



verisure



FULL YEAR REPORT
January - December

2023

PROUD TO PROTECT

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Key Operating and Financial Highlights

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 5.1 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 and industry leading retention.

In the fourth quarter of 2023, the Group continued to deliver excellent operating and financial performance while preserving strong unit economics. Our customer portfolio continued to grow and is now over 5.1 million, representing an annual growth rate of 8.9% compared to the same period last year. We are very proud to have achieved this milestone in our 35-year anniversary. Growth has been driven by new installations of nearly 199,000 and attrition of 7.6% in the quarter. We have added over 420,000 customers to our portfolio in the last twelve months. Total revenue and adjusted EBITDA incl. SDIs increased 8.4% and 14.4%, respectively, in the quarter. In constant currency, total revenue and adjusted EBITDA incl. SDIs increased 9.3% and 15.6%, respectively.

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

Financial summary of the quarter and the twelve months ending December 31, 2023

We added 198,764 new customers to our portfolio in the quarter and 797,312 customers in the full year of 2023. An increase of 1.6% in the quarter and a decrease of -0.6% in the full year, compared to the same period last year. We remain disciplined and focused on high-quality customer intake. At the end of the year our customer portfolio stood at 5,173,032 customers, up 420,935 customers or 8.9% year-on-year. LTM attrition rate was 7.6% as of the end of the quarter. Q4 quarterly attrition was also 7.6%.

Total revenue reached EUR 785.4 million in the fourth quarter of 2023, up 8.4% from EUR 724.7 million in the same period last year. In constant currency, total revenue grew 9.3% in the quarter. Portfolio services revenue, representing 85.7% of total revenue in the quarter, grew 10.2% to EUR 673.4 million. In constant currency, portfolio services revenue grew 11.2% in the quarter. In the full year of 2023, total revenue increased to EUR 3,090.0 million compared to EUR 2,827.0 million last year, representing an increase of 9.3% in actual currency and 10.6% in constant currency. Portfolio services revenue grew 11.8% to EUR 2,635.3 million in the full year (13.3% increase in constant currency).

Adjusted EBITDA incl. SDIs increased to EUR 318.8 million in the quarter compared to EUR 278.6 million in the same period last year, an increase of 14.4%. In constant currency, total adjusted EBITDA incl. SDIs increased 15.6% in the quarter. For the full year, total adjusted EBITDA incl. SDIs increased 16.3% to EUR 1,298.0 million compared to EUR 1,116.2 million in 2022 (17.9% increase in constant currency).

Operating profit was EUR 144.0 million in the quarter compared to EUR 111.8 million in Q4 2022, an increase of 28.8%. In the full year, operating profit increased 27.9% to EUR 603.0 million compared to EUR 471.3 million in 2022.

Portfolio services adjusted EBITDA increased to EUR 484.2 million in the quarter compared to EUR 434.6 million the same period last year, representing an increase of 11.4%. In constant currency, portfolio services adjusted EBITDA increased 12.3% in the quarter. Portfolio services adjusted EBITDA margin was 71.9% in the period, compared to 71.1% in the same period last year. In the full year of 2023, portfolio services adjusted EBITDA reached EUR 1,885.3 million, representing an increase of 11.3% in actual currency and 12.7% in constant currency compared to the same period last year.

CPA was EUR 1,439 in the quarter, an increase of 0.9% compared to the same period last year (1.3% increase in constant currency). In the full year of 2023, CPA increased 0.6% vs. last year (1.4% in constant currency).

ARPU reached EUR 43.8 in the quarter, an increase of 1.1% compared to the same period last year (2.0% increase in constant currency). In the full year of 2023, ARPU increased 1.8% vs. last year (3.2% increase in constant currency). EPC increased to EUR 31.5 in the quarter, an increase of 2.2% vs. last year (3.1% increase in constant currency). In the full year of 2023, EPC increased 1.4% compared to the same period in 2022 (2.6% increase in constant currency).

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

Key figures

EUR thousand (if not otherwise stated)	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Consolidated				
Non-IFRS and IFRS financial data				
Revenue ¹	785,374	724,690	3,089,970	2,827,022
Revenue growth	8.4%	11.0%	9.3%	12.7%
Adjusted EBITDA excl. SDIs	338,138	297,119	1,340,488	1,151,969
Adjusted EBITDA margin excl. SDIs	43.1%	41.0%	43.4%	40.7%
Adjusted EBITDA incl. SDIs	318,752	278,645	1,298,031	1,116,191
Adjusted EBITDA margin incl. SDIs	40.6%	38.5%	42.0%	39.5%
Adjusted EBIT excl. SDIs	172,383	146,431	693,899	576,993
Adjusted EBIT margin excl. SDIs	21.9%	20.2%	22.5%	20.4%
Operating profit ¹	144,005	111,787	602,958	471,278
Capital expenditures	233,933	234,790	868,452	841,059
Net debt per SFA	7,407,669	7,382,658	7,407,669	7,382,658
Unaudited operating data				
Payback period, years	3.8	3.9	3.7	3.8
Portfolio services segment				
Non-IFRS and IFRS financial data				
Portfolio services revenue ¹	673,430	611,257	2,635,294	2,358,158
Portfolio services adjusted EBITDA	484,151	434,586	1,885,286	1,694,390
Portfolio services adjusted EBITDA margin	71.9%	71.1%	71.5%	71.9%
Unaudited operating data				
Total subscribers (end of period), units	5,173,032	4,752,097	5,173,032	4,752,097
Cancellation, units	97,939	88,405	376,377	324,828
LTM attrition rate, %	7.6%	7.2%	7.6%	7.2%
Quarterly attrition rate (annualized), %	7.6%	7.5%	-	-
Net subscriber growth, units	100,825	107,199	420,935	477,270
Subscriber growth rate, net	8.9%	11.2%	8.9%	11.2%
Monthly average number of subscribers during the period, units	5,126,444	4,704,140	4,964,490	4,522,759
Average monthly revenue per user (ARPU), EUR	43.8	43.3	44.2	43.4
Monthly adjusted EBITDA per customer (EPC), EUR	31.5	30.8	31.6	31.2
Customer acquisition segment				
Non-IFRS and IFRS financial data				
Customer acquisition revenue ¹	89,059	92,801	362,273	385,954
Customer acquisition adjusted EBITDA	(144,901)	(137,338)	(551,108)	(544,846)
Customer acquisition capital expenditures	141,034	141,460	577,457	583,738
Unaudited operating data				
New subscribers added (gross), units	198,764	195,604	797,312	802,098
Cash acquisition cost per new subscriber (CPA), EUR	1,439	1,425	1,415	1,407
Adjacencies segment				
Non-IFRS and IFRS financial data				
Adjacencies revenue ¹	22,885	20,633	92,404	82,910
Adjacencies adjusted EBITDA	(1,112)	(129)	6,309	2,424

1) IFRS financial data.

