarter of 2022, compared to EUR 34.5 million in the same period last year, deferred tax totalled a cost of EUR 14.7 million in the fourth quarter of 2022 and a benefit of EUR 11.0 million in the same period last year.

Cash Flow

The following table shows a summary of our cash flow for the three months ending December 31, 2022 and 2021.

EUR million	Oct-Dec 2022	Oct-Dec 2021
Cash flow from operating activities before change in working capital	229.0	169.4
Change in working capital	54.7	5.3
Cash flow from operating activities¹	283.7	174.7
Cash flow from investing activities	(234.6)	(220.2)
Cash flow from financing activities ²	(29.2)	36.7
Cash flow for the period	19.8	(8.7)
Cash and cash equivalents at beginning of period	24.0	29.2
Translation differences on cash and cash equivalents	(0.2)	3.8
Cash and cash equivalents at end of period	43.6	24.3

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 283.7 million and EUR 174.7 million for the three months ending December 31, 2022 and 2021, respectively. Cash flow from operating activities before change in working capital increased from EUR 169.4 million in the fourth quarter of 2021 to EUR 229.0 million in the fourth quarter of 2022 mainly driven by an improvement in operating profit. Change in working capital had a positive impact on cash flow generation of EUR 54.7 million in the fourth quarter of 2022, compared to EUR 5.3 million in the same period last year, driven by positive developments in inventory, trade receivables and other payables, partially offset by a decrease in trade payables and other receivables.

Cash flow from investing activities

Cash flow from investing activities amounted to an outflow of EUR 234.6 million and EUR 220.2 million for the three months ending December 31, 2022 and 2021, respectively. The increase is mainly driven by investments in existing customers, as well as incremental investments in IT and R&D to further enhance our product proposition.

Cash flow from financing activities

Cash flow from financing activities totalled an outflow of EUR 29.2 million and a cash inflow of EUR 36.7 million for the three months ending December 31, 2022 and 2021, respectively. Key components in the three months ending December 31, 2022, include net interest payments of EUR 64.0 million, a positive change in borrowings of EUR 43.8 million and paid bank and advisory fees of EUR 6.2 million. Compared to the same period last year, net interest payments increased by EUR 14.4 million, from EUR 49.6 million, due to higher cost of debt.

Twelve months ending December 31, 2022 and 2021

Results excluding SDIs

EUR million	Jan-Dec 2022	Jan-Dec 2021	Percentage change
Revenue	2,827.0	2,508.8	12.7%
Operating expenses	(1,679.8)	(1,466.1)	14.6%
Other income	4.8	5.3	(9.6)%
Adjusted EBITDA	1,152.0	1,048.0	9.9%
Adjusted EBITDA margin, %	40.7%	41.8%	-
Depreciation and amortization	(487.2)	(347.4)	40.2%
Retirement of assets	(87.8)	(128.2)	(31.5)%
Operating profit	577.0	572.4	0.8%
Operating profit margin, %	20.4%	22.8%	-
Interest income and expenses	(316.8)	(284.6)	11.3%
Other financial items	(5.6)	(5.7)	(2.4)%
Result before tax	254.6	282.0	(9.7)%

Revenue

The following table shows our revenue split by segment:

Revenue by segment

EUR million	Jan-Dec 2022	Jan-Dec 2021	Percentage change
Portfolio services	2,358.2	2,043.7	15.4%
Customer acquisition	386.0	373.5	3.3%
Adjacencies	82.9	91.7	(9.6)%
Total	2,827.0	2,508.8	12.7%

Total revenue in 2022 increased by 12.7%, or EUR 318.2 million, to EUR 2,827.0 million, up from EUR 2,508.8 million in the same period last year, primarily due to the growing customer base and increased average monthly revenue per user (ARPU) of 2.5%. Organic revenue growth was 12.8%.

Portfolio services revenue in 2022 increased by 15.4%, or EUR 314.5 million, to EUR 2,358.2 million, up from EUR 2,043.7 million last year. The increase was driven by the increased number of customers in the portfolio as well as increased average monthly revenue per user (ARPU) of 2.5%.

Customer acquisition revenue in 2022 increased by 3.3% or EUR 12.5 million to EUR 386.0 million, up from EUR 373.5 million last year. The increase was due to the higher number of new installations compared to the same period last year.

Operating expenses

Operating expenses in 2022 increased by 14.6%, or EUR 213.7 million, to EUR 1,679.8 million, up from EUR 1,466.1 million in the same period last year. The increase was mainly driven by growth in the portfolio as well as some inflationary pressures, mainly on material costs.

Adjusted EBITDA

Adjusted EBITDA in 2022 increased by 9.9%, or EUR 104.0 million, to EUR 1,152.0 million, up from EUR 1,048.0 million last year. The increase was driven by growth in the portfolio and higher monthly adjusted EBITDA per customer (EPC).

