



**verisure**



# ANNUAL REPORT

Verisure Midholding AB

**PROUD TO PROTECT**

# 2022

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*We are the leading provider of professionally monitored alarms in Europe and with a strong presence in Latin America*

MORE THAN

**4.7**

MILLION CUSTOMERS

**€1,694**

MILLION PORTFOLIO SERVICES  
ADJUSTED EBITDA

TOTAL REVENUE

**€2,827**  
MILLION

ONE NEW  
CUSTOMER  
EVERY

**10**  
SECONDS

MORE THAN

**25,000**  
DEDICATED  
COLLEAGUES

OPERATING IN

**17**

COUNTRIES IN EUROPE  
AND LATIN AMERICA

# Another very solid year of growth in a tougher external environment

Verisure navigated successfully through the main pandemic years of 2020 and 2021. Despite the health emergency and the complexity of lockdowns, we maintained our track record of strong growth in sales, customer portfolio and financial delivery. In 2022, the external environment was also challenging but for different reasons. We saw the impact of the war in Ukraine, high inflation, energy price increases, interest rate increases and declining consumer confidence. Yet, even against this difficult backdrop, we continued to deliver on our mission of protecting what matters most. And, we demonstrated again the resilience of our business model, the quality of our portfolio and posted another very solid year of growth. We continued to bring innovation to the market and build our talented and engaged organisation. We increased our customer portfolio, new customer intake, revenues, and profitability.

By year end, we protected more than 4.7 million families and small businesses. This represents more than +11% year on year portfolio growth. We are very proud of the trust our customers place in us. We work hard every day to earn their trust and loyalty. We did see a small uptick in attrition during the year and closed at 7.2%. This was understandable with many households and businesses feeling the mounting cost-of-living pressure. In the face of record inflation, we are also proud of the high value our loyal customers place on the services we provide.

Latent demand remains strong for our proposition, even in an environment where some households have chosen to delay discretionary purchases. During the year we added more than 800,000 new customers. This was another record. Total revenues grew to a record EUR 2,827 million, up +12.7% year on year.

Portfolio services adjusted EBITDA also hit a new high of EUR 1,694 million, up +14.7% year on year. We are pleased with this performance given the more complicated economic environment.

In recent months, we also accessed the financial markets successfully to refinance our 2023 maturities and replenish our Revolving Credit Facilities. These issuances were well over-subscribed, reflecting confidence in the resilience of our business model. Most of our debt now matures in 2026 or beyond and our liquidity position is strong.

We remain the leading provider of professionally monitored alarms for residential and small business customers in Europe. Our position is broad-based. We already lead the category in 12 of our 17 geographies. We are also one of the leading providers of connected video surveillance systems in Europe, with our Arlo Europe camera business. Beyond our core high security professionally monitored alarms, we also offer simpler camera-based systems.

We also opened operations in Ireland last summer. This is our 17th country and the first new geography since Argentina



**“Despite the challenging context, in 2022 we demonstrated again the resilience of our business model, the quality of our portfolio and posted another very solid year of growth.”**

in 2019. Ireland is able to leverage our UK operations. This allows us to benefit from scale even in the early days of a start-up.

We keep driving penetration to protect even more families and small businesses. We continue to invest in product and service innovation, so our customers can be protected in their homes and places of business. We keep striving for innovation across our products and services. We continued the rollout of our latest alarm and security platform. We also continue to receive external recognition, picking up two iF Design Awards, 'Product of the Year' in Italy and, 'Consumer Choice' awards in Spain and Portugal. We ended 2022 with our teams more engaged than ever. This is crucial. Everything we have achieved is because

of our special Verisure people. Time and again they step up, even in adversity. They are people who protect people. I am in my 9th year as Group CEO, and I have never been prouder of our Verisure people.

Across many of our countries in 2022, Verisure people found ways to help and protect refugees from Ukraine. We supported the United Nations High Commission for Refugees. We continued our work with the United Nations Global Compact to advance our ESG strategy and framework. Also, in 2022 we created more jobs than ever before and were honoured to receive several recognitions. We were voted as a 'Top Employer' in Spain, France, and Germany. We were certified as a 'Great Place to Work' in Italy, Belgium, Argentina, Peru, Chile, and Brazil. These awards make us proud, and

are particularly important given labour markets remain tight, increasing the importance of excellence in recruiting, development, and retention.

I look ahead to the future with optimism. We continue to provide an important service, valued by our customers, penetration remains low and levels of latent demand remain high. We will leverage our expertise and leadership position to protect more families and small businesses. And we will continue to innovate and enrich our proposition.

Regards,  
Austin Lally, Group CEO  
Geneva, Switzerland, April 2023



*Everything achieved this year was, once again, thanks to our Verisure people. They are talented, engaged and committed to overcome any challenge.*



## Our Vision

We believe it is a human right to feel safe and secure. We bring peace of mind to families and small businesses owners.





## Our Mission

We protect what matters most.

# People Protecting People

We are the leading provider of professionally monitored alarms, and one of the leading providers of camera video surveillance systems for residential households and small businesses in Europe.

## Peace of mind for families and small businesses

We believe it is a human right to feel safe and secure. We now protect more than 4.7 million families and small businesses. Our service includes 24/7 monitoring, expert verification and response, customer care, maintenance, and professional technical support. As well as protecting against intrusion, we protect against fire, attack, theft, life-threatening emergencies and other hazards. Verisure people are dedicated and committed, and provide what we believe is the best customer service in the industry.

## 35 year track record

We have been protecting what matters most since 1988. Over that time, we have expanded beyond our roots in Sweden and Spain. We now serve 17 countries in Europe and Latin America. In November 2019, we formed a strategic partnership with Arlo Inc., one of the leaders in connected cameras, and acquired their European operations. This allows us to offer standalone video surveillance services and also to complement our professionally monitored home security proposition. It also allows us to access new go to market opportunities in direct to consumer, e-commerce and retail.

## Leading across a broad footprint

We are the leading provider of residential and small business monitored alarms in Europe, and the 2nd-largest worldwide. We entered Ireland last summer, and now operate in 17 countries across Europe and Latin America. Through Arlo Europe, we are also one of the leading providers of camera video surveillance systems in Europe.

Our business is driven by organic growth, based on our differentiated



business model. We attract high quality customers. We work hard to ensure that our customers are happy. This contributes to our industry leading level of attrition and a long customer lifetime.

## A technology-enabled human services company

Our more than 25,000 teammates are the foundation of our company. Our business model combines technology

and human expertise to protect people. We are a technology-enabled human services company. More than 80% of our colleagues interact with customers every day. This connection provides the insight that inspires our innovation. These insights are an advantage. We leverage these insights with the significant investment we make into product and service innovation. The close customer contact also fuels pride which drives engagement.



## Proud to Protect Across 17 Countries

We protect more than 4.7 million families  
and small businesses in 17 countries  
across Europe and Latin America.



## Our “How”

We are a technology enabled human services company, innovating on our unique peace of mind platform.

# Strategy = Clarity and Focus

Our Verisure Group strategy fits on a single piece of paper. We call it our “SOAP” (Strategy on A Page). We believe in the importance of making clear choices. The SOAP contains our Vision and Objectives for the Company, Where to Play, Where Not to Play, and How to Win. Here we discuss four important themes.

## Increase penetration for security services.

Our strategy is a customer-centred growth strategy. We have a demonstrated track record. We have grown strongly in the past and yet we still see major opportunities ahead. This remains a very under-penetrated service. There are still significant growth opportunities in all countries in Europe and Latin America. To further grow our subscriber base, we will continue to refine and execute our differentiated business model: innovation, category-creating

marketing, go-to-market excellence, customer-centred service, superior verification and response. The strategic partnership with Arlo Inc. and the acquisition of the Arlo Europe operations has also allowed us to enter the connected camera segment. This creates further opportunities to accelerate penetration growth. Further opportunities to bring Peace of Mind to families and small business owners throughout our geographies.

## Provide the best security products and services available and do our utmost to protect our customers.

We have a strong, long-term track record of innovation. Our in-house development teams cooperate closely with our technology partners in Israel, Silicon Valley (US), France and elsewhere to design and deliver award-winning security products and services. This is driven by insights gained

because we are vertically integrated across key stages of our value chain. We focus our technology investment choices on where we can deliver clear differentiation to customers. And we intend to continue investing to support our premium positioning and extend our leadership position.

## Maintain the highest levels of customer satisfaction and loyalty in the industry.

We are committed to doing everything we can to keep our customers secure. This also creates a strong business. A world-class customer experience drives loyalty. And feedback from happy customers leads to referrals. We want to have the happiest and most loyal portfolio of customers in the industry. To achieve this, we

analyse how we perform at important “moments of truth” during sales, installation, service, monitoring and response. We continue to try and improve our operating processes and performance every day. We know that tomorrow we can always do things better than today.

## Create value for shareholders, customers, colleagues and society at large.

Our investment in innovation to create differentiated security propositions allows us to offer premium solutions to customers which are seen as great value. And we aim to provide a service which delights customers, exceeds their expectations, including on privacy protections, and leads the industry.

This also helps to build pride in our people. We innovate on process improvements and leverage our scale to enhance operational efficiency without compromising the customer experience. This approach creates value for our shareholders, our customers, our colleagues and society at large.