Management's Discussion and Analysis

The information presented and discussed in this report includes several 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 Definitions of Key Operating Metrics. CPA is the net investment to acquire a new customer. ARPU and EPC reflect the monthly revenues and adjusted EBITDA per customer in the portfolio segment. Adjusted EBITDA, being earnings before interests, taxes, write-offs, depreciation and amortization, excluding separately disclosed items (SDIs), is considered by

Management to give a fairer view of the year-on-year comparison of financial performance. SDIs are costs or income recognized in the income statement and which Management believes, due to their nature or size, should be disclosed separately to give a more comparable view of the year-on-year financial performance. All SDIs are further explained later in this section. All figures are presented in actual currency rates, unless otherwise stated. As a result of rounding, numbers presented in this interim report may in some cases not add up to the total. Percentages presented are always calculated taking the exact underlying value, and therefore deviations may occur if percentages are calculated taking the rounded figures presented in the tables.

Three months ending December 31, 2023, and 2022

Results excluding SDIs

EUR million	Oct-Dec 2023	Oct-Dec 2022	Percentage change
Revenue	785.4	724.7	8.4%
Operating expenses	(448.4)	(428.8)	4.6%
Other income	1.2	1.3	(7.8%)
Adjusted EBITDA	338.1	297.1	13.8%
Adjusted EBITDA margin, %	43.1%	41.0%	-
Depreciation and amortization	(137.0)	(124.3)	10.3%
Retirement of assets	(28.8)	(26.4)	8.8%
Operating profit	172.4	146.4	17.7%
Operating profit margin, %	21.9%	20.2%	-
Interest income and expenses	(115.9)	(90.9)	27.5%
Other financial items	12.7	(1.3)	(1,105.3%)
Profit before tax	69.2	54.3	27.5%

Revenue by segment

EUR million	Oct-Dec 2023	Oct-Dec 2022	Percentage change
Portfolio services	673.4	611.3	10.2%
Customer acquisition	89.1	92.8	(4.0%)
Adjacencies	22.9	20.6	10.9%
Total	785.4	724.7	8.4%

Revenue

Total revenue increased 8.4% in the fourth quarter of 2023, or EUR 60.7 million, to 785.4 million, up from EUR 724.7 million in the prior period. In constant currency, total revenue increased 9.3%. Revenue increase was primarily driven by the growing customer base, which increased 8.9%, from 4,752,097 in December 31, 2022, to 5,173,032 in December 31, 2023.

Portfolio services revenue increased by 10.2% in the fourth quarter of 2023, or EUR 62.2 million, to EUR 673.4 million, up from EUR 611.3 million last year. The increase was primarily driven by the higher number of customers in the portfolio as well as increased average monthly revenue per user (ARPU) of 1.1% compared to the same quarter last year.

Customer acquisition revenue reached EUR 89.1 million in the fourth quarter of 2023, representing a decrease of -4.0% compared to the same period last year.

Operating expenses

Operating expenses increased 4.6% in the fourth quarter of 2023, or EUR 19.6 million, to EUR 448.4 million, from EUR 428.8 million in the same period last year. The increase was mainly driven by portfolio growth.

Adjusted EBITDA

Adjusted EBITDA increased 13.8% in the three months ending December 31, 2023, or EUR 41.0 million, to EUR 338.1 million, from EUR 297.1 million in the same period last year. The

increase is mainly driven by growth in the portfolio, as well as increased operational efficiency.

Depreciation and amortization

Depreciation and amortization increased to EUR 137.0 million in the three months ending December 31, 2023, up from EUR 124.3 million in the same period last year, mainly due to growth in the portfolio. Depreciation and amortization is primarily related to the alarm equipment installed at our customers' premises and the capitalized direct costs incurred to obtain new customers.

Retirement of assets

Retirements of assets increased to EUR 28.8 million in the fourth quarter of 2023, from EUR 26.4 million in the same period last year. The cost corresponds mainly to the remaining balance of capitalized material, at the time customers leave the portfolio or upgrade to our new platform. The increase in write-offs during the fourth quarter of 2023 is driven by the

increase in cancellations compared to the same period last year.

Interest income and expenses

Interest income was EUR 0.6 million in the three months ending December 31, 2023, compared to EUR 0.3 million in the same period last year. Interest expense reached EUR 116.5 million in the three months ending December 31, 2023, compared to EUR 91.2 million in the same period last year, driven by increases in the cost of debt.

Other financial items

Other financial items mainly consist of commitment fees for our Revolving Credit Facility and Ancillary Facilities, other bank charges, and changes in the fair value of our outstanding interest rate swaps and cross currency swaps. In the fourth quarter of 2023, other financial items amounted to a benefit of EUR 12.7 million compared to a cost of EUR 1.3 million in the same period last year.

Reported consolidated income statement

EUR million	Oct-Dec 2023			Oct-Dec 2022		
	Profit excl. SDIs	SDIs	Reported	Profit excl. SDIs	SDIs	Reported
Revenue	785.4	-	785.4	724.7	-	724.7
Operating expenses	(448.4)	(19.4)	(467.8)	(428.8)	(18.5)	(447.3)
Other income	1.2	-	1.2	1.3	-	1.3
Adjusted EBITDA	338.1	(19.4)	318.8	297.1	(18.5)	278.6
Depreciation and amortization	(137.0)	(9.0)	(146.0)	(124.3)	(16.2)	(140.4)
Retirement of assets	(28.8)	-	(28.8)	(26.4)	-	(26.4)
Operating profit	172.4	(28.4)	144.0	146.4	(34.6)	111.8
Interest income and expenses	(115.9)	-	(115.9)	(90.9)	-	(90.9)
Other financial items	12.7	(72.3)	(59.6)	(1.3)	(15.4)	(16.7)
Profit before tax	69.2	(100.7)	(31.5)	54.3	(50.1)	4.2
Income tax expense	-	-	9.1	-	-	(36.5)
Net profit for the period	-	-	(22.4)	-	-	(32.3)

Separately disclosed items (SDIs)

SDIs affecting operating expenses

For the fourth quarter of 2023, total SDIs affecting operating expenses reached EUR 19.4 million, compared to EUR 18.5 million in the same period last year. SDIs affecting operating expenses include one-off costs related to various transition projects within the Group.

SDIs affecting depreciation and amortization

For the fourth quarter of 2023, amortization and depreciation from acquisition-related intangible assets reached EUR 9.0 million EUR, compared to EUR 16.2 million last year. The decrease is due to a reduction in the number of acquired contract portfolios pending to be amortized.

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 72.3 million in the fourth quarter of 2023, compared to a cost of EUR 15.4 million in the same period last year. For the three months ending December 31, 2023, other financial items include negative non-cash FX

devaluations of debt items and unrealized derivatives of EUR 67.7 million, amortization of prepaid financing fees of EUR 3.8 million, and a negative IFRS 9 adjustment related to the modification of loan agreements of EUR 0.9 million, partly offset by a positive effect from realized derivatives of EUR 0.1 million. For the three months ending December 31, 2022, other financial items include a negative non-cash FX devaluation of debt items and unrealized derivatives of EUR 9.3 million, amortization of prepaid financing fees of EUR 3.6 million, a negative IFRS 9 adjustment related to the modification of loan agreements of EUR 0.9 million and a negative impact from realized derivatives of EUR 1.4 million.

Income tax expense

For the three months ending December 31, 2023, income tax represented a benefit of EUR 9.1 million, compared to a cost of EUR 36.5 million in the same period last year. While current tax expense totalled EUR 28.4 million in the fourth quarter of 2023, compared to EUR 21.8 million in the same period last year, deferred tax totalled a benefit of EUR 37.5 million in the fourth quarter of 2023 and an expense of EUR 14.7 million in the same period last year.