Depreciation and amortization

Depreciation and amortization increased to EUR 487.2 million in the twelve months ending December 31, 2022, up from EUR 347.4 million in the same period last year. This is primarily related to the alarm equipment installed at our customers' premises and the capitalized incremental costs of obtaining contracts with customers. Starting in January 2022, we simplified our treatment of direct costs related to the acquisition of customer contracts, which are no longer written-off upon customer cancellation. Instead, in accordance with IAS 38, these capitalized costs now follow a straight-line amortization approach (over a shorter life period than before). This change has no material impact on our operating profit but results in higher depreciation and lower write-off costs.

Retirement of assets

Retirements of assets decreased to EUR 87.8 million for the full year of 2022, down from EUR 128.2 million in the same period last year. The cost corresponds mainly to the remaining balance of capitalized material and direct costs, at the time customers leave the portfolio or upgrade to our new platform. The decrease in write-offs during the full year of 2022 is due to the new approach described above.

Interest income and expenses

Interest income reached EUR 1.0 million in the twelve months ending December 31, 2022, compared to EUR 0.5 million in the same period last year. Interest expense reached EUR 317.8 million in the twelve months ending December 31, 2022, compared to EUR 285.2 million in the same period last year, driven mainly by an increase in the costs of debt.

Other financial items

Other financial items, mainly consisting of commitment fees for our Revolving Credit Facility and Ancillary Facilities amounted to a cost of EUR 5.6 million in the twelve months ending December 31, 2022, compared to EUR 5.7 million in the same period last year.

Reported consolidated income statement for the twelve months ending December 31, 2022 and 2021

EUR million	Jan-Dec 2022			Jan-Dec 2021		
	Result excluding SDIs	SDIs	Reported	Result excluding SDIs	SDIs	Reported
Revenue	2,827.0	-	2,827.0	2,508.8	-	2,508.8
Operating expenses	(1,679.8)	(35.8)	(1,715.6)	(1,466.1)	(63.6)	(1,529.7)
Other income	4.8	-	4.8	5.3	-	5.3
Adjusted EBITDA	1,152.0	(35.8)	1,116.2	1,048.0	(63.6)	984.4
Depreciation and amortization	(487.2)	(69.9)	(557.1)	(347.4)	(129.9)	(477.3)
Retirements of assets	(87.8)	-	(87.8)	(128.2)	-	(128.2)
Operating profit	577.0	(105.7)	471.3	572.4	(193.5)	378.9
Interest income and expenses	(316.8)	-	(316.8)	(284.6)	0.4	(284.2)
Other financial items	(5.6)	(14.4)	(20.0)	(5.7)	(27.1)	(32.9)
Result before tax	254.6	(120.1)	134.5	282.0	(220.2)	61.8
Income tax benefit and expense	-	-	(92.3)	-	-	(46.9)
Result for the period	-	-	42.3	-	-	14.9

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. In 2022, total SDIs affecting operating expenses reached EUR 35.8 million, compared to EUR 63.6 million in the same period last year. 2021 figures included a provision related to the appeal of the NCA decision. The fine was paid in December 2021.

SDIs affecting depreciation and amortization

Acquisition-related intangible assets are amortized over their expected useful life. Most of the EUR 69.9 million cost in 2022, and the EUR 129.9 million cost in the same period last year, is related to the amortization of the contract portfolio acquired from the Securitas Direct Group in 2011. The decrease is driven by the fact that part of the contract portfolios were fully amortized during 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 14.4 million in 2022 compared to a cost of EUR 26.7 million during the same period last year. For the twelve months ending December 31, 2022, other financial items include a positive non-cash FX revaluation of debt items and unrealised derivatives of EUR 7.1 million, offset by the write-off of prepaid financing fees of EUR 0.2 million, the amortization of prepaid financing fees of EUR 14.0 million, a negative impact from realized derivatives of EUR 4.1 million and a negative IFRS 9 adjustment regarding the modification of loan agreements of EUR 3.4 million. For the twelve months ending December 31, 2021, other financial items consisted of a positive non-cash FX revaluation of debt items and unrealized hedges of EUR 36.2 million, offset by the write-off of prepaid financing fees of EUR 17.2 million, amortization of prepaid financing fees of EUR 14.8 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 2.8 million, and an IFRS 9 adjustment regarding the modification of loan agreements of EUR 11.3 million.

Income tax benefit and expense

Total tax expense was EUR 92.3 million in the twelve months ending December 31, 2022, compared to EUR 46.9 million in the same period last year. While current tax expense was EUR 74.5 million in the twelve months ending December 31, 2022, compared to EUR 98.8 million in the same period last year, deferred tax totalled a cost of EUR 17.8 million in the twelve months ending December 31, 2022 compared to a benefit of EUR 51.9 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, 2022 and 2021.