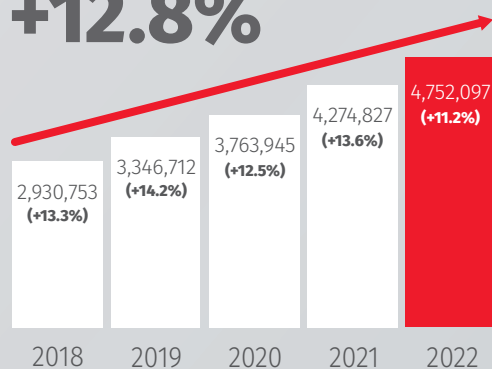
## Continuous Strong Portfolio Growth

### NUMBER OF SUBSCRIBERS

UNITS

CAGR

# +12.8%

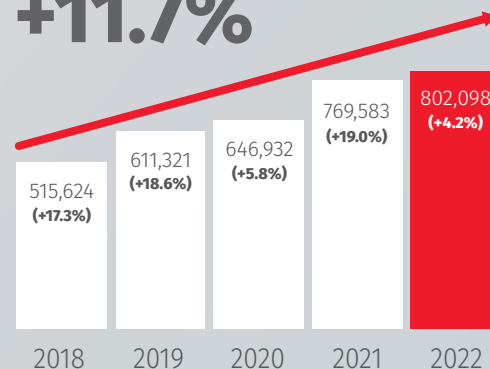


### NEW SUBSCRIBERS ADDED

UNITS

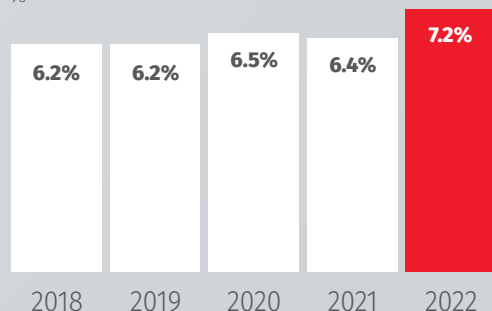
CAGR

# +11.7%



### ATTRITION RATE (LTM)

%

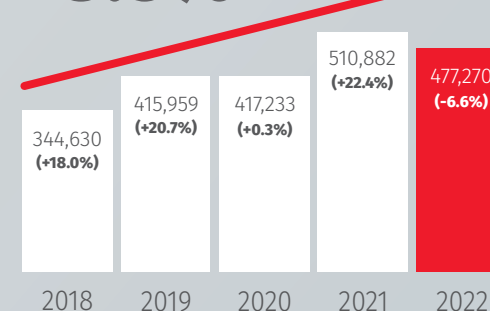


### NET SUBSCRIBER GROWTH

UNITS

CAGR

# +8.5%



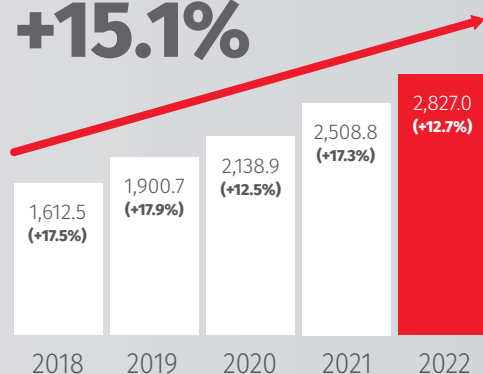
# Strong Growth in Sales, Profitability and Unit Economics

## REVENUE

EUR MILLION

CAGR

+15.1%

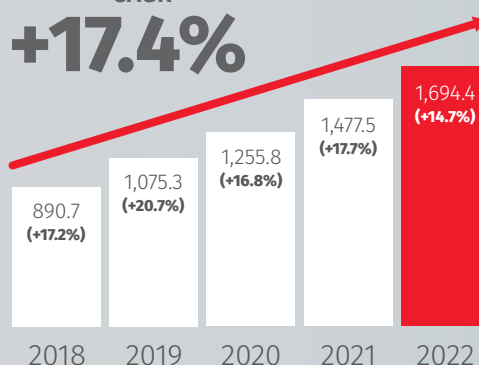


## PORTFOLIO SERVICES ADJUSTED

EBITDA, EUR MILLION

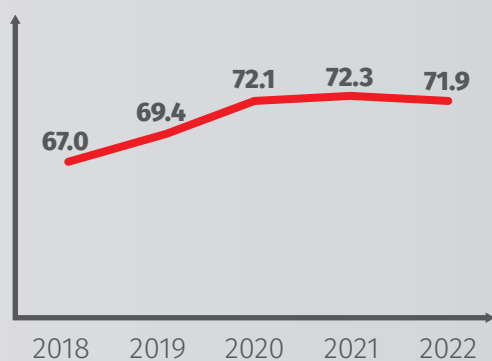
CAGR

+17.4%



## PORTFOLIO SERVICES ADJUSTED EBITDA MARGIN

%

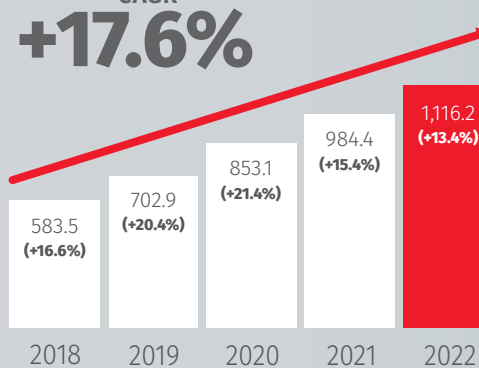


## ADJUSTED EBITDA INCL. SDIs

EUR MILLION

CAGR

+17.6%



## ARPU

EUR

CAGR

+1.9%



## EPC

EUR

CAGR

+3.8%



# Another very solid year of growth

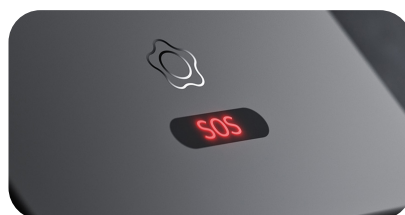
2022 was another very solid year of growth for the Verisure Group. We continued to deliver double-digit growth in the portfolio while preserving strong unit economics.

During 2022 we added 802,098 new customers to our customer portfolio, which is a 4.2% increase versus 2021 and a 24% increase versus 2020. This represents a record in new customer additions and an acceleration versus 2021.

Total revenue increased to EUR 2,827.0 million. This is up 12.7% versus 2021. In constant currencies revenue grew by 13.5%. Revenue growth was driven by the larger portfolio and the higher average revenue per customer. We are pleased with this performance given the more complicated external economic environment.



Portfolio services adjusted EBITDA, our key profit and cash flow measure, increased 14.7% versus 2021 and hit a new high, reaching EUR 1,694.4 million in 2022. Adjusted for currency effects, the increase was 14.7%. Annualized portfolio services adjusted EBITDA is now close to EUR 1.74 billion. Portfolio services adjusted EBITDA margin remained close to 72% (71.9%). The portfolio services adjusted EBITDA margin has improved by 243 basis points in the last 3 years.



Total reported adjusted EBITDA increased to EUR 1,116.2 million in 2022. This represents an improvement of 13.4% versus 2021. Adjusted for currency effects, total adjusted EBITDA grew 13.7%.

By year end, we protected more than 4.7 million families and small businesses across 17 countries. This represents more than 11% year on year portfolio growth. We are very proud of the trust and loyalty of our customers. We saw a small uptick in attrition during the year and closed at 7.2%. This was understandable with many households and businesses feeling the mounting cost-of-living pressure. In the face of record inflation, we are also proud of the high value our loyal customers place on the services we provide.



In parallel with strong operational and financial performance, the Group continued to invest in award-winning technology developments and customer experience enhancements. We have now rolled out the latest generation of our alarm technology in all our European markets.

In September 2022 and January 2023, we successfully accessed the financial markets to refinance our 2023 debt maturities and replenish our Revolving Credit Facilities. Most of our debt now matures in 2026 or beyond and our liquidity position is strong.

**We believe our business is well positioned in attractive markets for continued strong growth.**



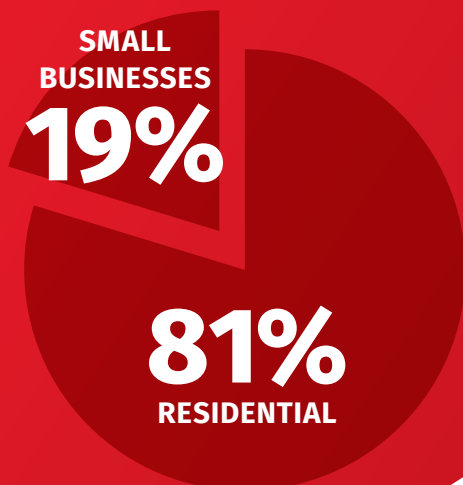
| EUR million (if not otherwise stated)             | 2022      | 2021      | Change |
|---------------------------------------------------|-----------|-----------|--------|
| Total subscribers (year-end), units               | 4,752,097 | 4,274,827 | 11.2%  |
| Net subscriber growth, units                      | 477,270   | 510,882   | (6.6%) |
| Revenue                                           | 2,827.0   | 2,508.8   | 12.7%  |
| Portfolio services adjusted EBITDA excl. SDIs     | 1,694.4   | 1,477.5   | 14.7%  |
| Portfolio services adjusted EBITDA margin, %      | 71.9%     | 72.3%     | -      |
| Adjusted EBITDA incl. SDIs                        | 1,116.2   | 984.4     | 13.4%  |
| Cash flow from operating activities               | 999.8     | 816.9     | 22.4%  |
| Capital expenditures                              | 841.1     | 762.4     | 10.3%  |
| Average monthly revenue per user (ARPU), EUR      | 43.4      | 42.4      | 2.5%   |
| Monthly adjusted EBITDA per subscriber (EPC), EUR | 31.2      | 30.6      | 2.0%   |



## Protecting Families and Small Businesses

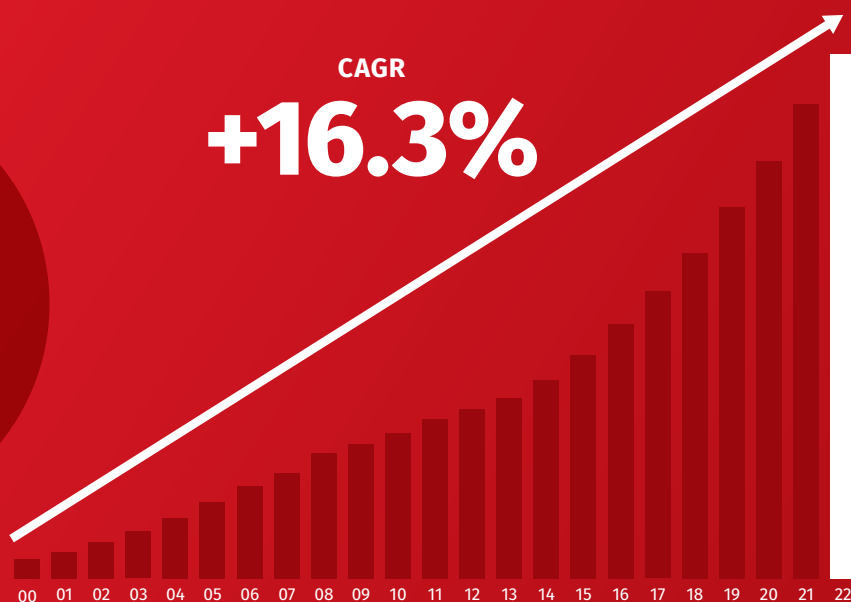
### CUSTOMER BREAKDOWN BY CONSUMER TYPE

END OF YEAR 2022



### STRONG CUSTOMER PORTFOLIO GROWTH

END OF YEAR 2000-2022





## Verification Is Key

When an alarm is triggered, we take rapid action to verify, and either reassure or intervene.