Twelve months ending December 31, 2023, and 2022

Results excluding SDIs

EUR million	Jan-Dec 2023	Jan-Dec 2022	Percentage change
Revenue	3,090.0	2,827.0	9.3%
Operating expenses	(1,753.8)	(1,679.8)	4.4%
Other income	4.3	4.8	(10.1%)
Adjusted EDITDA	1,340.5	1,152.0	16.4%
Adjusted EBITDA margin, %	43.4%	40.7%	-
Depreciation and amortization	(532.0)	(487.2)	9.2%
Retirement of assets	(114.6)	(87.8)	30.5%
Operating profit	693.9	577.0	20.3%
Operating profit margin, %	22.5%	20.4%	-
Interest income and expenses	(449.3)	(316.8)	41.8%
Other financial items	(1.5)	(5.6)	(73.0%)
Profit before tax	243.1	254.6	(4.5%)

Revenue by segment

EUR million	Jan-Dec 2023	Jan-Dec 2022	Percentage change
Portfolio services	2,635.3	2,358.2	11.8%
Customer acquisition	362.3	386.0	(6.1%)
Adjacencies	92.4	82.9	11.5%
Total	3,090.0	2,827.0	9.3%

Revenue

Total revenue increased by 9.3% in the twelve months ending December 31, 2023, or EUR 262.9 million, to EUR 3,090.0 million, up from EUR 2,827.0 million in the prior period. In constant currency the increase in revenue was 10.6%, primarily due to the growing customer base, which increased by 8.9%, from 4,752,097 in December 31, 2022, to 5,173,032, in December 31, 2023.

Portfolio services revenue increased by 11.8% in the twelve months ending December 31, 2023, or EUR 277.1 million, to EUR 2,635.3 million, up from EUR 2,358.2 million last year. The increase was primarily driven by the higher number of customers in the portfolio as well as increased average monthly revenue per user (ARPU) of 1.8%.

Customer acquisition revenue reached EUR 362.3 million in the twelve months ending December 31, 2023, representing a decrease of -6.1% compared to the same period last year. The decrease is mainly driven by less new installations compared to last year.

Operating expenses

Operating expenses increased by 4.4% in the full year, or EUR 73.9 million, to EUR 1,753.8 million, from EUR 1,679.8 million in the same period last year. The increase was mainly due to growth in the portfolio.

Adjusted EBITDA

Adjusted EBITDA increased by 16.4% in the twelve months ending December 31, 2023, or EUR 188.5 million, to EUR 1,340.5 million, from EUR 1,152.0 million in the same period last year. The increase is mainly driven by growth in the portfolio, as well as a higher monthly adjusted EBITDA per customer (EPC).

Depreciation and amortization

Depreciation and amortization increased to EUR 532.0 million in the twelve months ending December 31, 2023, up from EUR 487.2 million in the same period last year, mainly due to growth in portfolio. Depreciation and amortization is primarily related to the alarm equipment installed at our customers' premises and the capitalized direct costs incurred to obtain new customers.

Retirement of assets

Retirements of assets increased to EUR 114.6 million in the twelve months ending December 31, 2023, from EUR 87.8 million in the same period last year. The cost corresponds mainly to the remaining balance of capitalized material, at the time customers leave the portfolio or upgrade to our new platform. The increase in write-offs during the twelve months of 2023 is driven by the increase in cancellations compared to the same period last year.

Interest income and expenses

Interest income reached EUR 1.9 million in the twelve months ending December 31, 2023, compared to EUR 1.0 million in the same period last year. Interest expense reached EUR 451.1 million in the twelve months ending December 31, 2023, compared to EUR 317.8 million in the same period last year, driven by increases in the cost of debt.

Other financial items

Other financial items mainly consist of commitment fees for our Revolving Credit Facility and Ancillary Facilities, other bank charges, and changes in the fair value of our outstanding interest rate swaps and cross currency swaps. For the twelve months ending December 31, 2023, other financial items amounted to EUR 1.5 million compared to EUR 5.6 million in the same period last year.

Reported consolidated income statement

EUR million	Jan-Dec 2023			Jan-Dec 2022		
	Profit excl. SDIs	SDIs	Reported	Profit excl. SDIs	SDIs	Reported
Revenue	3,090.0	-	3,090.0	2,827.0	-	2,827.0
Operating expenses	(1,753.8)	(42.5)	(1,796.2)	(1,679.8)	(35.8)	(1,715.6)
Other income	4.3	-	4.3	4.8	-	4.8
Adjusted EBITDA	1,340.5	(42.5)	1,298.0	1,152.0	(35.8)	1,116.2
Depreciation and amortization	(532.0)	(48.5)	(580.5)	(487.2)	(69.9)	(557.1)
Retirement of assets	(114.6)	-	(114.6)	(87.8)	-	(87.8)
Operating profit	693.9	(90.9)	603.0	577.0	(105.7)	471.3
Interest income and expenses	(449.3)	(0.7)	(450.0)	(316.8)	-	(316.8)
Other financial items	(1.5)	(82.1)	(83.7)	(5.6)	(14.4)	(20.0)
Profit before tax	243.1	(173.8)	69.3	254.6	(120.1)	134.5
Income tax expense	-	-	(40.4)	-	-	(92.3)
Net profit for the period	-	-	28.9	-	-	42.3

Separately disclosed items (SDIs)

SDIs affecting operating expenses

For the twelve months ending December 31, 2023, total SDIs affecting operating expenses reached EUR 42.5 million, compared to EUR 35.8 million in the same period last year. SDIs affecting operating expenses include one-off costs related to various transition projects within the Group.

SDIs affecting depreciation and amortization

For the twelve months ending December 31, 2023, amortization and depreciation from acquisition-related intangible assets reached EUR 48.5 million, compared to EUR 69.9 million last year. The decrease is due to a reduction in the number of acquired contract portfolios pending to be amortized.

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 82.8 million in the full year of 2023, compared to a cost of EUR 14.4 million in the same period last year. For the twelve months ending December 31, 2023, other financial items include negative non-cash FX

devaluations of debt items and unrealized derivatives of EUR 62.3 million, amortization of prepaid financing fees of EUR 15.5 million, and a negative IFRS 9 adjustment related to the modification of loan agreements of EUR 3.5 million, partly offset by a positive effect from realized derivatives of EUR 0.9 million. For the twelve months ending December 31, 2022, other financial items include a positive non-cash FX revaluation of debt items and unrealized derivatives of EUR 7.1 million, offset by the amortization of prepaid financing fees of EUR 14.0 million, a negative IFRS 9 adjustment related to the modification of loan agreements of EUR 3.4 million, and a negative impact from realized derivatives of EUR 4.1 million.

Income tax expense

For the twelve months ending December 31, 2023, income tax represented a cost of EUR 40.4 million, compared to a cost of EUR 92.3 million in the same period last year. While current tax expense totalled EUR 96.2 million in the twelve months ending December 31, 2023, compared to EUR 74.5 million in the same period last year, deferred tax totalled a benefit of EUR 55.8 million in the twelve months ending December 31, 2023, and an expense of EUR 17.8 million in the same period last year.