EUR million	Jan-Dec 2022	Jan-Dec 2021
Cash flow from operating activities before change in working capital	1,039.0	922.8
Change in working capital	(39.2)	(105.9)
Cash flow from operating activities¹	999.8	816.9
Cash flow from investing activities	(841.0)	(764.2)
Cash flow from financing activities ²	(139.4)	(136.8)
Cash flow for the period	19.5	(84.0)
Cash and cash equivalents at beginning of period	24.3	97.9
Translation differences on cash and cash equivalents	(0.1)	10.4
Cash and cash equivalents at end of period	43.6	24.3

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 999.8 million and EUR 816.9 million for the twelve months ending December 31, 2022 and 2021, respectively. The increase is mainly driven by an improvement in the underlying operating cash flow, as well as lower cash consumption from variations in working capital.

Cash flow from investing activities

Cash flow from investing activities amounted to an outflow of EUR 841.0 million and EUR 764.2 million for the twelve months ending December 31, 2022 and 2021, respectively. The increase is related to investments in new customers and existing customers, as well as incremental investments in IT and R&D to further enhance our product proposition.

Cash flow from financing activities

Cash flow from financing activities totalled an outflow of EUR 139.4 million and EUR 136.8 million for the twelve months ending December 31, 2022 and 2021, respectively. Key components in the twelve months ending December 31, 2022 include net interest payments of EUR 303.8 million, other financial items outflows of EUR 11.0 million, and paid bank and advisory fees of EUR 6.4 million, partially offset by positive changes in borrowings of EUR 182.0 million. Compared to the same period last year, net interest payments increased by EUR 40.8 million, from EUR 263.0 million, driven mainly by higher cost of debt as well as higher gross debt. Furthermore, cash flow from financing activities in the twelve months ending December 31, 2021, saw new financing totalling EUR 4,472.8 million, a repayment of financing of EUR 2,734.6 million, a paid distribution of EUR 1,703.8 million, a call premia payment of EUR 17.2 million related to the amortization of Senior Unsecured debt during the refinancing conducted in Q1 2021, paid bank, and advisory fees of EUR 74.1 million related also to the refinancing in Q1 2021, and positive changes in borrowings of EUR 190.6 million.

Capital Expenditures

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

The following table shows a summary of our capital expenditures for the three months ending December 31, 2022 and 2021.

EUR million	Oct-Dec 2022	Oct-Dec 2021
Customer acquisition capital expenditures, material	80.9	84.7
Customer acquisition capital expenditures, direct costs	60.5	55.6
Portfolio services capital expenditures	26.8	18.5
Agencies capital expenditures	4.3	1.3
Capital expenditures other	62.2	60.0
Total	234.8	220.1

Capital expenditures were EUR 234.8 million in the three months ending December 31, 2022, compared to EUR 220.1 million in the same period last year. The increase is mainly due to higher capitalization of new material to our existing customers, as well as incremental investments during the period to further enhance our product proposition.

The following table shows a summary of our capital expenditures for the twelve months ending December 31, 2022 and 2021.

EUR million	Jan-Dec 2022	Jan-Dec 2021
Customer acquisition capital expenditures, material	336.2	307.0
Customer acquisition capital expenditures, direct costs	247.5	239.4
Portfolio services capital expenditures	94.1	68.7
Adjacencies capital expenditures	8.8	9.8
Capital expenditures other	154.4	137.6
Total	841.1	762.4

Capital expenditures totalled EUR 841.1 million in the twelve months ending December 31, 2022, compared to EUR 762.4 million in the same period last year. The increase is mainly due to growth in the number of new customers acquired, higher capitalization of new material to our existing customers, as well as incremental investments during the period to further enhance our product proposition.

Liquidity, Liabilities and Financing agreements

The primary source of liquidity in our business is cash flow from operations, while our major uses of cash and capital funding needs are purchases of new equipment, funding of our customer acquisition operations, operating expenses, capital expenditures, debt interests and taxes.

As of December 31, 2022, the Group had a total of EUR 279.4 million of available funds.

EUR million	Dec 2022	Dec 2021
Revolving Credit Facility	700.0	700.0
Cash and cash equivalents	43.6	24.3
Drawn facility amount	(454.5)	(234.7)
Utilised letter of credit	(9.7)	(9.4)
Total available funds	279.4	480.1

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

EUR million	Dec 2022	Dec 2021
Revolving Credit Facility	454.5	234.7
Term Loan B	2,800.0	2,800.0
Senior Secured Notes	2,650.0	2,650.0
Senior Unsecured Notes	1,309.9	1,321.3
Other Debt	51.3	39.9
Lease liability (IFRS 16)	160.6	150.2
Total	7,426.3	7,196.2

Risks and uncertainties

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

Events during the reporting period

In July 2021, a newly established Alarm Customer Association initiated a class action against Verisure Norway and its main competitor for claimed economic losses suffered by customers as a result of the alleged illegal collaboration that formed part of the NCA decision. Verisure Norway firmly contests the basis of the class action on both procedural and substantive grounds. The class action was dismissed on procedural grounds by the Oslo District Court in February 2022 and, upon appeal by the Alarm Customer Association, by the Court of Appeal in June the same year. In September 2022, the Alarm Customer Association filed an appeal to the Supreme Court, which has granted leave for the appeal for the specific procedural questions appealed. A hearing date has been set for May this year. The underlying claims have not been specified in any detail by the Alarm Customer Association and we firmly contest that the conditions for compensation are fulfilled.