# A Recurring Business Model for Sustainable Profitable Growth

We operate a subscription-based security service business, designing, installing and monitoring alarm and video surveillance systems to bring peace of mind to our customers.

Our business model combines growing, predictable cash flows, based on strong customer loyalty, with high quality subscriber growth. We are able to reinvest the cash flows from our subscriber portfolio into innovation on technology and superior propositions, category-creating marketing and brand recognition, and go-to-market excellence that in turn allow us to attract and retain high quality new customers.

## Portfolio services

The portfolio services segment provides a professional security service to our customers for a monthly subscription fee. Our service includes 24/7 monitoring, expert verification and response, customer care, maintenance, and professional technical support to existing customers. We personally operate all our monitoring centres. We have a diverse and high-quality subscriber base with low attrition which contributes to growing, predictable cash flows.

A majority of the costs in the portfolio services segment are either variable or partially variable in nature. We do have some fixed costs such as longer-term facility rentals. We gain operating leverage as we grow from our fixed costs and the partially variable costs mentioned earlier. As a result, we have historically been able to increase our portfolio operating margin and cash flows as we add new customers to our existing operations.

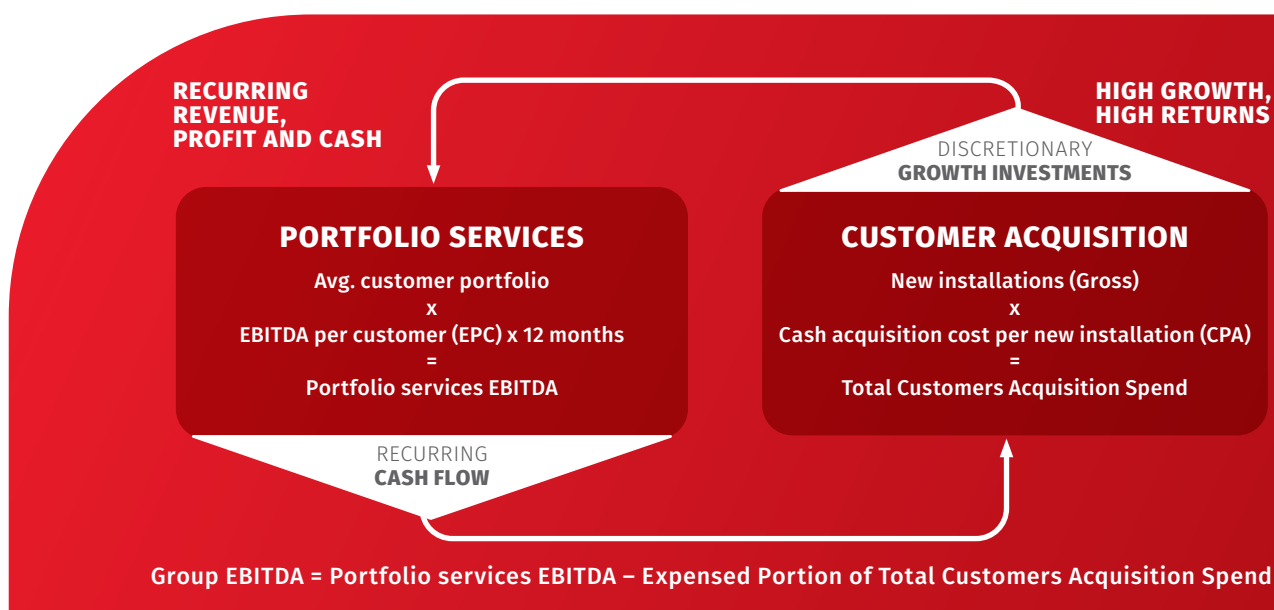
The recurring monthly fees in portfolio services represent approximately 80% of Group revenue. As of 31st December, 2022, we had more than 4.7 million connected alarm subscribers. In 2022, this segment generated EUR 2,358 million of portfolio revenue and EUR 1,694 million of portfolio services adjusted EBITDA. This was an increase of 15.4% and 14.7% compared to 2021. The portfolio services adjusted EBITDA operating margin remained high at 71.9%.

## Customer acquisition

We deliberately choose to invest a significant part of the cash generated from our growing subscriber base to continue the growth cycle. We invest to acquire new high-quality customers. We pay careful attention to the long-term value and return on investment from these new customers. Given our investments in new customer acquisition are largely discretionary, as we demonstrated in 2020 during the first wave of the pandemic, we do have the ability to be flexible on the pace of growth and customer acquisition. We have the levers to manage both growth targets and cash flow objectives.

## Adjacencies

Additionally, we classify certain non-core businesses under our adjacencies segment. This segment mainly represents the sale of remote monitoring and assistance devices and services for senior citizens, as well as the sale of Arlo cameras and video surveillance services in retail and online channels across Europe.



## Smart Thinking for Small Business Owners

The Verisure business alarm offers solutions to protect working environments and assets.



## Arlo Cameras

A watched-over space is a safer space. Our security proposition includes a full range of high-tech cameras.



# Arlo Cameras

Three years ago, we formed a strategic partnership with Arlo Technologies, Inc. (Arlo Inc.), a world leading camera and video surveillance innovator. We acquired all rights to Arlo Inc.'s European operations (Arlo Europe) and initiated collaboration with Arlo Inc.'s Silicon Valley R&D labs on custom-made cameras for our professionally monitored security proposition.

## Arlo catalogue cameras

Revenue from our standalone camera products and video-surveillance services continued growing strongly last year. Total revenue for Arlo Europe through retail and online channels grew 12% in 2022.

Direct-To-Consumer, the fastest growing and most profitable channel for Arlo Europe, was launched last year in France, Germany, Sweden and the Netherlands. We now sell directly on Arlo.com in 5 European countries, and are planning to expand further in 2023. Sales of Arlo catalogue cameras through our Verisure direct-to-home sales force, as a complement to the high security alarm proposition, continued to grow exponentially during the year. We see increasing attachment rates of Arlo cameras when offering them in conjunction with a Verisure alarm,

confirming the growing value for families and small business owners of remote video surveillance.

## Protecting customers through video-surveillance

In terms of customers served and families protected, 2022 has been another banner year for our video surveillance services. The total number of paying subscribers to our cloud-based services, whether in conjunction with a Verisure alarm or standalone, has more than doubled and closed the year slightly over 600,000 subscribers. Our complete user base for all types of video surveillance services is even larger, now reaching more than 1 million registered users across all of Europe.

## Synergetic contribution to our core

Both our Arlo Europe business and our strategic collaboration with Arlo Inc. play

an increasingly important role as an enabler for our core Verisure business. Custom-made, high-performance motion activated cameras, designed jointly with Arlo Inc. in California but branded Verisure, have now become the standard image detector for our core alarm proposition. During 2022 we installed close to one million of these custom-made cameras.

Our Verisure alarm customers are also offered Arlo Europe catalogue cameras as an add-on, with solid cross-selling attachment rates and a positive impact on both monthly revenue and retention. And we continue exploring avenues for further synergies between Arlo Europe and Verisure, like upselling customers from cameras to alarm and piloting Verisure sales in retail and online channels.



**A watched-over  
space is a  
safer space.**



## Our DNA is at the core of our Company

Everything we do is driven by our unique DNA – five deeply held values which guide us all.



## Monitoring Scale

We receive and process more than 1 trillion electronic signals from our devices every year.

# Engaged and High-performing Organisation

## Our people are the foundation of our success

Verisure is a technology-enabled human services company. Behind the innovative technology which shields our customers' homes and businesses, our people stand ready to respond in an instant, to protect what matters most. Our people are fundamental to the service we provide, and they differentiate our business by living and role-modelling our DNA every day.

In line with our growing business, we have continued to create opportunities for growth and development for current and new talent. Last year we created more than 2,800 new jobs, our highest annual job creation level to date. We are now proud to count on more than 25,000 highly engaged and committed colleagues around the world.

## Sustainable Engagement

Our primary measure of organisational health is our Sustainable Engagement survey, designed to help understand how engaged, energised, and enabled our people are, and measure these results over time. Participation rates in the survey are consistently above 90%, and we put a lot of emphasis on understanding our people's feedback, and developing comprehensive plans to address the topics they raise.

In 2022, we reached our highest overall Sustainable Engagement Index score ever, increasing two points versus 2021. We improved our scores in all 14 categories. Most of our countries are at or above the high-performance country benchmarks, and the majority improved their scores compared to last year. We have also obtained our best score to date

in the key-leaders audience and successors to key-leaders.

We also analyse our people's likelihood to recommend Verisure as an employer and to recommend our products and services with the 'Employee Net Promoter Score' (eNPS). Our eNPS score as an employer has further increased by five points versus 2021.

## Investing in talent

At Verisure we are focused on developing and nurturing a high-performance team, with an "owner's mentality", and always operating with integrity and accountability. We have continued to leverage and develop our world-class harmonised people processes, systems and policies at a global level, supporting each of our colleagues so they can unleash their full potential.

## A Technology-Enabled Human Service Company

We protect what matters most by combining talented people and innovative technology.



We promote internal mobility across our organisation, both domestically and internationally, to foster engagement, development, and retention, as well as improving productivity.

In the past four years, close to 75% of our leadership positions have been filled by internal candidates and we have more than trebled the number of international moves, from all our countries.

Mirroring our efforts in people development, the score for 'Professional Growth and Development' in our Sustainable Engagement survey has further increased by three points compared to 2021, and is up 13 points versus 2016.