Cash Flow

Cash flow for the three months ending December 31, 2023, and 2022

EUR million	Oct-Dec 2023	Oct-Dec 2022
Cash flow from operating activities before change in working capital	264.4	229.0
Change in working capital	79.4	54.7
Cash flow from operating activities¹	343.7	283.7
Cash flow from investing activities	(249.5)	(234.6)
Cash flow from financing activities ²	(98.3)	(29.2)
Cash flow for the period	(4.1)	19.8
Cash and cash equivalents at beginning of period	26.1	24.0
Translation differences on cash and cash equivalents	(0.6)	(0.2)
Cash and cash equivalents at end of period	21.3	43.6

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

2) Cash flow from financing activities includes paid interest.

Cash flow from operating activities

Cash flow from operating activities reached EUR 343.7 million and EUR 283.7 million for the three months ending December 31, 2023, and 2022, respectively. Cash flow from operating activities before change in working capital increased from EUR 229.0 million in the fourth quarter of 2022, to EUR 264.4 million in the fourth quarter of 2023, mainly driven by higher operating profit, partly offset by a lower impact from other non-cash items. Change in working capital had a positive impact on cash flow generation of EUR 79.4 million in the fourth quarter of 2023, compared to a positive impact of EUR 54.7 million in the same period last year. Year on year improvement is driven by positive developments in inventory levels, which were elevated in 2022 mainly to support the launch of our next generation product proposition in some of our markets. Additionally, positive developments in other payables, other receivables and trade payables further contribute to positive cash flow generation from change in working capital, more than offsetting the negative impact from changes in trade receivables.

Cash flow from investing activities

Cash flow from investing activities reached EUR 249.5 million and EUR 234.6 million for the three months ending December 31, 2023, and 2022, respectively. The increase is mainly driven by incremental investments to further enhance our product and service offering.

Cash flow from financing activities

Cash flow from financing activities totalled an outflow of EUR 98.3 million and EUR 29.2 million for the three months ending December 31, 2023, and 2022, respectively. Key components in the three months ending December 31, 2023, include net interest payments of EUR 88.4 million, a negative net change in borrowings of EUR 7.0 million, and other financial items of EUR 3.0 million. Compared to the same period last year, net interest payments increased by EUR 24.4 million, from EUR 64.0 million, mainly due to selected interest payment dates for our EUR 2,800 million TLBs and higher cost of debt.

Cash flow for the twelve months ending December 31, 2023, and 2022

EUR million	Jan-Dec 2023	Jan-Dec 2022
Cash flow from operating activities before change in working capital	1,198.1	1,039.0
Change in working capital	197.3	(39.2)
Cash flow from operating activities¹	1,395.4	999.8
Cash flow from investing activities	(884.0)	(841.0)
Cash flow from financing activities ²	(532.6)	(139.4)
Cash flow for the period	(21.2)	19.5
Cash and cash equivalents at beginning of period	43.6	24.3
Translation differences on cash and cash equivalents	(1.2)	(0.1)
Cash and cash equivalents at end of period	21.3	43.6

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

2) Cash flow from financing activities includes paid interest.

Cash flow from operating activities

Cash flow from operating activities reached EUR 1,395.4 million and EUR 999.8 million for the twelve months ending December 31, 2023, and 2022, respectively. Cash flow from operating activities before change in working capital increased from EUR 1,039.0 million in the full year of 2022 to EUR 1,198.1 million in 2023, mainly driven by higher operating profit, partly offset by higher paid taxes. Change in working capital had a positive impact on cash flow generation of EUR 197.3 million in the twelve months ending December 31, 2023, compared to a negative impact of EUR 39.2 million in the same period last year. Year on year improvement is driven by positive developments in inventory levels, which were elevated in 2022 mainly to support the launch of our next generation product proposition in some of our markets. Additionally, developments in trade receivables and other payables also contributed positively to generating cash flow from changes in working capital, more than offsetting a negative impact from changes in other receivables and trade payables.

Cash flow from investing activities

Cash flow from investing activities reached EUR 884.0 million and EUR 841.0 million for the twelve months ending December 31, 2023, and 2022, respectively. The increase is mainly driven by incremental investments to further enhance our product and service offering.

Cash flow from financing activities

Cash flow from financing activities totalled an outflow of EUR 532.6 million for the twelve months ending December 31, 2023, compared to an outflow of EUR 139.4 million in the same period last year. Key components in the full year of 2023, include net interest payments of EUR 451.9 million, negative net changes in borrowings of EUR 53.7 million and paid bank, advisory fees and other financial items of EUR 27.3 million. Compared to the same period last year, net interest payments increased by EUR 148.0 million, from EUR 303.8 million, mainly due to selected interest payment dates for our EUR 2,800 million TLBs and higher cost of debt.

Capital Expenditures

The Group's capital expenditures primarily consist of (i) customer acquisition capital expenditures, which include purchases of equipment for new customers and direct costs related to the acquisition of customer contracts; (ii) portfolio services capital expenditures, which relate to new equipment and related direct costs for existing customers; (iii) adjacencies capital expenditures, which include direct costs related to the acquisition of customer contracts within our Adjacencies

segment; and (iv) other capital expenditures related to investments in R&D, IT and premises. 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 the incremental (direct) costs to obtain new customer contracts as intangible fixed assets.

Capital expenditures for the three months ending December 31, 2023, and 2022

EUR million	Oct-Dec 2023	Oct-Dec 2022
Customer acquisition capital expenditures, material	83.8	80.9
Customer acquisition capital expenditures, direct costs	57.2	60.5
Portfolio services capital expenditures	31.5	26.8
Adjacencies capital expenditures	5.1	4.3
Capital expenditures other	56.3	62.2
Total	233.9	234.8

Capital expenditures reached EUR 233.9 million in the three months ending December 31, 2023, compared to EUR 234.8 million in the same period last year. The increase is mainly driven by upselling activity to existing customers.

Capital expenditures for the twelve months ending December 31, 2023, and 2022

EUR million	Jan-Dec 2023	Jan-Dec 2022
Customer acquisition capital expenditures, material	338.1	336.2
Customer acquisition capital expenditures, direct costs	239.3	247.5
Portfolio services capital expenditures	117.8	94.1
Adjacencies capital expenditures	17.3	8.8
Capital expenditures other	155.9	154.4
Total	868.5	841.1

Capital expenditures reached EUR 868.5 million in the twelve months ending December 31, 2023, compared to EUR 841.1 million in the same period last year. The increase is mainly driven by upselling activity to existing customers.

Liquidity, Liabilities and Financing Agreements

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

Available funds as of December 31, 2023 and 2022

EUR million	Dec 2023	Dec 2022
Revolving Credit Facility	700.0	700.0
Cash and cash equivalents	21.3	43.6
Drawn facility amount	(199.5)	(454.5)
Utilized letters of credit	(21.9)	(17.6)
Total available funds	499.9	271.6

Gross financial indebtedness as of December 31, 2023 and 2022

EUR million	Dec 2023	Dec 2022
Revolving Credit Facility	199.5	454.5
Term Loan B	2,800.0	2,800.0
Senior Secured Notes	2,900.0	2,650.0
Senior Unsecured Notes	1,310.2	1,309.9
Other liabilities	57.0	51.3
Lease liability (IFRS 16)	162.3	160.6
Total indebtedness	7,429.0	7,426.3

Risks and uncertainties

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

Events during the reporting period

In January 2023, the Group issued EUR 450 million of new Senior Secured Notes, due in 2028, to repay drawings under our Revolving Credit Facility. Additionally, in April 2023, the Group redeemed its existing EUR 200 million Floating Rate Notes due in 2025 through Revolving Credit Facility drawings.