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

In October 2022, the Group successfully accessed the debt capital markets to refinance its EUR 500 million Senior Secured Notes due in May 2023. Besides our EUR 200 million Floating Rate Notes due in April 2025, all our debt maturities now mature in 2026 and beyond.

Events after the reporting period

In January 2023, the Group issued EUR 450 million of new Senior Secured Notes, due in 2028, to repay drawings under our Revolving Credit Facility.

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	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Revenue	3	724,690	652,615	2,827,022	2,508,847
Cost of sales		(409,112)	(383,184)	(1,619,565)	(1,375,534)
Gross profit		315,578	269,431	1,207,457	1,133,312
Selling expenses		(88,645)	(77,316)	(345,265)	(298,890)
Administrative expenses		(116,399)	(102,219)	(395,671)	(460,821)
Other income		1,253	1,510	4,757	5,263
Operating profit		111,787	91,406	471,278	378,864
Financial income		325	139	970	978
Financial expenses		(107,932)	(66,190)	(337,725)	(318,049)
Result before tax		4,179	25,355	134,523	61,793
Income tax expense and benefit		(36,487)	(23,504)	(92,259)	(46,859)
Result for the period		(32,308)	1,851	42,265	14,933
Whereof attributable to:					
- Parent company		(32,308)	1,851	42,265	14,933
- Non-controlling interest		-	-	-	-

Consolidated statements of comprehensive income

EUR thousand	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Result for the period	(32,308)	1,851	42,265	14,933
Other comprehensive income				
Items that may not be reclassified to the income statement				
Re-measurement of defined benefit plan net of tax	1,633	1,623	1,633	1,623
Income tax related to these items	(120)	18	(120)	18
Items that may not be reclassified to the income statement	1,513	1,641	1,513	1,641
Items that may be reclassified to the income statement				
Hedging reserve	(32,205)	3,564	(8,583)	17,517
Currency translation differences on foreign operations	(106,593)	(4,251)	(81,685)	(17,648)
Income tax related to these items	6,634	(1,216)	1,768	(3,671)
Items that may be reclassified to the income statement	(132,164)	(1,903)	(88,500)	(3,802)
Other comprehensive income	(130,651)	(262)	(86,987)	(2,161)
Total comprehensive income for the period	(162,959)	1,589	(44,722)	12,772
Whereof attributable to:				
- Parent company	(162,959)	1,589	(44,722)	12,772
- Non-controlling interest	-	-	-	-

Consolidated statements of financial position

EUR thousand	Note	Dec 2022	Dec 2021
Assets			
Non-current assets			
Property, plant and equipment		1,316,626	1,169,952
Right of use assets		157,255	146,864
Goodwill		777,765	867,680
Customer portfolio		1,037,603	1,011,677
Other intangible assets		316,344	282,831
Deferred tax assets		28,778	27,860
Derivatives	4	1,363	-
Trade and other receivables	4	302,693	311,653
Total non-current assets		3,938,428	3,818,516
Current assets			
Inventories		342,732	252,086
Trade receivables	4	193,131	147,629
Current tax assets		12,434	15,896
Derivatives	4	6,244	9,651
Prepayments and accrued income		81,827	59,097
Other current receivables	4	42,159	35,288
Cash and cash equivalents	4	43,629	24,283
Total current assets		722,156	543,930
Total assets		4,660,583	4,362,446

EUR thousand	Note	Dec 2022	Dec 2021
Equity and liabilities			
Equity			
Share capital		56	56
Other paid in capital		624,686	624,686
Translation reserve		(58,890)	22,795
Hedging reserve		849	7,664
Retained earnings		(4,583,528)	(4,628,446)
Equity attributable to equity holders of the parent company		(4,016,827)	(3,973,245)
Non-controlling interest		-	-
Total equity		(4,016,827)	(3,973,245)
Non-current liabilities			
Long-term borrowings	4,5	7,252,455	7,029,477
Derivatives	4	4,593	-
Other non-current liabilities	4	111,241	86,792
Deferred tax liabilities		184,455	175,474
Other provisions		16,815	22,437
Total non-current liabilities		7,569,559	7,314,180
Current liabilities			
Trade payables	4	188,664	190,682
Current tax liabilities		79,777	85,203
Short-term borrowings	4,5	166,724	129,919
Derivatives	4	5,175	30,853
Accrued expenses and deferred income		606,993	545,839
Other current liabilities	4	60,517	39,015
Total current liabilities		1,107,850	1,021,511
Total equity and liabilities		4,660,583	4,362,446