We continued to strengthen our Employee Value Proposition with well-being programmes, further implementation of a hybrid work model and improving our workplaces. We have also reinforced our policies and trainings. From our Code of Conduct training to our new Anti-Harassment (i.e., capitalize harassment) and Non-discrimination policy and our updated Data Privacy Policy, creating an environment that is safe for everyone.

Our efforts in employer branding have been recognized externally with Spain, France and Germany certified Top Employer, Peru, Chile, Brazil, Belgium, and Italy named Great Place to Work, and Spain and Argentina winning the Best Workplace accolade for the first time. We have obtained further recognitions as an employer, such as Actualidad Económica and Forbes ranking in Spain, and Focus in Germany.

### A place for everyone

We want to be representative of the customers we protect and serve around the world. We believe diverse teams produce stronger results and enhance innovation, which leads to better business results.

We are committed to creating an inclusive environment where everyone can bring the best version of themselves to work, welcoming and embracing people of different race, gender, age, religious belief, ethnicity, marital or family status, economic circumstance, human capacity, and sexual orientation as well as different experiences, skills and capabilities. Diversity, Equity &

Inclusion (DEI) is a business priority, included as an objective in our five-year strategic plan since 2015. We have defined a 2023-25 DEI roadmap, with common initiatives and consistent KPIs across our countries and functions to ensure and track progress.

Last year, we also made very significant progress in ESG. We have built a strong global team that has defined a new ESG framework, priorities, KPIs and targets with a special focus on DEI and carbon footprint. We also established the Verisure ESG and DEI Committees to coordinate and further drive our progress. A Head of DEI has joined us in early 2023 to help us further accelerate our progress. We also continued our global and local communications campaigns and events to raise attention and educate our people on key DEI related topics.

Our people recognize and endorse the direction we are taking, which is also

reflected in the continuous improvement of our Sustainable Engagement survey scores related to ethics, as well as DEI (up by 15 and 13 points respectively over the past six years). In addition, the rating for the statement 'I can be myself at work and be accepted by everyone' is one of the highest scored from our survey and ahead of the benchmark.

Our key focus remains the improvement of gender diversity, followed by age and disability. Currently 37% of all our colleagues globally are women versus 20% in 2015, while in our wider management teams across our countries we have almost doubled the presence of women since 2015.

We are determined to keep advancing in the DEI area and to further increase our impact on the communities we serve, our customers as well as our people, creating an ever more welcoming, diverse, and effective organisation.



# Technology Is At Our Core



We are a technology-enabled human service company. Our technology is at the core of the service we provide our customers, and key to our success. We are vertically integrated in technology, with colleagues in our Information Technology, Security, Quality, and Research & Development (R&D) organisations, mainly based in Geneva, Switzerland, Malmö, Sweden and Madrid, Spain. We also work with best-in-class external partners to support our development efforts, mainly out of Israel, Silicon Valley in the US, and France.

## A year of accelerating innovation

2022 was a landmark year for our technology and innovation programme. We deployed our new alarm suite with our unique PreSense™ technology across our European footprint, the culmination

of a multi-year development programme. In addition, we also launched several landmark innovations during the year to strengthen further our service proposition, such as our Outdoor Pad, a new user interface device, as well as our latest generation alarm panel. During the year we also applied to protect a record number of 24 innovations using patent and utility model applications.

## Continuity and agility

Operationally, the size of the estate we manage continues to grow rapidly. In 2022, our teams managed a deployed network of more than 65 million 'Internet of Things' devices, operating 24 hours a day, 7 days a week, generating close to 1.3 trillion signals. Throughout the year we continuously delivered exceptional and stable service to our customers.

The year did however present a significant challenge in the context of fast-tightening global semiconductor markets. As always our teams demonstrated great agility, and rose to the challenge. We avoided any interruption in our supply chain.

## External recognition

While the best recognition of our innovation is in the protection and service we provide our customers, we were honoured with several awards in 2022. For example, our new alarm suite was recognized with two iF Design Awards. We have also received recognition from industry bodies and strong public reviews of our product suite, including "Product of the Year" awards in Portugal and Italy and "Consumer Choice" in Spain and Portugal.

## Industry-leading innovation, designed to protect what matters most.

As the world around us changes, so do our customers' security needs.



# Group Management

As per 31st of December, 2022



**Austin Lally** joined the company as Group Chief Executive Officer in 2014. He previously held senior leadership roles at The Procter & Gamble Company, where he spent 25 years building and growing consumer businesses in Europe, the United States and Asia. This included 7 years in China helping to build P&G's sizeable position in that market. Austin was also the VP responsible for Gillette marketing globally. Prior to joining Verisure, Austin was a Procter & Gamble Global President leading the Braun and Appliances business unit and a member of the company's Global Leadership Council. He holds a Bachelor of Science from the University of Glasgow where he was President of the Students Representative Council and won the World Debating Championship.

**AUSTIN LALLY** GROUP CHIEF EXECUTIVE OFFICER



**Anthony Loizeau** joined Verisure in 2012 as Managing Director for Latin America, developing our operations across the region and most recently opening our Argentina business. In 2020, Anthony was appointed to lead our Nordics Cluster. Before joining Verisure Anthony held several senior positions in a range of industries including CEO of Pages Jaunes and of Kompass across France, Iberia and Benelux. He was previously a VP of Orange in France and at Nestlé. Anthony holds an Executive MBA from HEC Business School in Paris.

**ANTHONY LOIZEAU** GENERAL MANAGER NORDICS



**Antonio Anguita** joined Verisure as Managing Director for Spain in 2013. He was promoted to President of Iberia & Latin America in August 2014, and to President of Iberia, Latin America and Italy in July 2022. Before joining the company, he was a partner and co-founder of Alana Partners, a start-up incubator and accelerator based in Madrid. Prior to this, Antonio was responsible for all fixed line and internet services activities at Orange worldwide. He has held various senior positions at France Telecom Spain, Hewlett Packard and McKinsey & Co. Antonio holds a Bachelor of Arts and Political Science from Brown University and a Master of Business Administration from Harvard University. Mr. Anguita is on the Board of Directors of Orange Spain.

**ANTONIO ANGUIITA** PRESIDENT OF IBERIA, LATIN AMERICA & ITALY



**Cristina Rivas** was appointed as Group Chief Technology Officer in February 2020. She joined Verisure as Technology Director for Iberia and Latin America in 2016 from Vodafone, where she was Head of Group Technology Strategy and Governance, having held several senior positions in Vodafone Spain in customer service, sales and marketing. Before Vodafone, Cristina worked on strategy, marketing and operational efficiency projects across telecommunications, banking and energy at McKinsey. Cristina holds a Master's degree in Telecommunications Engineering from the Universidad Politécnica in Madrid.

**CRISTINA RIVAS** GROUP CHIEF TECHNOLOGY OFFICER



**Luis Gil** is a founder of the company, joining in 1993. He has served as the President of Expansion, Acquisitions and Business Development since 2014. He established the Company's Spanish business in 1993, led the expansion efforts in Portugal, Brazil, Peru and Chile and most recently in Italy, UK, Netherlands, Germany and Ireland. Prior to joining the Company, he was the President of Esabe Ingeniería de Seguridad SA. Luis holds a Master's degree in Industrial Engineering.

**LUIS GIL** PRESIDENT OF EXPANSION, ACQUISITIONS AND BUSINESS DEVELOPMENT



**Marta Panzano** joined the company as Group Chief Human Resources Officer in 2014, also leading Communications, and since then has expanded her responsibilities to also lead our Company's ESG efforts. Prior to joining the Company, Marta was the HR Director for Orange Spain. Previously, she worked for CEMEX, in Spain, Mexico and Australia among other geographies, where she led Human Resources for Europe, Middle East, Africa, Asia and Australia. Marta also worked for the Boston Consulting Group as a strategy consultant as well as in Finance for Hewlett Packard. She holds a Bachelor's degree in Business Administration and Economics from the Universidad Carlos III Madrid.

**MARTA PANZANO** GROUP CHIEF HUMAN RESOURCES, COMMUNICATIONS AND ESG OFFICER



**Nina Cronstedt** joined Verisure as Group Chief Legal Officer in 2018. Previously, she served as General Counsel for Cereal Partners Worldwide, a joint venture between Nestlé and General Mills. Nina was previously General Counsel Strategic Business Units and COE's for Nestlé. Prior to Nestlé, she worked for Philip Morris International, where she held positions of increasing responsibility, including Assistant General Counsel Brand Building and Assistant General Counsel EMEA Region. Nina studied law at Stockholm University, followed by a Master's in Commercial & European Law at the University of Cambridge.

**NINA CRONSTEDT** GROUP CHIEF LEGAL OFFICER



**Olivier Allender** joined Verisure as Managing Director for France in 2012. He was promoted to General Manager for France, Belgium & Netherlands in January 2015. Prior to joining the company, he was the Commercial Director at Cofidis France from 2007 to 2012. He has also acted as General Manager for CBB-Paris, a subsidiary of the L'Oréal Group, in the US and Japan and has held various senior positions in the direct marketing industry in France and Germany. He was appointed to lead our Arlo Europe business in 2020.

**OLIVIER ALLENDER** GENERAL MANAGER FRANCE, BELGIUM & ARLO EUROPE



**Olivier Horps** was appointed Chief Marketing Officer in January 2022. He joined Verisure in 2017 as the marketing leader for our Digital and Contact centres in France. His role expanded to include responsibility for all the commercial teams. Before joining the company, Olivier was Managing Director Asia-Pacific and CEO Greater China for Club Med. Prior to that, he held various marketing leadership positions with Procter & Gamble and L'Oréal across Europe, Asia and Japan. Olivier holds an MBA from ESSEC Business School in Paris.

**OLIVIER HORPS** GROUP CHIEF MARKETING OFFICER



**Vincent Litrico** joined Verisure as Group Chief Financial Officer in May 2016 from The Estée Lauder Companies Inc. where he served as Vice President Finance, Strategy & Business Operations for Europe, Middle East, Africa and India. Before joining Estée Lauder, Mr. Litrico held positions in Finance with Procter & Gamble across the United States, Europe and the Middle East including as CFO of the Global Braun and Appliances business unit. Vincent holds an MBA from ESSEC Business School.