In May 2023, S&P upgraded Verisure from "B/stable outlook" to "B+/stable outlook", and Moody's upgraded Verisure from "B2/stable outlook" to "B1/stable outlook".

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

Anthony Loizeau, General Manager for the Nordics Cluster, has left the company effective 1 April 2023.

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

In June 2023, Colin Smith joined Verisure as Group Chief Financial Officer and a member of the Group Management Team. Colin is a seasoned leader, who brings more than 25 years of broad experience in strategy, financial planning & analysis, mergers and acquisitions, as well as consumer pricing and go-to-market. Most recently, he has spent 5 years as CFO, UK & Ireland at Sky.

In July 2021, a newly established Alarm Customer Association initiated a class action against Verisure Norway and its main competitor for claimed economic losses suffered by customers as a result of the alleged illegal collaboration that formed part of the NCA decision. Verisure Norway firmly contests the basis of the class action on both procedural and substantive grounds. The class action was dismissed on procedural grounds by the Oslo District Court in February 2022 and, upon appeal by the Alarm Customer Association, by the Court of Appeal in June the same year. In September 2022, the Alarm Customer Association filed an appeal to the Supreme Court, which in a ruling in June 2023 dismissed the appeal. The Alarm Customer Association class action is thereby finally dismissed. As the deadline for filing any new legal action in relation to the NCA decision has also passed, the topic is now finally closed.

In July 2023, the Italian Competition and Commerce Authority (IAA) opened an investigation against Verisure Italy relating to allegations of consumer protection law infringements. In December 2023, a Statement of Objections was issued with preliminary findings of infringement. We have responded to the Statement of Objections and are now waiting for the IAA's decision that will likely be issued in March 2024.

In Q4 2023, the Group made an equity investment into one of our technology partners, taking a minority stake in Origin Wireless, a pioneer in Wi-Fi sensing, with a view to in future potentially leveraging this new detection technology as a part of our proposition.

The Group has a technology partner based in Israel that supports our development efforts and manufactures some of our product's components locally. In addition, the Group has been impacted by pressure on shipping lines particularly through the Red Sea. This has resulted in both increased cost and longer transit times for finished goods and components. Business Continuity Plans have been activated and we do not foresee any material supply disruption from these two ongoing situations.

Events after the reporting period

There have been no significant events after the reporting period.

Unaudited Consolidated Financial Statements

Consolidated Income Statement

EUR thousand	Note	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Revenue	3	785,374	724,690	3,089,970	2,827,022
Cost of sales		(441,725)	(409,112)	(1,702,845)	(1,619,565)
Gross profit		343,649	315,578	1,387,125	1,207,457
Selling expenses		(93,130)	(88,645)	(375,184)	(345,265)
Administrative expenses		(107,669)	(116,399)	(413,260)	(395,671)
Other income		1,156	1,253	4,277	4,757
Operating profit		144,005	111,787	602,958	471,278
Financial income		14,612	325	15,910	970
Financial expenses		(190,116)	(107,932)	(549,555)	(337,725)
Profit before tax		(31,499)	4,179	69,313	134,523
Income tax expense		9,105	(36,487)	(40,428)	(92,259)
Net profit for the period		(22,394)	(32,308)	28,885	42,265

Consolidated Statement of Comprehensive Income

EUR thousand	Note	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Net profit for the period		(22,394)	(32,308)	28,885	42,265
Items that may not be reclassified to the income statement					
Re-measurement of defined benefit plan		(1,537)	1,633	(1,537)	1,633
Income tax related to these items		119	(120)	119	(120)
Items that may not be reclassified to the income statement		(1,418)	1,513	(1,418)	1,513
Items that may be reclassified to the income statement					
Change in hedging reserve		(7,103)	(32,205)	(5,146)	(8,583)
Currency translation differences on foreign operations		4,640	(106,593)	(6,061)	(81,685)
Income tax related to these items		1,463	6,634	1,060	1,768
Items that may be reclassified to the income statement		(1,000)	(132,164)	(10,147)	(88,500)
Other comprehensive income		(2,418)	(130,651)	(11,565)	(86,987)
Total comprehensive income for the period		(24,812)	(162,959)	17,320	(44,722)

Consolidated Statement of Financial Position

EUR thousand	Note	Dec 2023	Dec 2022
Assets			
Non-current assets			
Property, plant and equipment		1,450,741	1,316,626
Right of use assets		159,342	157,255
Goodwill		769,205	777,765
Customer portfolio		1,101,846	1,037,603
Other intangible assets		336,781	316,344
Deferred tax assets		103,240	28,778
Derivatives	4	1,717	1,363
Trade and other receivables	4	89,725	302,693
Total non-current assets		4,012,597	3,938,428
Current assets			
Inventories		296,443	342,732
Trade receivables	4	200,542	193,131
Current tax assets		11,071	12,434
Derivatives	4	140	6,244
Prepayments and accrued income		81,253	81,827
Other current receivables	4	75,239	42,159
Cash and cash equivalents	4	21,319	43,629
Total current assets		686,007	722,156
Total assets		4,698,603	4,660,583

Consolidated Statement of Financial Position

EUR thousand	Note	Dec 2023	Dec 2022
Equity and liabilities			
Equity			
Share capital		56	56
Other paid in capital		628,641	624,686
Translation reserve		(64,951)	(58,890)
Hedging reserve		(3,237)	849
Retained earnings		(4,789,746)	(4,583,528)
Total equity		(4,229,237)	(4,016,827)
Non-current liabilities			
Long-term borrowings	4, 5	7,269,354	7,252,455
Derivatives	4	23,698	4,593
Other non-current liabilities	4	184,540	111,241
Deferred tax liabilities		202,409	184,455
Other provisions		34,780	16,815
Total non-current liabilities		7,714,782	7,569,559
Current liabilities			
Trade payables	4	171,392	188,664
Current tax liabilities		87,565	79,777
Short-term borrowings	4, 5	174,681	166,724
Derivatives	4	4,235	5,175
Accrued expenses and deferred income		698,160	606,993
Other current liabilities	4	77,024	60,517
Total current liabilities		1,213,058	1,107,850
Total liabilities		8,927,840	8,677,409
Total equity and liabilities		4,698,603	4,660,583

Consolidated Statement of Changes in Equity

EUR thousand	Attributable to equity holders of the parent company					
	Share capital	Other paid in capital	Translation reserve	Hedging reserve	Retained earnings	Total
Balance at January 1, 2023	56	624,686	(58,890)	849	(4,583,528)	(4,016,827)
Net profit for the period	-	-	-	-	28,885	28,885
Other comprehensive income	-	-	(6,061)	(4,086)	(1,418)	(11,565)
<i>Total comprehensive income</i>	-	-	(6,061)	(4,086)	27,467	17,320
Transactions with owners						
Dividend	-	-	-	-	(231,713)	(231,713)
Group contribution	-	-	-	-	60	60
Reclassification	-	2,032	-	-	(2,032)	-
Shareholder's contribution	-	1,923	-	-	-	1,923
<i>Total transactions with owners</i>	-	3,955	-	-	(233,685)	(229,730)
Balance at December 31, 2023	56	628,641	(64,951)	(3,237)	(4,789,746)	(4,229,237)