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	Translation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	
Balance at January 1, 2022	56	624,686	22,795	7,664	(4,628,446)	(3,973,245)	-	(3,973,245)
Result for the period	-	-	-	-	42,265	42,265	-	42,265
Other comprehensive income	-	-	(81,685)	(6,815)	1,513	(86,987)	-	(86,987)
<i>Total comprehensive income</i>	-	-	<i>(81,685)</i>	<i>(6,815)</i>	<i>43,778</i>	<i>(44,722)</i>	-	<i>(44,722)</i>
Transactions with owners								
Group contribution	-	-	-	-	124	124	-	124
Shareholder's contribution	-	-	-	-	1,016	1,016	-	1,016
<i>Total transactions with owners</i>	-	-	-	-	<i>1,140</i>	<i>1,140</i>	-	<i>1,140</i>
Balance at December 31, 2022	56	624,686	(58,890)	849	(4,583,528)	(4,016,827)	-	(4,016,827)

EUR thousand	Attributable to equity holders of the parent company and non-controlling interest							Total equity
	Share capital	Other paid in capital	Translation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	
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>	<i>12,772</i>	-	<i>12,772</i>
Transactions with owners								
Transaction with non-controlling interest	-	-	-	-	(1,000)	(1,000)	-	(1,000)
Shareholder's contribution	-	-	-	-	1,016	1,016	-	1,016
Dividend	-	-	-	-	(1,729,796)	(1,729,796)	-	(1,729,796)
<i>Total transactions with owners</i>	-	-	-	-	<i>(1,729,780)</i>	<i>(1,729,780)</i>	-	<i>(1,729,780)</i>
Balance at December 31, 2021	56	624,686	22,795	7,664	(4,628,446)	(3,973,245)	-	(3,973,245)

Consolidated statements of cash flows

EUR thousand	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Operating activities				
Operating profit	111,787	91,406	471,278	378,864
Reversal of depreciation and amortization	140,421	120,780	557,114	477,294
Other non-cash items	26,406	(7,360)	87,769	128,230
Paid taxes	(49,625)	(35,394)	(77,133)	(61,589)
Cash flow from operating activities before change in working capital	228,990	169,433	1,039,028	922,800
Change in working capital				
Change in inventories	22,290	(28,817)	(86,977)	(89,186)
Change in trade receivables	40,782	12,032	(49,720)	21,640
Change in other receivables	(25,901)	6,437	(14,010)	(5,874)
Change in trade payables	16,718	60,939	(550)	7,753
Change in other payables	824	(45,277)	112,062	(40,212)
<i>Cash flow from change in working capital</i>	<i>54,713</i>	<i>5,315</i>	<i>(39,196)</i>	<i>(105,878)</i>
Cash flow from operating activities	283,703	174,748	999,832	816,922
Investing activities				
Purchase of intangible assets	(115,552)	(104,804)	(400,739)	(378,151)
Purchase of property, plant and equipment	(119,228)	(115,362)	(440,428)	(385,016)
Acquisition of non-controlling interest	-	-	-	(1,000)
Prepayment of intangible assets	157	-	157	-
Cash flow from investing activities	(234,623)	(220,166)	(841,010)	(764,168)
Financing activities				
Change in borrowings	43,789	80,290	181,964	190,620
Paid bank and advisory fees	(6,191)	-	(6,441)	(74,077)
New financing	500,000	-	500,000	4,472,783
Repayment of financing	(500,000)	-	(500,000)	(2,734,562)
Net interest paid	(63,991)	(49,597)	(303,843)	(263,031)
Call cost old debt	-	-	-	(17,175)
Other financial items	(2,849)	6,020	(11,039)	(7,536)
Paid distribution	-	-	-	(1,703,787) ¹
Cash flow from financing activities	(29,242)	36,714	(139,359)	(136,764)
Cash flow for the period	19,837	(8,704)	19,462	(84,009)
Cash and cash equivalents at start of period	23,997	29,185	24,283	97,941
Exchange difference on translating cash and cash equivalents	(204)	3,801	(116)	10,350
Cash and cash equivalents at end of period	43,629	24,283	43,629	24,283

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

Notes to the Unaudited Consolidated Financial Statements

Note 1 Accounting Policies

Basis of presentation and accounting periods

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

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

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

Note 2 Critical Accounting Estimates and Judgments

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

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

Note 3 Segment Reporting

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

Oct-Dec 2022						
EUR thousands	Customer Acquisition	Portfolio Services	Adjacencies	Total Group – Excl SDIs	SDIs	Group Total
Revenue	92,801	611,257	20,633	724,690	-	724,690
Adjusted EBITDA	(137,338)	434,586	(129)	297,119	(18,475)	278,644
Depreciation and amortization	-	-	-	(124,253)	(16,169)	(140,422)
Retirements of assets	-	-	-	(26,436)	-	(26,436)
Financial items	-	-	-	(92,167)	(15,441)	(107,608)
Result before tax	-	-	-	54,263	(50,085)	4,179

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 amortization	-	-	-	(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

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

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 amortization	-	-	-	(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