**VINCENT LITRICO** GROUP CHIEF FINANCIAL OFFICER



## What It Means to Wear the Star

You will see the sentinel star on our uniforms. It shows we are Proud to Protect. We are the people behind the star. We deliver our promise to protect what matters most.

# Corporate Governance

Verisure Midholding AB's corporate governance is based on external and internal regulatory frameworks, including the Articles of Association, the Swedish Companies Act and other applicable country legislation, as well as internal policies and standards.

## Board of Directors

### Composition of the Board

Verisure Midholding AB has a Board of Directors composed of five directors. The Board of Directors is responsible for the Company's organisation and administration. The Board of Directors is also responsible for regularly assessing the Group's financial situation and ensuring that the organisation is structured so that the accounting records, financial management and other financial aspects are satisfactorily overseen.

### Rules of Procedure

The Board, which for the purposes of this and the following subsections refers to the board of Verisure Topholding AB (previously Verisure Topholding 2 AB), has established Rules of Procedure that are reviewed as relevant. These Rules set rules for the holding of Board meetings, the frequency of Board meetings and agenda items to cover. Extraordinary meetings are held when necessary. In 2022, the Board held four meetings.

## Board Committees

The Board has established an Audit Committee, a Remuneration Committee, a Valuation Committee and an ESG Committee. The members of the committees are appointed by the Board. The major tasks of these committees are preparatory and advisory, but the Board may on occasion delegate authorisation to the committees to determine in specific matters. All committee meetings are recorded in minutes.

### Audit Committee

The primary function of the Audit Committee is to monitor the company's financial reporting, internal controls, compliance programme and risk

management. In this regard, the Audit Committee reviews the reports delivered by the company's external auditors, evaluates the external auditors, monitors accounting and tax matters and monitors the company's compliance programme, including its data privacy programme. In 2022, four Audit Committee meetings were held. The members of the Audit Committee are Stefan Götz, Adrien Motte and Henry Ormond. Meetings are generally also attended by Austin Lally, Vincent Litrico and Nina Cronstedt.

### Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board regarding the Group's framework for executive remuneration and the accompanying costs. It reviews and determines, on behalf of the Board, the remuneration and incentive packages of management to ensure they are appropriately rewarded for their individual contributions to the Group's overall performance.

The Remuneration Committee also formulates the remuneration policy with respect to the strategic objectives and operational performance of the Group. The members of the Remuneration Committee are Stefan Götz, Austin Lally, Marta Panzano, Adrien Motte and Henry Ormond.

### Executive Compensation

Our executive compensation program has the following objectives:

- recruit and retain key leadership;
- link compensation to an executive's individual performance and our financial performance; and
- align the executives' compensation opportunities with our short-term and long-term financial objectives.

The Group's executive compensation includes (i) fixed compensation in the form of base salary and benefits and (ii) variable compensation, in the form of annual cash bonus and, in some cases, share option awards.

### Base Salary

We aim to pay base salaries consistent with the scope of each executive's responsibilities and such that base salaries reflect the fixed compensation necessary to recruit key leadership.

### Benefits

We aim to provide our executives with a benefits package in line with those of other companies in our sector and appropriate for the respective jurisdictions.

### Annual Cash Bonus Awards

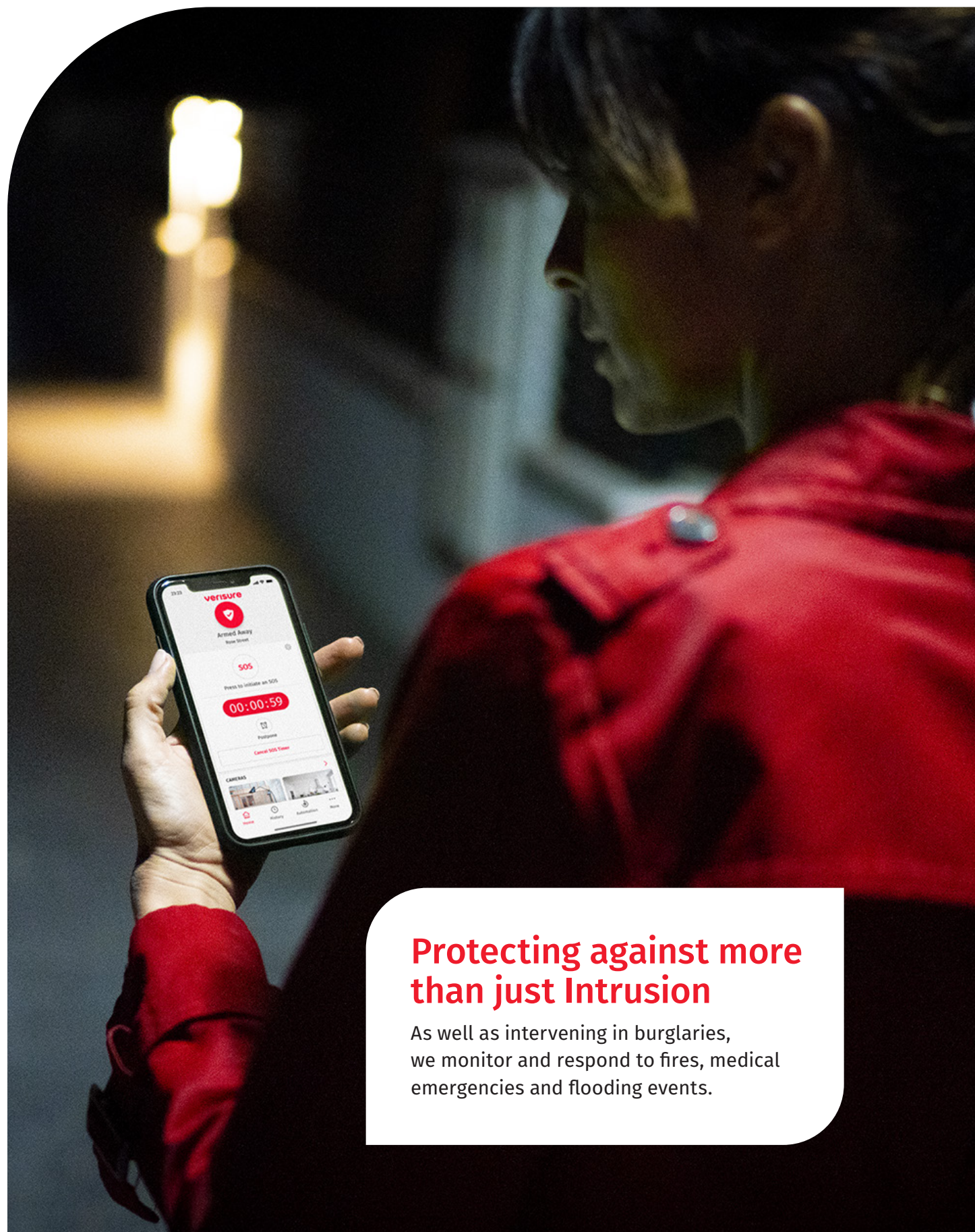
Our executives are eligible to receive incentive compensation in the form of annual cash bonuses, which are determined based on performance objectives established periodically.

### Valuation Committee

The primary responsibility of the Valuation Committee is to assist the Board in calculating the fair market valuation of the securities comprised in the Group's management equity plan on a quarterly basis. The members of the Valuation Committee are Francois Cornelis, Adrien Motte and Vincent Litrico.

### ESG Committee

The ESG Committee was created by the Board in 2022. The primary responsibilities of the ESG Committee are to assist the Board in aligning on the execution of the Group's ESG strategy, ensuring that ESG priorities and action plans are consistent with the ambition level defined by the Board, and evaluating progress on ESG priorities and action plans. The members of the ESG Committee are Zomo Fisher, Andrew Barron, Austin Lally, Marta Panzano, Vincent Litrico, Nina Cronstedt and Enrique Bofill.



## Protecting against more than just Intrusion

As well as intervening in burglaries, we monitor and respond to fires, medical emergencies and flooding events.

# Board of Directors

## Verisure Midholding AB

| Name            | Position                             |
|-----------------|--------------------------------------|
| Austin Lally    | Director and Chief Executive Officer |
| Cecilia Hultén  | Director and Chairman                |
| Daniel Bruzaeus | Director                             |
| Elizabeth Henry | Director                             |
| Vincent Litrico | Director                             |

**Austin Lally**, joined the company as Group Chief Executive Officer in 2014. He previously held senior leadership roles at The Procter & Gamble Company, where he spent 25 years building and growing consumer businesses in Europe, the United States and Asia. This included 7 years in China helping to build P&G's sizeable position in that market. Austin was also the VP responsible for Gillette marketing globally. Prior to joining Verisure, Austin was a Procter & Gamble Global President leading the Braun and Appliances business unit and a member of the company's Global Leadership Council. He holds a Bachelor of Science from the University of Glasgow where he was President of the Students Representative Council and won the World Debating Championship.

**Cecilia Hultén**, serves as the Director Group Financial Control, and has been with the Company since 2006. Prior to joining the Company, Cecilia served as an authorized public accountant at PricewaterhouseCoopers AB. She holds a Bachelor of Science degree in Economics and Business Administration from Linnaeus University.

**Daniel Bruzaeus**, our Group Head of Internal Control, joined the company in 2019. Prior to joining Verisure, Daniel held different roles in Risk Management at PwC, as well as Group Risk Officer at Ikano Bank, and Senior Internal Auditor at E.ON. Mr. Bruzaeus holds an MBA from Lund University.

**Elizabeth Henry**, HR and Communications Director for Sweden and Nordics, has held a variety of HR and Communication roles with Verisure since 2015. Prior to joining the company, Liz grew her career in Human Resources with Procter and Gamble and previously the Gillette Company in the United States, the United Kingdom and in the Nordic region.

**Vincent Litrico**, joined Verisure as Group Chief Financial Officer in May 2016 from The Estée Lauder Companies Inc. where he served as Vice President Finance, Strategy & Business Operations for Europe, Middle East, Africa and India. Before joining Estée Lauder, Mr. Litrico held positions in Finance with Procter & Gamble across the United States, Europe and the Middle East including as CFO of the Global Braun and Appliances business unit. Vincent holds an MBA from ESSEC Business School.