EUR thousand	Attributable to equity holders of the parent company					
	Share capital	Other paid in capital	Translation reserve	Hedging reserve	Retained earnings	Total
Balance at January 1, 2022	56	624,686	22,795	7,664	(4,628,446)	(3,973,245)
Net profit for the period	-	-	-	-	42,265	42,265
Other comprehensive income	-	-	(81,685)	(6,815)	1,513	(86,987)
<i>Total comprehensive income</i>	-	-	(81,685)	(6,815)	43,778	(44,722)
Transactions with owners						
Group contribution	-	-	-	-	124	124
Shareholder's contribution	-	-	-	-	1,016	1,016
<i>Total transaction with owners</i>	-	-	-	-	1,140	1,140
Balance at December 31, 2022	56	624,686	(58,890)	849	(4,583,528)	(4,016,827)

Consolidated Statement of Cash Flows

EUR thousand	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Operating activities				
Operating profit	144,004	111,787	602,958	471,278
Reversal of depreciation and amortization	145,984	140,421	580,461	557,114
Other non-cash items	20,112	26,406	105,962	87,769
Paid taxes	(45,742)	(49,625)	(91,239)	(77,133)
Cash flow from operating activities before change in working capital	264,358	228,990	1,198,143	1,039,028
Change in working capital				
Change in inventories	46,460	22,290	44,277	(86,977)
Change in trade receivables	(12,726)	40,782	(6,555)	(49,720)
Change in other receivables	(21,156)	(25,901)	(33,879)	(14,010)
Change in trade payables	23,406	16,718	(12,305)	(550)
Change in other payables	43,382	824	205,764	112,062
<i>Cash flow from change in working capital</i>	<i>79,366</i>	<i>54,713</i>	<i>197,302</i>	<i>(39,196)</i>
Cash flow from operating activities	343,724	283,703	1,395,445	999,832
Investing activities				
Net investments in intangible and financial assets	(124,087)	(115,552)	(418,892)	(400,739)
Net investments in property, plant and equipment	(125,438)	(119,228)	(465,113)	(440,428)
Prepayment of intangible assets	-	157	-	157
Cash flow from investing activities	(249,525)	(234,623)	(884,005)	(841,010)
Financing activities				
Change in borrowings	(6,986)	43,789	146,267	181,964
New financing	-	500,000	450,000	500,000
Repayment of financing	-	(500,000)	(650,000)	(500,000)
Interest received	599	340	1,876	970
Interest paid	(88,953)	(64,331)	(453,755)	(304,813)
Paid bank and advisory fees	-	(6,191)	(5,416)	(6,441)
Other financial items	(2,967)	(2,849)	(21,852)	(11,039)
Received group contribution	-	-	290	-
Cash flow from financing activities	(98,307)	(29,242)	(532,590)	(139,359)
Cash flow for the period	(4,108)	19,837	(21,150)	19,462
Cash and cash equivalents at start of period	26,061	23,997	43,629	24,283
Exchange difference on translating cash and cash equivalents	(633)	(204)	(1,160)	(116)
Cash and cash equivalents at end of period	21,319	43,629	21,319	43,629

Notes to the Unaudited Consolidated Financial Statements

Note 1 Accounting Policies

Basis of presentation and accounting periods

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

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. The most important accounting principles under IFRS, which is the basis for the preparation of this interim report, can be found in note 2 in the annual report for 2022. The accounting policies are unchanged compared with those applied in 2022.

These consolidated financial statements should be read in conjunction with the annual report 2022. The consolidated interim financial statements have not been audited.

Note 2 Critical Accounting Estimates and Judgments

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

Due to the inherent uncertainty involved in making assumptions and estimates, actual outcomes could differ from those assumptions and estimates. An analysis of key areas of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year is described in note 3 in the annual report for 2022. There have been no significant changes compared to what is described in the annual report.

Note 3 Segment Reporting

The Group's operating segments are identified by grouping together the business by revenue stream, as this is the basis on which information is provided to the chief operating decision maker (CODM) for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. The Group has identified the management team as its CODM. The segments identified based on the Group's operating activities are customer acquisition,

portfolio services and adjacencies. The customer acquisition segment develops, sources, purchases, provides and installs alarm systems for new customers in return for an installation fee. The portfolio services segment provides monitoring services to existing customers for a monthly subscription fee. The adjacency segment captures the sale of remote monitoring and assistance devices and services for senior citizens and the sale of internet connected cameras under the Arlo brand.

Oct-Dec 2023						
EUR thousands	Customer Acquisition	Portfolio Services	Adjacencies	Total Group –Excl SDI	SDI	Group Total
Revenue	89,059	673,430	22,885	785,374	-	785,374
Adjusted EBITDA	(144,901)	484,151	(1,112)	338,138	(19,386)	318,752
Depreciation and amortization	-	-	-	(136,991)	(8,992)	(145,983)
Retirements of assets	-	-	-	(28,765)	-	(28,765)
Financial items	-	-	-	(103,195)	(72,308)	(175,503)
Profit before tax	-	-	-	69,186	(100,686)	(31,499)

Oct-Dec 2022						
EUR thousands	Customer acquisition	Portfolio services	Adjacencies	Total Group –Excl SDI	SDI	Group Total
Revenue	92,801	611,257	20,633	724,690	-	724,690
Adjusted EBITDA	(137,338)	434,586	(129)	297,119	(18,475)	278,645
Depreciation and amortization	-	-	-	(124,253)	(16,169)	(140,422)
Retirements of assets	-	-	-	(26,436)	-	(26,436)
Financial items	-	-	-	(92,167)	(15,441)	(107,608)
Profit before tax	-	-	-	54,264	(50,085)	4,179

Jan-Dec 2023						
EUR thousands	Customer Acquisition	Portfolio Services	Adjacencies	Total Group –Excl SDI	SDI	Group Total
Revenue	362,273	2,635,294	92,404	3,089,970	-	3,089,970
Adjusted EBITDA	(551,108)	1,885,286	6,309	1,340,488	(42,457)	1,298,031
Depreciation and amortization	-	-	-	(531,978)	(48,483)	(580,461)
Retirements of assets	-	-	-	(114,611)	-	(114,611)
Financial items	-	-	-	(450,793)	(82,852)	(533,645)
Profit before tax	-	-	-	243,105	(173,792)	69,313

Jan-Dec 2022						
EUR thousands	Customer acquisition	Portfolio services	Adjacencies	Total Group –Excl SDI	SDI	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)
Profit before tax	-	-	-	254,577	(120,053)	134,523

Note 4 Financial Risk Management

Financial instruments by category and valuation level

EUR thousand	Dec 2023		Dec 2022	
	Financial Asset	Financial Liability	Financial Asset	Financial Liability
Hedge accounting				
FX forwards ¹	137	4,214	6,244	5,175
Fair value				
FX swaps ¹	4	21	-	-
Cross currency swaps ¹	1,717	-	1,363	-
Interest rate swaps ¹	-	23,698	-	4,593
Trade and other receivables ⁴	11,400	-	-	-
Amortized cost				
Trade and other receivables	53,278	-	285,959	-
Trade receivables, current ³	200,542	-	193,131	-
Other current receivables ³	39,759	-	17,028	-
Cash and cash equivalent	21,319	-	43,629	-
Long-term borrowings ²	-	7,157,561	-	7,138,198
Other non-current liabilities ²	-	2,474	-	3,152
Trade payables, current ³	-	171,392	-	188,664
Accrued expenses, current ³	-	197,270	-	206,807
Short-term borrowings ^{2,3}	-	124,141	-	120,346
Other current liabilities ^{2,3}	-	33,387	-	24,652

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

2) Details of borrowings are presented in note 5.