Note 4 Financial Risk Management

Financial instruments by category and valuation level

EUR thousand	Dec 2022		Dec 2021	
	Financial Asset	Financial Liability	Financial Asset	Financial Liability
Hedge accounting				
FX Forwards ¹	6,244	5,175	9,651	-
Fair value through profit or loss				
FX Swaps ¹	-	-	-	3,479
Cross currency swaps ¹	1,363	-	-	18,630
Interest rate swaps ¹	-	4,593	-	8,744
Amortized cost				
Trade and other receivables	285,959	-	296,155	-
Trade receivables, current ³	193,131	-	147,629	-
Other current receivables ³	17,028	-	22,304	-
Cash and cash equivalent	43,629	-	24,283	-
Long-term borrowings ²	-	7,138,198	-	6,920,429
Other non-current liabilities ²	-	3,152	-	5,547
Trade payables, current ³	-	188,664	-	190,682
Accrued expenses, current ³	-	206,812	-	196,326
Short-term borrowings ^{2, 3}	-	120,346	-	88,817
Other current liabilities ^{2, 3}	-	24,652	-	11,169

1) All derivatives measured at fair value are classified in level 2. All significant inputs are observable.

2) Details of borrowings are presented in note 5.

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

Note 5 Borrowings

EUR thousand	Dec 2022			Dec 2021		
	Principal amount	Adjustment amortized costs	Carrying amount	Principal amount	Adjustment amortized costs	Carrying amount
Non-current liabilities						
Secured						
Senior Secured Notes	2,650,000	(22,999)	2,627,001	2,650,000	(21,472)	2,628,528
Term Loan B ¹	2,800,000	(42,447)	2,757,553	2,800,000	(51,445)	2,748,555
Revolver Credit Facility	454,499	(9,863)	444,636	234,715	(11,749)	222,966
Unsecured						
Senior Unsecured Notes	1,309,870	(13,215)	1,296,655	1,321,337	(14,972)	1,306,365
Liabilities to other creditors	12,354	-	12,354	14,014	-	14,014
Lease liability	114,257	-	114,257	109,049	-	109,049
Long-term borrowings	7,340,980	(88,525)	7,252,455	7,129,115	(99,638)	7,029,477
Current liabilities						
Accrued interest expenses	81,416	-	81,416	62,882	-	62,882
Other liabilities	38,929	-	38,929	25,935	-	25,935
Lease liability	46,378	-	46,378	41,102	-	41,102
Short-term borrowings	166,724	-	166,724	129,919	-	129,919
Total	7,507,704	(88,525)	7,419,179	7,259,034	(99,638)	7,159,397

1) Of the total amount regarding adjustment amortized costs EUR (13,103) thousand in December 31, 2022 and (16,482) in December 2021 relates to a non-cash adjustment derived from the modification of loan terms during the loans contract period calculated according to IFRS 9.

Net Debt and Leverage (per SFA)

EUR thousand	Dec 2022	Dec 2021
Total principal amount (as above)	7,507,704	7,259,034
Less accrued interest	(81,416)	(62,882)
Total indebtedness	7,426,287	7,196,153
Less cash and cash equivalents	(43,629)	(24,283)
Total net debt	7,382,658	7,171,870
Secured net debt	5,860,870	5,660,432
L2QA EBITDA	1,223,556	1,078,723
Total net leverage	6.0x	6.6x
Total Secured net leverage	4.8x	5.2x

Note 6 Pledged Assets and Contingent Liabilities

Pledged Assets

EUR thousand	Dec 2022	Dec 2021
Shares in subsidiaries	2,583,898	2,393,895
Bank accounts	29,867	15,126
Accounts receivables	189,245	124,264
Inventories	645	729
Other operating assets	65,434	67,822
Trademark	56,206	66,925
Endowment insurance	567	622

Contingent Liabilities

EUR thousand	Dec 2022	Dec 2021
Guarantees	37,431	36,769

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

In July 2021, a newly established Alarm Customer Association initiated a class action against Verisure Norway and its main competitor for claimed economic losses suffered by customers as a result of the alleged illegal collaboration that formed part of the NCA decision. Verisure Norway firmly contests the basis of the class action on both procedural and substantive grounds. The class action was dismissed on procedural grounds by the Oslo District Court in February 2022 and, upon appeal by the Alarm Customer Association, by the Court of Appeal in June the same year. In September 2022, the Alarm Customer Association filed an appeal to the Supreme Court, which has granted leave for the appeal for the specific procedural questions appealed. A hearing date has been set for May this year. The underlying claims have not been specified in any detail by the Alarm Customer Association and we firmly contest that the conditions for compensation are fulfilled.