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# Directors' Report

## Operations

The Group is the leading provider of professionally monitored alarms, and one of the leading providers of camera video surveillance systems, for residential households and small businesses in Europe. We operate in 17 countries across Europe and Latin America. We conduct our business through two primary segments, portfolio services and customer acquisition. Additionally, we classify certain non-core business under our adjacencies segment.

The following table shows key operating metrics for each of our segments as of and for the periods set forth below. These metrics are presented because we believe they provide a clearer picture of our results of operations generated by our core operating activities. This enables our management to evaluate relevant trends more meaningfully when considered in conjunction with (but not in lieu of) other measures that are calculated in accordance with IFRS.

## Key figures

EUR thousand (if not otherwise stated)

|                                                                | 2022      | 2021      |
|----------------------------------------------------------------|-----------|-----------|
| <b>Consolidated</b>                                            |           |           |
| <b>Non-IFRS and IFRS financial data</b>                        |           |           |
| Revenue <sup>1</sup>                                           | 2,827,022 | 2,508,847 |
| Organic revenue growth                                         | 12.8%     | 16.7%     |
| Adjusted EBITDA excl. SDIs                                     | 1,151,969 | 1,047,995 |
| Adjusted EBITDA margin excl. SDIs                              | 40.7%     | 41.8%     |
| Adjusted EBITDA incl. SDIs                                     | 1,116,191 | 984,388   |
| Adjusted EBITDA margin incl. SDIs                              | 39.5%     | 39.2%     |
| Operating profit <sup>1</sup>                                  | 471,278   | 378,864   |
| Capital expenditures                                           | 841,059   | 762,444   |
| Net Debt per SFA                                               | 7,382,658 | 7,171,870 |
| <b>Unaudited operating data</b>                                |           |           |
| Payback period (in years)                                      | 3.8       | 3.4       |
| <b>Portfolio services segment</b>                              |           |           |
| <b>Non-IFRS and IFRS financial data</b>                        |           |           |
| Portfolio services revenue <sup>1</sup>                        | 2,358,158 | 2,043,673 |
| Portfolio services adjusted EBITDA excl. SDIs                  | 1,694,390 | 1,477,479 |
| Portfolio services adjusted EBITDA margin                      | 71.9%     | 72.3%     |
| <b>Unaudited operating data</b>                                |           |           |
| Total subscribers (year-end), units                            | 4,752,097 | 4,274,827 |
| Cancellation, units                                            | 324,828   | 258,701   |
| Attrition rate (LTM)                                           | 7.2%      | 6.4%      |
| Net subscriber growth, units                                   | 477,270   | 510,882   |
| Subscriber growth rate, net                                    | 11.2%     | 13.6%     |
| Monthly average number of subscribers during the period, units | 4,522,759 | 4,017,721 |
| Average monthly revenue per user (ARPU), in EUR                | 43.4      | 42.4      |
| Adjusted EBITDA per customer (EPC), in EUR                     | 31.2      | 30.6      |
| <b>Customer acquisition segment</b>                            |           |           |
| <b>Non-IFRS and IFRS financial data</b>                        |           |           |
| Customer acquisition revenue <sup>1</sup>                      | 385,954   | 373,492   |
| Customer acquisition adjusted EBITDA excl. SDIs                | (544,846) | (421,036) |
| Customer acquisition capital expenditures                      | 583,738   | 546,440   |
| <b>Unaudited operating data</b>                                |           |           |
| New subscribers added gross, units                             | 802,098   | 769,583   |
| Cash acquisition cost per new subscriber (CPA), in EUR         | 1,407     | 1,257     |
| <b>Adjacencies segment</b>                                     |           |           |
| <b>Non-IFRS and IFRS financial data</b>                        |           |           |
| Adjacencies revenue <sup>1</sup>                               | 82,910    | 91,682    |
| Adjacencies adjusted EBITDA excl. SDIs                         | 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 to be key measures of the Group's financial performance and as such have been included here to enhance comparability and usefulness. The key measures are further described under the section "Definitions". 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 services segment. Adjusted EBITDA, being earnings before interest, tax, 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 that have been recognized in the income statement 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 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.

### Results excluding SDIs

| EUR million                   | 2022           | 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)%            |
| <b>Adjusted EBITDA</b>        | <b>1,152.0</b> | <b>1,048.0</b> | <b>9.9%</b>       |
| 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)%           |
| <b>Operating profit</b>       | <b>577.0</b>   | <b>572.4</b>   | <b>0.8%</b>       |
| 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)%            |
| <b>Result before tax</b>      | <b>254.6</b>   | <b>282.0</b>   | <b>(9.7)%</b>     |

### Revenue

The following table shows our revenue split by segment:

| EUR million               | 2022           | 2021           | Percentage change |
|---------------------------|----------------|----------------|-------------------|
| <b>Revenue by segment</b> |                |                |                   |
| 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)%            |
| <b>Total</b>              | <b>2,827.0</b> | <b>2,508.8</b> | <b>12.7%</b>      |

### Revenue

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 year ending 31st of December, 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 31st December, 2022, compared to EUR 0.5 million in the same period last year. Interest expense reached EUR 317.8 million by the 31st of December, 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 year ending 31st December, 2022, compared to EUR 5.7 million in the same period last year.

### Reported consolidated income statement

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

### 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. By the 31st of December, 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 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 full year of, 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 by the 31st of December, 2022, compared to EUR 46.9 million in the same period last year. While current tax expense was EUR 74.5 million in the end of, 2022, compared to EUR 98.8 million in the same period last year, deferred tax totalled a cost of EUR 17.8 million by the 31st of December, 2022 compared to a benefit of EUR 51.9 million in the same period last year.

### Our segments

We operate subscription-based security service businesses, designing, installing and monitoring alarm and video surveillance systems to bring peace of mind to our customers. We operate through two primary operating segments: portfolio services and customer acquisition. Additionally, we classify certain non-core business under our adjacencies segment.

#### Portfolio services

The portfolio services segment provides a full security service to our customers for a monthly subscription fee. Our service includes 24/7 monitoring, expert verification and response, customer care, maintenance, and professional technical support to existing customers. We typically enter into self-renewing monitoring services agreements with our customers at the time of installation and the majority of our customers pay via direct debit. We operate personally all our monitoring centres which are located throughout Europe and Latin America to verify triggered alarms and initiate an appropriate response. We have a diverse and high-quality subscriber base and enjoy strong track record in customer retention, with an attrition rate of 7.2% in 2022 and 6.4% in 2021. This strong retention rate contributes to the stable and recurring cash flow that the segment generates, allowing us to fund investments that grow our customer base.

In 2022, the segment generated revenue of EUR 2,358.2 million (EUR 2,043.7 million in 2021), representing 83.4% (81.5% in 2021) of total revenue. The segment generated adjusted EBITDA of EUR 1,694.4 million (EUR 1,477.5 million in 2021), equivalent to a 71.9% (72.3% in 2021) adjusted EBITDA margin. As of the 31st of December, 2022, the Group had more than 4.7 million (4.2 million in 2021) customers, all connected to our alarm monitoring centres.

The results and cash flow of the portfolio services segment during any period are primarily impacted by the average number of customers during that period, the average monthly subscription fee charged, and the capital expenditure and other costs incurred in connection with on-going monitoring services. The average number of customers within any period is primarily affected by attrition rates for existing customers and the number of new customers added during that period.

We believe we have a very attractive offer in the markets in which we operate both from a product and service standpoint. We normally increase subscription fees each year based on

various consumer price indices combined with value improvements in our offerings in each market. We also increase subscription fees with respect to individual customers to the extent they add new services and features.

The costs incurred in the portfolio services segment primarily include labour costs associated with monitoring and customer service activities (such as monitoring centre operators and field technicians). Capital expenditure for portfolio services is generally low and primarily consists of purchases of upgraded customer equipment, computer servers, other hardware and software at the Group's monitoring centres. As a result, we are able to significantly improve our operating margins and cash flow as we add new customers to our existing operations.

To monitor performance in the portfolio services segment, management focuses on a number of key metrics, including average revenue per user (ARPU), monthly adjusted EBITDA per customer (EPC) and attrition rate. These metrics are described in more detail under "Definitions".

#### Customer acquisition

The customer acquisition segment develops, sources, purchases, provides and installs alarm systems for new customers in return for an upfront sales and installation fee. This installation fee typically only covers a portion of the costs associated with marketing, purchasing equipment and selling and installing each alarm system. As a result, the segment represents an upfront investment (which we partly expense and partly capitalize) in our business to acquire new customers. These new customers then become part of our portfolio services segment, driving revenue, adjusted EBITDA and profitability growth. In 2022, the customer acquisition segment generated EUR 386.0 million (EUR 373.5 million in 2021) of revenue and negative adjusted EBITDA of EUR 544.8 million (EUR 421.0 million in 2021).

Due to the discretionary nature of our customer acquisition activities, we are able to increase our marketing, sales and installation investment activities to grow our customer base, or, alternatively, reduce our investment in such activities to manage our cash on hand, over the short to medium term. Our upfront investment (including the capital expenditure and other costs associated with originating a subscriber) is partially offset at the time of sale by the installation fee paid by a new subscriber. We seek subsequently to recapture the remainder of our upfront investment through the monthly subscription fees, net of on-going monitoring costs (or EPC), generated by the customer.

#### Adjacencies segment

The adjacency segment represents the sale of remote monitoring and assistance devices and services for senior citizens, as well as the sale of Arlo cameras and video surveillance services in retail and online channels across Europe. As these sales are not considered a part of our core alarms business, they are reported under a separate reporting segment.

**Cash flow**

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

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 year ending 31st of December, 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 as of 31st of December, 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 year ending of 2022 and 2021 respectively. Key components in the year end of 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 year end of 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 consists 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) adjacencies capital expenditures, which include direct costs related to the acquisition of customer contracts within our Adjacencies segment; and (iv) other capital expenditures related to investments in R&D, IT and premises. In accordance with IFRS, the costs of the alarm equipment installed in connection with newly acquired subscribers are capitalized as tangible fixed assets to the extent we retain ownership of the equipment. The Group also capitalizes direct costs related to the acquisition of customer contracts as intangible fixed assets.