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

4) Trade and other receivables measured at fair value are classified in level 3. Significant inputs are unobservable.

Note 5 Borrowings

EUR thousand	Dec 2023			Dec 2022		
	Principal amount	Adjustment amortized costs	Carrying amount	Principal amount	Adjustment amortized costs	Carrying amount
Non-current liabilities						
Secured						
Senior Secured Notes	2,900,000	(20,384)	2,879,616	2,650,000	(22,999)	2,627,001
Term Loan B ¹	2,800,000	(33,092)	2,766,908	2,800,000	(42,447)	2,757,553
Revolving Credit Facility	199,499	(7,914)	191,585	454,499	(9,863)	444,636
Unsecured						
Senior Unsecured Notes	1,310,184	(11,361)	1,298,823	1,309,870	(13,215)	1,296,655
Liabilities to other creditors	20,630	-	20,630	12,354	-	12,354
Lease liability	111,793	-	111,793	114,257	-	114,257
Long-term borrowings	7,342,106	(72,752)	7,269,354	7,340,980	(88,525)	7,252,455
Current liabilities						
Accrued interest expenses	87,800	-	87,800	81,416	-	81,416
Other liabilities	36,342	-	36,342	38,929	-	38,929
Lease liability	50,540	-	50,540	46,378	-	46,378
Short-term borrowings	174,681	-	174,681	166,724	-	166,724
Total	7,516,787	(72,752)	7,444,035	7,507,704	(88,525)	7,419,179

1) Of the total amount regarding adjustment amortized costs EUR (9,568) thousand in December 31, 2023 and (13,103) in December 31, 2022 relates to a non-cash adjustment derived from the modification of loan terms during the loans contract period calculated according to IFRS 9.

Net Debt and Leverage (per SFA)

EUR thousand	Dec 2023	Dec 2022
Total principal amount (as above)	7,516,787	7,507,704
Less accrued interest	(87,800)	(81,416)
Total indebtedness	7,428,988	7,426,287
Less cash and cash equivalents	(21,319)	(43,629)
Total net debt	7,407,669	7,382,658
Secured net debt	5,878,181	5,860,870
L2QA EBITDA	1,388,690	1,223,556
Total net leverage	5.3x	6.0x
Total secured net leverage	4.2x	4.8x

Note 6 Pledged Assets and Contingent Liabilities

Pledged Assets

EUR thousand	Dec 2023	Dec 2022
Shares in subsidiaries	2,426,640	2,583,898
Bank accounts	6,367	29,867
Accounts receivables	165,460	189,245
Inventories	941	645
Other operating assets	64,208	65,434
Trademark	45,482	56,206
Endowment insurance	537	567

Contingent Liabilities

EUR thousand	Dec 2023	Dec 2022
Guarantees	41,504	37,431

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

Unaudited Parent Company Financial Statements

Parent Company Income Statement

EUR thousand	Note	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Revenue		-	-	579	-
Administrative expenses		(73)	717	(265)	709
Operating profit		(73)	717	314	709
Dividend		256,664	-	256,664	-
Group contributions		(876)	3,317	(876)	3,317
Financial income	2	14,207	12,130	47,975	48,204
Financial expenses	2	(20,221)	(20,281)	(79,525)	(79,454)
Profit before tax		249,701	(4,117)	224,552	(27,224)
Income tax expense		-	-	-	(385)
Net profit for the period		249,701	(4,117)	224,552	(27,609)

Parent Company Statement of Financial Position

EUR thousand	Note	Dec 2023	Dec 2022
Assets			
Non-current assets			
<i>Long-term investments</i>			
Investments in subsidiaries		1,236,493	1,191,984
Receivables from Group companies		648,522	688,349
Total non-current assets		1,885,015	1,880,333
Current assets			
Receivables from Group companies		15,741	19,980
Prepaid expenses and accrued income		-	29
Cash and cash equivalents		743	627
Total current assets		16,484	20,636
Total assets		1,901,499	1,900,969

EUR thousand	Note	Dec 2023	Dec 2022
Equity and liabilities			
Equity			
Share capital		56	56
Other paid in capital		573,125	569,170
Retained earnings		(97,663)	(88,471)
Total equity		475,518	480,755
Provisions			
Non-current liabilities			
Long-term borrowings	3	1,298,823	1,296,655
Liabilities to Group companies		97,831	94,887
Total non-current liabilities		1,396,654	1,391,542
Current liabilities			
Liabilities to Group companies		4,476	4,146
Accrued expenses and deferred income	3	24,851	24,526
Total current liabilities		29,327	28,672
Total liabilities		1,425,981	1,420,214
Total equity and liabilities		1,901,499	1,900,969

Parent Company Statement of Changes in Equity

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
Balance at January 1, 2023	56	569,170	(88,471)	480,755
Net profit for the period	-	-	224,552	224,552
Dividend	-	-	(231,713)	(231,713)
Shareholder contribution	-	1,923	-	1,923
Reclassification	-	2,031	(2,031)	-
Balance on December 31, 2023	56	573,125	(97,663)	475,518

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)	507,348
Net profit for the period	-	-	(27,609)	(27,609)
Shareholder's contribution	-	-	1,016	1,016
Balance on December 31, 2022	56	569,170	(88,471)	480,755

Parent Company Statement of Cash Flows

EUR thousand	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Operating activities				
Operating result	(73)	717	314	710
Paid taxes	-	-	-	(385)
Cash flow from operating activities before change in working capital	(73)	717	314	325
Change in working capital				
Change in trade payables	59	(54)	49	(14)
Change in other receivables	419	(695)	953	(749)
<i>Cash flow from change in working capital</i>	<i>478</i>	<i>(749)</i>	<i>1,002</i>	<i>(763)</i>
Cash flow from operating activities	406	(32)	1,316	(438)
Investing activities				
Cash flow from investing activities	-	-	-	-
Financing activities				
New loans from Group companies	1,130	-	29,043	17,500
Other financial items	2,562	171	(113)	119
Net interest received or paid	(3,680)	(307)	(30,130)	(17,615)
Cash flow from financing activities	12	(136)	(1,200)	4
Cash flow for the period	418	(168)	116	(434)
Cash and cash equivalents at start of period	325	795	627	1,061
Cash and cash equivalents at end of period	743	627	743	627

Notes to the Unaudited Parent Company Financial Statements

Note 1 Accounting Policies

The parent company Verisure Midholding AB (publ) applies the Swedish Financial Reporting Board's recommendation "RFR 2". The accounting policies are unchanged compared with those applied in 2022. These financial statements should be read in conjunction with the Annual Report 2022.