Unaudited Parent Company Financial Statements

Parent company income statement

EUR thousand	Note	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Administrative expenses		717	74,997	710	35,854
Operating result		717	74,997	709	35,854
Financial income	2	12,130	6,627	48,204	43,098
Financial expenses	2	(20,281)	(19,028)	(79,454)	(99,013)
Dividend		-	-	-	295,868
Group contributions		3,317	-	3,317	-
Result before tax		(4,117)	62,597	(27,224)	275,807
Income tax expense and benefit		-	-	(385)	-
Result for the period		(4,117)	62,597	(27,609)	275,807

Parent Company Statement of Financial Position

EUR thousand	Note	Dec 2022	Dec 2021
Assets			
Non-current assets			
Long-term investments			
Investments in subsidiaries		1,191,984	1,190,969
Receivables from Group companies		688,349	704,210
Total non-current assets		1,880,333	1,895,178
Current assets			
Current receivables		20,009	20,766
Cash and cash equivalents		627	1,061
Total current assets		20,636	21,827
Total assets		1,900,969	1,917,005
Equity and liabilities			
Equity			
Share capital		56	56
Other paid in capital		569,170	569,170
Retained earnings		(88,471)	(61,878)
Total equity		480,755	507,349
Non-current liabilities			
Long-term borrowings	3	1,296,655	1,306,365
Liabilities to Group companies		94,887	77,387
Total non-current liabilities		1,391,542	1,383,752
Current liabilities			
Accounts payable		-	9
Accrued expenses and prepaid income	3	28,671	25,983
Other current liabilities		-	2
Total current liabilities		28,671	25,904
Total equity and liabilities		1,900,969	1,917,005

Parent Company Statements of Changes in Equity

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
Balance at January 1, 2022	56	569,170	(61,878)	507,349
Result for the period	-	-	(27,609)	(27,609)
Shareholders contribution	-	-	1,016	1,016
Balance at December 31, 2022	56	569,170	(88,471)	480,755

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

Parent Company Statements of Cash Flows

EUR thousand	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Operating activities				
Operating result	717	38,997	710	(146)
Other non-cash items	-	(39,000)	-	-
Paid taxes	-	-	(385)	-
Cash flow from operating activities before change in working capital	717	(3)	325	(146)
Change in working capital				
Change in trade payables	(54)	14	(14)	9
Change in other receivables	(695)	-	(749)	2
<i>Cash flow from change in working capital</i>	<i>(749)</i>	<i>14</i>	<i>(763)</i>	<i>11</i>
Cash flow from operating activities	(32)	11	(438)	(134)
Investing activities				
Cash flow from investing activities	-	-	-	-
Financing activities				
New financing	-	-	-	1,322,783
Repayment of loan	-	-	-	(1,242,562)
Dividend received	-	-	-	1,703,787
Dividend paid	-	-	-	(1,703,787) ¹
New loans from Group companies	-	-	17,500	39,810
Repayment of loan from Group companies	-	-	-	(60,402)
Other financial items	171	-	119	-
Paid bank and advisory fees	-	(47)	-	(16,793)
Call cost old debt	-	-	-	(17,175)
Net interest received or paid	(307)	(2,109)	(17,615)	(24,862)
Cash flow from financing activities	(136)	(2,157)	4	798
Cash flow for the period	(168)	(2,146)	(434)	664
Cash and cash equivalents at start of period	795	3,207	1,061	396
Exchange difference on translating cash and cash equivalents	-	-	-	-
Cash and cash equivalents at end of period	627	1,061	627	1,061

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

Note to the Unaudited Parent Company Financial Statements

Note 1 Accounting Policies

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

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

Note 2 Financial income and expenses

EUR thousand	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Interest income from Group companies	12,130	6,627	48,204	43,098
Other financial income	-	-	-	-
Financial income	12,130	6,627	48,204	43,098
Interest expense	(18,109)	(17,598)	(70,949)	(70,392)
Interest expense to Group companies	(703)	(524)	(2,475)	(1,671)
Other financial expenses	(1,469)	(907)	(6,030)	(26,950)
Financial expenses	(20,281)	(19,028)	(79,454)	(99,013)

Note 3 Borrowings

EUR thousand	Dec 2022			Dec 2021		
	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
Unsecured						
Senior Unsecured Notes	24,513	1,296,655	1,321,168	24,208	1,306,365	1,330,573
Total (carrying amount)	24,513	1,296,655	1,321,168	24,208	1,306,365	1,330,573