The following table shows a summary of our capital expenditures on 31st December, 2022 and 2021:

| EUR million                                             | 2022         | 2021         |
|---------------------------------------------------------|--------------|--------------|
| Customer acquisition capital expenditures, material     | 336.2        | 307.0        |
| Customer acquisition capital expenditures, direct costs | 247.5        | 239.4        |
| Portfolio services expenditures                         | 94.1         | 68.7         |
| Adjacencies capital expenditures                        | 8.8          | 9.8          |
| Other capital expenditures                              | 154.4        | 137.6        |
| <b>Total</b>                                            | <b>841.1</b> | <b>762.4</b> |

Capital expenditures totalled EUR 841.1 million by the 31st of December 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.

The table below summarises our available funds as of the 31st of December, 2022 and 2021.

| EUR million               | 2022         | 2021         |
|---------------------------|--------------|--------------|
| Revolving Credit Facility | 700.0        | 700.0        |
| Cash and cash equivalents | 43.6         | 24.3         |
| Drawn facility amount     | (454.5)      | (234.7)      |
| Utilized letter of credit | (9.7)        | (9.4)        |
| <b>Total</b>              | <b>279.4</b> | <b>480.1</b> |

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

| EUR million               | 2022           | 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 liabilities         | 51.3           | 39.9           |
| Lease liability (IFRS 16) | 160.6          | 150.2          |
| <b>Total</b>              | <b>7,426.3</b> | <b>7,196.2</b> |

### Employees

The Group had an average of 23,875 (20,233 in 2021) full time equivalent employees (FTE) in 2022. Approximately 35% (36% in 2021) of the employees were located in Spain and 14% in France 2022 (15% in 2021). After Spain and France, the highest concentrations of employees were in UK, Chile, Italy and Sweden (Brazil, Sweden, UK, Italy and Chile in 2021). In Sweden and, to a lesser extent in Norway, Finland and Denmark, we work closely with partners to sell and install our products instead of using our own employees.

### Regulation and legal proceedings

#### Regulation

Our operations are subject to a variety of laws, regulations and licensing requirements in the countries in which we operate. Most laws and regulations specific to the industry are country or municipal-wide in scope. Legislation relating to consumer protection, fair competition, data privacy and other generally applicable areas are either EU or countrywide in scope.

Regulation limits the confines of our operations, but also offers opportunity to the Group. Regulatory and voluntary standards in the area of security and safety services allow us to differentiate from other companies operating in the same segment, as we are better equipped to meet new requirements, partner with law enforcement, insurance companies and other relevant stakeholders, and market our services with certifications valued by consumers. We are actively pursuing opportunities to positively influence the regulatory environment.

### Sales and marketing

All of the countries in which we operate have regulations regulating how companies market and sell their products and

services to consumers. Typically these regulations afford consumers pre-contractual information, withdrawal and termination rights. They also generally prohibit misleading advertising and regulate the use of price promotions. Two countries in our footprint, Belgium and Denmark, prohibit so-called door to door sales to consumers despite the EU Omnibus Directive establishing that such sales cannot be outright banned by EU Member States.

### Alarm verification

We are subject to regulations covering the dispatching of emergency personnel and false alarms. An increasing number of local governmental authorities are adopting laws, regulations or policies aimed at reducing the costs to them of responding to false alarms. For example, in France, police will only respond to an alarm forwarded to them once that alarm has been verified. Spain, our largest country by revenue, has recently established verification protocols requiring alarms be verified through video, audio or personal verification steps before they can be considered "confirmed alarms." Absent confirmation, emergency personnel will not respond unless three sequential alarms are triggered within 30 minutes. If emergency personnel are dispatched to a false alarm, some jurisdictions allow for penalties to be imposed on either the alarm owner or the alarm service provider. In France, police are allowed to fine an alarm monitoring service provider for forwarding a false alarm. Likewise, in Spain, emergency responders have discretion to impose fines for overly frequent false alarms, reaching as high as €30,000 per incident. These regulations are aimed at causing alarm service providers to adopt appropriate measures to limit false alarms. We consider Verisure to be the industry leader in alarm verification, typically filtering out north of 99% of false alarms.

### Monitoring

We have at least one monitoring centre in each of the geographies in which we operate. In some countries these centres are regulated by either the police or insurance companies, and require licenses or permits. For instance, Sweden and Norway regard monitoring centres to be akin to a guarding service, and require each centre to obtain an equivalent license to the one required of guarding services. In Spain, monitoring centres are subject to stringent approvals by the police. Many countries also impose minimum staffing requirements and minimum training standards for operators in monitoring centres.

### Equipment and installation

The monitoring products we install are regulated by EU and national laws, including with respect to health, safety and environmental protection. The regulatory obligations applicable to the Group and its suppliers depend on respective roles and activities in a product's supply chain, and on the features of each relevant product.

In order to conduct installation of alarms, we generally must be registered for this purpose in the countries we operate in. We currently hold all required registrations in each of our countries. Some markets impose regulations on the maintenance of our products. For example Spain requires that we provide certified maintenance service as part of each contract we enter into with a customer. Additionally, some countries that do not currently regulate maintenance of residential alarms do regulate business alarms. Such regulations apply to our small business customers. In the future, these countries may expand such regulations to the residential segment.

### Legal proceedings

At any given time, we may be a party to regulatory proceedings or to litigation or be subject to non-litigated claims arising out of the normal operations of our businesses, such as regarding product liability, unfair trading or employment claims. We currently believe that our likely liability with respect to proceedings pending is not material to our financial position.

### 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.

In Q1 2023, Yan Sirera joined Verisure as Managing Director of Spain and a member of the Group Management Team. Yan previously held senior leadership roles at Danone and PepsiCo, where he spent 23 years leading businesses in Spain, Mexico, Canada, France and Russia, first in Marketing positions and then at General Management levels. Prior to joining Verisure, Yan was General Manager and Senior Vice President for PepsiCo in Russia.

Also in Q1 2023, Alex Froment-Curtis 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, Yan worked for the strategy consulting firm Booz Allen Hamilton.

Anthony Loizeau, General Manager for the Nordics Cluster, is leaving Verisure effective 1 April 2023. Anthony joined Verisure in 2012 as Managing Director for Latin America. In 2020, Anthony was appointed to lead our Nordics Cluster. Vincent Litrico, Group Chief Financial Officer, will leave the Company effective 31 July 2023. Vincent joined the company in 2016. We would like to recognise and thank Anthony and Vincent for their many contributions and commitment over the past years, helping to bring us to where we are today.

In June 2023, Colin Smith will join 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, driving a very strong commercial agenda.

In April 2023 the Group fully redeemed the existing EUR 200 million Floating Rate Notes due in 2025.

# Consolidated Financial Statements

## Consolidated Income Statement

| EUR thousand                   | Note                      | 2022             | 2021             |
|--------------------------------|---------------------------|------------------|------------------|
| Revenue                        | 4, 5                      | 2,827,022        | 2,508,847        |
| Cost of sales                  | 5, 7, 10, 11, 12          | (1,619,565)      | (1,375,534)      |
| <b>Gross profit</b>            |                           | <b>1,207,457</b> | <b>1,133,312</b> |
| Selling expenses               | 5, 7, 10, 11, 12          | (345,265)        | (298,890)        |
| Administrative expenses        | 5, 6, 7, 8, 9, 10, 11, 12 | (395,671)        | (460,821)        |
| Other income                   | 5                         | 4,757            | 5,263            |
| <b>Operating profit</b>        |                           | <b>471,278</b>   | <b>378,864</b>   |
| Financial income               | 13, 15                    | 970              | 978              |
| Financial expenses             | 13                        | (337,725)        | (318,049)        |
| <b>Result before tax</b>       |                           | <b>134,523</b>   | <b>61,793</b>    |
| Income tax expense and benefit | 14                        | (92,259)         | (46,859)         |
| <b>Result for the year</b>     |                           | <b>42,265</b>    | <b>14,933</b>    |
| Whereof attributable to:       |                           |                  |                  |
| – Parent company               |                           | 42,265           | 14,933           |

## Consolidated Statement of Comprehensive Income

| EUR thousand                                                                   | Note | 2022            | 2021           |
|--------------------------------------------------------------------------------|------|-----------------|----------------|
| <b>Result for the year</b>                                                     |      | <b>42,265</b>   | <b>14,933</b>  |
| <b>Other comprehensive income</b>                                              |      |                 |                |
| <b>Items that subsequently may not be reclassified to the income statement</b> |      |                 |                |
| Remeasurements of defined benefit plans                                        |      | 1,633           | 1,623          |
| Income tax related to these items                                              | 14   | (120)           | 18             |
| <b>Items that subsequently may not be reclassified to the income statement</b> |      | <b>1,513</b>    | <b>1,641</b>   |
| <b>Items that subsequently may be reclassified to the income statement</b>     |      |                 |                |
| Change in hedging reserve                                                      |      | (8,583)         | 17,517         |
| Currency translation differences on foreign operations                         |      | (81,685)        | (17,648)       |
| Income tax related to these items                                              | 14   | 1,768           | (3,671)        |
| <b>Items that subsequently may be reclassified to the income statement</b>     |      | <b>(88,500)</b> | <b>(3,802)</b> |
| <b>Other comprehensive income</b>                                              |      | <b>(86,987)</b> | <b>(2,161)</b> |
| <b>Total comprehensive income for the year</b>                                 |      | <b>(44,722)</b> | <b>12,772</b>  |
| Whereof attributable to:                                                       |      |                 |                |
| – Parent company                                                               |      | (44,722)        | 12,772         |