Note 2 Financial Income and Expenses

EUR thousand	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Interest income	6	-	21	-
Interest income from Group companies	12,008	12,130	47,650	48,204
Other financial income	2,193	-	304	-
Financial income	14,207	12,130	47,975	48,204
Interest expense	(18,724)	(18,109)	(73,981)	(70,949)
Interest expense to Group companies	(986)	(703)	(3,548)	(2,475)
Other financial expenses	(511)	(1,469)	(1,996)	(6,030)
Financial expenses	(20,221)	(20,281)	(79,525)	(79,454)

Note 3 Borrowings

EUR thousand	Dec 2023			Dec 2022		
	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
Unsecured						
Senior Unsecured Notes	24,841	1,298,823	1,323,664	24,513	1,296,655	1,321,168
Total (carrying amount)	24,841	1,298,823	1,323,664	24,513	1,296,655	1,321,168

Quarterly Summary

Key Figures

EUR thousand (unless otherwise stated)	Oct-Dec 2023	Jul-Sep 2023	Apr-Jun 2023	Jan-Mar 2023	Oct-Dec 2022
Consolidated					
Non-IFRS and IFRS financial data					
Revenue ¹	785,374	780,984	765,744	757,869	724,690
Revenue growth	8.4%	8.2%	9.7%	11.1%	11.0%
Adjusted EBITDA excl. SDIs	338,138	343,707	330,680	327,962	297,119
Adjusted EBITDA margin excl. SDIs	43.1%	44.0%	43.2%	43.3%	41.0%
Adjusted EBITDA incl. SDIs	318,752	333,050	323,294	322,934	278,644
Adjusted EBITDA margin incl. SDIs	40.6%	42.6%	42.2%	42.6%	38.5%
Adjusted EBIT excl. SDIs	172,383	181,710	169,143	170,665	146,431
Adjusted EBIT margin excl. SDIs	21.9%	23.3%	22.1%	22.5%	20.2%
Operating profit ¹	144,005	158,727	148,361	151,866	111,787
Capital expenditures	233,933	209,532	219,888	205,098	234,790
Net debt per SFA	7,407,669	7,388,297	7,400,482	7,422,948	7,382,658
Unaudited operating data					
Payback period, years	3.8	3.8	3.7	3.6	3.9
Portfolio services segment					
Non-IFRS and IFRS financial data					
Portfolio services revenue ¹	673,430	665,805	652,571	643,489	611,257
Portfolio services adjusted EBITDA	484,151	478,591	465,198	457,345	434,586
Portfolio services adjusted EBITDA margin	71.9%	71.9%	71.3%	71.1%	71.1%
Unaudited operating data					
Total subscribers (end of period), units	5,173,032	5,072,207	4,966,612	4,859,697	4,752,097
Cancellation, units	97,939	90,894	93,795	93,749	88,405
LTM attrition rate, %	7.6%	7.5%	7.5%	7.4%	7.2%
Quarterly attrition rate (annualized), %	7.6%	7.2%	7.7%	7.8%	7.5%
Net subscriber growth, units	100,825	105,595	106,915	107,600	107,199
Subscriber growth rate, net	8.9%	9.2%	9.7%	10.4%	11.2%
Monthly average number of subscribers during the period, units	5,126,444	5,028,001	4,904,152	4,799,363	4,704,140
Average monthly revenue per user (ARPU), EUR	43.8	44.1	44.4	44.7	43.3
Monthly adjusted EBITDA per customer (EPC), EUR	31.5	31.7	31.6	31.8	30.8
Customer acquisition segment					
Non-IFRS and IFRS financial data					
Customer acquisition revenue ¹	89,059	89,990	89,801	93,423	92,801
Customer acquisition adjusted EBITDA	(144,901)	(137,325)	(134,964)	(133,917)	(137,338)
Customer acquisition capital expenditures	141,034	143,224	147,259	145,940	141,460
Unaudited operating data					
New subscribers added (gross)	198,764	196,489	200,710	201,349	195,604
Cash acquisition cost per new subscriber (CPA), EUR	1,439	1,428	1,406	1,390	1,425
Adjacencies segment					
Non-IFRS and IFRS financial data					
Adjacencies revenue ¹	22,885	25,190	23,373	20,957	20,633
Adjacencies adjusted EBITDA	(1,112)	2,441	446	4,534	(129)

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

Adjusted EBITDA is earnings before interests, taxes, depreciation and amortization, write offs and SDIs.

Calculation of Adjusted EBITDA

EUR thousands	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Operating profit according to consolidated income statement	144,005	111,787	602,958	471,278
Depreciation and amortization add-back	145,983	140,422	580,461	557,115
Retirement of assets add-back	28,764	26,436	114,611	87,799
Separately disclosed items add-back	19,386	18,475	42,457	35,777
Adjusted EBITDA	338,138	297,119	1,340,488	1,151,969
Whereof adjusted EBITDA customer acquisition	(144,901)	(137,338)	(551,108)	(544,846)
Whereof adjusted EBITDA portfolio services	484,151	434,586	1,885,286	1,694,390
Whereof adjusted EBITDA adjacencies	(1,112)	(129)	6,309	2,424

Adjusted EBIT

Adjusted EBIT is earnings before interests, taxes and SDIs.

Calculation of Adjusted EBIT

EUR thousands	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
EBIT according to consolidated income statement	144,005	111,787	602,958	471,278
Separately disclosed items add-back	28,378	34,644	90,940	105,715
Adjusted EBIT	172,383	146,431	693,900	576,993

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 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Portfolio services segment revenue	673,430	611,257	2,635,294	2,358,158
Monthly average portfolio services segment revenue	224,477	203,752	219,608	196,513
Monthly average number of subscribers during the period, units	5,126,444	4,704,140	4,964,490	4,522,759
Monthly average portfolio services segment revenue (in EUR) divided by average monthly number of subscribers during the period – ARPU (In EUR)	43.8	43.3	44.2	43.4

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 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Portfolio services segment adjusted EBITDA	484,151	434,586	1,885,286	1,694,390
Monthly average portfolio services segment adjusted EBITDA	161,384	144,862	157,107	141,199
Average monthly number of subscribers during the period, units	5,126,444	4,704,140	4,964,490	4,522,759
Monthly average portfolio services segment adjusted EBITDA (in EUR) divided by average monthly number of subscribers during the period – EPC (In EUR)	31.5	30.8	31.6	31.2

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 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Customer acquisition Adjusted EBITDA	(144,901)	(137,338)	(551,108)	(544,846)
Customer acquisition capital expenditure	(141,034)	(141,460)	(577,457)	(583,738)
Customer acquisition cost	(285,935)	(278,798)	(1,128,565)	(1,128,584)
New subscribers added, units	198,764	195,604	797,312	802,098
Customer acquisition cost (in EUR) divided by new subscribers added (gross) – CPA (In EUR)	1,439	1,425	1,415	1,407

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 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Cash acquisition cost per new subscriber ("CPA")	1,439	1,425	1,415	1,407
Monthly adjusted EBITDA per subscriber ("EPC")	31.5	30.8	31.6	31.2
CPA divided by EPC divided by 12	3.8	3.9	3.7	3.8

Definitions of 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.

Adjusted EBIT

Earnings before interests, taxes and separately disclosed items.

LTM 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.

Quarterly attrition rate (annualized)

The attrition rate is the number of terminated subscriptions to our monitoring service in the quarter, annualized and divided by the average number of subscribers in the quarter.

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.

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.

Malmö, February 22, 2024

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