Quarterly summary

Key Figures

EUR thousand (unless otherwise stated)	Oct-Dec 2022	Jul-Sep 2022	Apr-Jun 2022	Jan-Mar 2022	Oct-Dec 2021
Consolidated					
Non-IFRS and IFRS financial data					
Revenue ¹	724,690	721,979	698,337	682,016	652,615
Organic revenue growth	12.0%	13.8%	11.4%	14.0%	11.7%
Adjusted EBITDA excl. SDIs	297,119	302,159	276,209	276,482	251,104
Adjusted EBITDA margin excl. SDIs	41.0%	41.9%	39.6%	40.5%	38.5%
Adjusted EBITDA incl. SDIs	278,644	297,119	267,459	272,969	243,826
Adjusted EBITDA Margin incl. SDIs	38.5%	41.2%	38.3%	40.0%	37.4%
Operating profit	111,787	136,668	110,133	112,691	91,406
Capital expenditures	234,790	206,935	213,037	186,290	220,117
Net Debt per SFA	7,382,658	7,344,981	7,286,736	7,215,951	7,171,870
Unaudited operating data					
Payback period, years	3.9	3.8	3.8	3.6	3.8
Portfolio services segment					
Non-IFRS and IFRS financial data					
Portfolio services revenue ¹	611,257	597,992	582,048	566,861	536,468
Portfolio services adjusted EBITDA excl. SDIs	434,586	430,453	420,357	408,995	380,347
Portfolio services adjusted EBITDA margin excl. SDIs	71.1%	72.0%	72.2%	72.2%	70.9%
Unaudited operating data					
Total subscribers (end of period), units	4,752,097	4,644,898	4,529,330	4,401,991	4,274,827
Cancellation, units	88,405	82,413	78,273	75,737	66,764
Attrition rate (LTM)	7.2%	6.9%	6.6%	6.5%	6.4%
Net subscriber growth, units	107,199	115,568	127,339	127,164	128,457
Subscriber growth rate, net	11.2%	12.0%	12.7%	13.3%	13.6%
Average number of subscribers during the period, units	4,704,140	4,596,196	4,458,203	4,332,495	4,214,867
Average monthly revenue per user (ARPU), EUR	43.3	43.4	43.5	43.6	42.4
Monthly adjusted EBITDA per subscriber (EPC), EUR	30.8	31.2	31.4	31.5	30.1
Customer acquisition segment					
Non-IFRS and IFRS financial data					
Customer acquisition revenue ¹	92,801	103,362	94,440	95,351	92,339
Customer acquisition adjusted EBITDA excl. SDIs	(137,338)	(129,917)	(144,409)	(133,183)	(125,641)
Customer acquisition capital expenditures	141,460	148,275	148,278	145,725	140,277
Unaudited operating data					
New subscribers added (gross)	195,604	197,981	205,612	202,901	195,221
Cash acquisition cost per new subscriber (CPA), EUR	1,425	1,405	1,423	1,375	1,362
Adjacencies segment					
Non-IFRS and IFRS financial data					
Adjacencies revenue ¹	20,633	20,625	21,848	19,803	23,808
Adjacencies adjusted EBITDA excl. SDIs	(129)	1,623	260	670	(3,601)

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	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Operating profit according to consolidated income statement	111,787	91,406	471,278	378,864
Less depreciation and amortization	140,422	120,778	557,115	477,293
Less retirement of assets	26,436	31,643	87,799	128,232
Less separately disclosed items	18,475	7,278	35,777	63,607
Adjusted EBITDA	297,119	251,104	1,151,969	1,047,995
Whereof adjusted EBITDA customer acquisition	(137,338)	(125,641)	(544,846)	(421,036)
Whereof adjusted EBITDA portfolio services	434,586	380,347	1,694,390	1,477,479
Whereof adjusted EBITDA adjacencies	(129)	(3,601)	2,424	(8,448)

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 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Portfolio services segment revenue	611,257	536,468	2,358,158	2,043,673
Monthly average portfolio services segment revenue	203,752	178,823	196,513	170,306
Monthly average number of subscribers during the period, units	4,704,140	4,214,867	4,522,759	4,017,721
Monthly average portfolio services segment revenue (in EUR) divided by average monthly number of subscribers during the period – ARPU (In EUR)	43.3	42.4	43.4	42.4

Monthly adjusted EBITDA per subscriber

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

Calculation of EPC

EUR thousands	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Portfolio services segment adjusted EBITDA excl. SDIs	434,586	380,347	1,694,390	1,477,479
Monthly average portfolio services segment adjusted EBITDA excl. SDIs	144,862	126,782	141,199	123,123
Monthly average number of subscribers during the period, units	4,704,140	4,214,867	4,522,759	4,017,721
Monthly average portfolio services segment adjusted EBITDA (in EUR) divided by monthly average number of subscribers during the period – EPC (In EUR)	30.8	30.1	31.2	30.6

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	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Customer acquisition Adjusted EBITDA excl. SDIs	(137,338)	(125,641)	(544,846)	(421,036)
Customer acquisition capital expenditure	(141,460)	(140,277)	(583,738)	(546,440)
Customer acquisition cost	(278,799)	(265,918)	(1,128,584)	(967,476)
New subscribers added (gross)	195,604	195,221	802,098	769,583
Customer acquisition cost (in EUR) divided by new subscribers added (gross) - CPA (In EUR)	1,425	1,362	1,407	1,257

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 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Cash acquisition cost per new subscriber ("CPA")	1,425	1,362	1,407	1,257
Monthly adjusted EBITDA per customer ("EPC")	30.8	30.1	31.2	30.6
CPA divided by EPC divided by 12	3.9	3.8	3.8	3.4

Malmö, Feb 22, 2023

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CEO

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Elizabeth Henry