## Consolidated Statement of Financial Position

| EUR thousand                    | Note       | 2022             | 2021             |
|---------------------------------|------------|------------------|------------------|
| <b>Assets</b>                   |            |                  |                  |
| <b>Non-current assets</b>       |            |                  |                  |
| Property, plant and equipment   | 16         | 1,316,626        | 1,169,952        |
| Right of use assets             | 17         | 157,255          | 146,864          |
| Goodwill                        | 18         | 777,765          | 867,680          |
| Customer portfolio              | 19         | 1,037,603        | 1,011,677        |
| Other intangible assets         | 20         | 316,344          | 282,831          |
| Deferred tax assets             | 14         | 28,778           | 27,860           |
| Derivatives                     | 22         | 1,363            | -                |
| Trade and other receivables     | 22, 24     | 302,693          | 311,653          |
| <b>Total non-current assets</b> |            | <b>3,938,428</b> | <b>3,818,516</b> |
| <b>Current assets</b>           |            |                  |                  |
| Inventories                     | 23         | 342,732          | 252,086          |
| Trade receivables               | 15, 22, 24 | 193,131          | 147,629          |
| Current tax assets              |            | 12,434           | 15,896           |
| Derivatives                     | 22         | 6,244            | 9,651            |
| Prepayments and accrued income  | 21         | 81,827           | 59,097           |
| Other current receivables       | 22         | 42,159           | 35,288           |
| Cash and cash equivalents       | 22         | 43,629           | 24,283           |
| <b>Total current assets</b>     |            | <b>722,156</b>   | <b>543,930</b>   |
| <b>Total assets</b>             |            | <b>4,660,583</b> | <b>4,362,446</b> |

## Consolidated Statement of Financial Position

| EUR thousand                         | Note   | 2022               | 2021               |
|--------------------------------------|--------|--------------------|--------------------|
| <b>Equity and liabilities</b>        |        |                    |                    |
| <b>Equity</b>                        |        |                    |                    |
| Share capital                        | 25     | 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)        |
| <b>Total equity</b>                  |        | <b>(4,016,827)</b> | <b>(3,973,245)</b> |
| <b>Non-current liabilities</b>       |        |                    |                    |
| Long-term borrowings                 | 22, 26 | 7,252,455          | 7,029,477          |
| Derivatives                          | 22     | 4,593              | -                  |
| Other non-current liabilities        | 22     | 111,241            | 86,792             |
| Deferred tax liabilities             | 14     | 184,455            | 175,474            |
| Other provisions                     | 27     | 16,815             | 22,437             |
| <b>Total non-current liabilities</b> |        | <b>7,569,559</b>   | <b>7,314,180</b>   |
| <b>Current liabilities</b>           |        |                    |                    |
| Trade payables                       | 22     | 188,664            | 190,682            |
| Current tax liabilities              |        | 79,777             | 85,203             |
| Short-term borrowings                | 22, 26 | 166,724            | 129,919            |
| Derivatives                          | 22     | 5,175              | 30,853             |
| Accrued expenses and deferred income | 28     | 606,993            | 545,839            |
| Other current liabilities            | 22     | 60,517             | 39,015             |
| <b>Total current liabilities</b>     |        | <b>1,107,850</b>   | <b>1,021,511</b>   |
| <b>Total liabilities</b>             |        | <b>8,677,409</b>   | <b>8,335,691</b>   |
| <b>Total equity and liabilities</b>  |        | <b>4,660,583</b>   | <b>4,362,446</b>   |

## Consolidated Statements 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              |
| <b>Balance at January 1, 2022</b>    | <b>56</b>                                            | <b>624,686</b>        | <b>22,795</b>       | <b>7,664</b>    | <b>(4,628,446)</b> | <b>(3,973,245)</b> |
| Result for the period                | -                                                    | -                     | -                   | -               | 42,265             | <b>42,265</b>      |
| Other comprehensive income           | -                                                    | -                     | (81,685)            | (6,815)         | 1,513              | <b>(86,987)</b>    |
| <i>Total comprehensive income</i>    | -                                                    | -                     | (81,685)            | (6,815)         | 43,778             | <b>(44,722)</b>    |
| <b>Transactions with owners</b>      |                                                      |                       |                     |                 |                    |                    |
| Group contribution                   | -                                                    | -                     | -                   | -               | 124                | <b>124</b>         |
| Shareholders contribution            | -                                                    | -                     | -                   | -               | 1,016              | <b>1,016</b>       |
| <i>Total transaction with owners</i> | -                                                    | -                     | -                   | -               | 1,140              | <b>1,140</b>       |
| <b>Balance at December 31, 2022</b>  | <b>56</b>                                            | <b>624,686</b>        | <b>(58,890)</b>     | <b>849</b>      | <b>(4,583,528)</b> | <b>(4,016,827)</b> |

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

# Consolidated Statement of Cash Flows

| EUR thousand                                                                | Note   | 2022             | 2021                     |
|-----------------------------------------------------------------------------|--------|------------------|--------------------------|
| <b>Operating activities</b>                                                 |        |                  |                          |
| Operating profit                                                            |        | 471,278          | 378,864                  |
| Reversal of depreciation and amortization                                   | 12     | 557,114          | 477,294                  |
| Other non-cash items                                                        | 10     | 87,769           | 128,230                  |
| Paid taxes                                                                  |        | (77,133)         | (61,589)                 |
| <b>Cash flow from operating activities before change in working capital</b> |        | <b>1,039,028</b> | <b>922,800</b>           |
| <b>Change in working capital</b>                                            |        |                  |                          |
| Change in inventories                                                       |        | (86,977)         | (89,186)                 |
| Change in trade receivables                                                 |        | (49,720)         | 21,640                   |
| Change in other receivables                                                 |        | (14,010)         | (5,874)                  |
| Change in trade payables                                                    |        | (550)            | 7,753                    |
| Change in other payables                                                    |        | 112,062          | (40,212)                 |
| <i>Cash flow from change in working capital</i>                             |        | <i>(39,196)</i>  | <i>(105,878)</i>         |
| <b>Cash flow from operating activities</b>                                  |        | <b>999,832</b>   | <b>816,922</b>           |
| <b>Investing activities</b>                                                 |        |                  |                          |
| Purchase of intangible assets                                               | 19, 20 | (400,739)        | (378,151)                |
| Purchase of property, plant and equipment                                   | 16     | (440,428)        | (385,016)                |
| Prepayment of intangible assets                                             |        | 157              | -                        |
| Acquisition of non-controlling interest                                     |        | -                | (1,000)                  |
| <b>Cash flow from investing activities</b>                                  |        | <b>(841,010)</b> | <b>(764,168)</b>         |
| <b>Financing activities</b>                                                 |        |                  |                          |
| Change in borrowings                                                        |        | 181,964          | 190,620                  |
| Paid bank and advisory fees                                                 |        | (6,441)          | (74,077)                 |
| New financing                                                               |        | 500,000          | 4,472,783                |
| Repayment of financing                                                      |        | (500,000)        | (2,734,562)              |
| Net interest paid                                                           |        | (303,843)        | (263,031)                |
| Call cost old debt                                                          |        | -                | (17,175)                 |
| Other financial items                                                       |        | (11,039)         | (7,536)                  |
| Paid distribution                                                           |        | -                | (1,703,787) <sup>1</sup> |
| <b>Cash flow from financing activities</b>                                  |        | <b>(139,359)</b> | <b>(136,764)</b>         |
| <b>Cash flow for the year</b>                                               |        | <b>19,462</b>    | <b>(84,009)</b>          |
| Cash and cash equivalents at start of period                                |        | 24,283           | 97,941                   |
| Exchange difference on translating cash and cash equivalents                |        | (116)            | 10,350                   |
| <b>Cash and cash equivalents at end of year</b>                             |        | <b>43,629</b>    | <b>24,283</b>            |

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 Consolidated Financial Statements

## Note 1 General Company Information

### Information regarding Verisure Midholding AB (publ)

Verisure Midholding AB (publ) ("the Company") is an organised public limited liability company incorporated on May 26, 2011, in and under the laws of Sweden with the registration number 556854-1402 and with its registered office in Malmö. Verisure Midholding AB's address is Box 392, 201 23 Malmö. The Group's head office is based in Geneva, Switzerland. Verisure Midholding AB (publ) is directly and wholly owned by Verisure Topholding AB.

### Nature of operations

Verisure Midholding Group, hereafter referred to as the Group, is the leading provider of professionally monitored alarms for residential households and small businesses in Europe. We are also, through Arlo Europe, one of the leading providers of camera video surveillance systems in Europe. We offer premium monitored alarm services to our portfolio of over 4.7 million customers and design, sell, install and monitor alarm and video surveillance systems across 17 countries in Europe and Latin America.

The Group operates a subscription-based service business, which we conduct through two primary operating segments: portfolio services and customer acquisition. The portfolio services segment provides monitoring services to existing customers for a monthly subscription fee. The customer acquisition segment develops, sources, purchases, provides and installs alarm systems for new customers in return for an upfront sales and installation fee. Additionally, we classify certain non-core business under our adjacencies segment, which mainly represents the sale of remote monitoring and assistance devices, services for senior citizens as well as the sale of Arlo cameras and video surveillance in retail and online channels across Europe.

## Note 2 Accounting Policies

The most important accounting policies in the preparation of these consolidated financial statements are described below. These policies were applied consistently for all years presented, unless otherwise stated.

### New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations that have been published are not mandatory as of the 31st of December, 2022, reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity for the current or future reporting periods and on foreseeable future transactions.

### Basis of presentation

#### Compliance with IFRS

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as approved by the EU. The accounting policies are unchanged compared with those applied in 2021.

#### Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except where a fair value measurement is required according to IFRS (e.g for derivative financial instruments, which have been measured at fair value).

### Basis of consolidation | IFRS 10 & IFRS 12

The consolidated financial statements include the results, cash flows, assets and liabilities of the Group and all subsidiaries.

Subsidiaries are all entities of which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group generally controls a company by a shareholding of more than 50% of the voting rights referring to all shares and participations.

Subsidiaries are fully consolidated from the date of acquisition and deconsolidated from the date that the control ceases. The accounting principles used by subsidiaries are adjusted where necessary to ensure consistency with the principles applied by the Group.

All inter-company transactions, balances and unrealized gains and losses attributable to inter-company transactions are eliminated in the preparation of the consolidated financial statements.

Note 2 cont.

**Foreign currency translation / IAS 21****Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured by using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euro (EUR), which is the parent company's functional and presentation currency.

**Transactions and balances**

Transactions in foreign currency are translated into the functional currency in accordance with the exchange rates prevailing at the date of the transaction. Exchange differences on monetary items are recognized in the income statement when they arise. Exchange differences from operating items are recognized as either cost of sales or selling or administrative expenses, while exchange differences from financial items are recognized as financial income or financial expenses. When preparing the financial statements of individual companies, foreign currency denominated receivables and liabilities are translated to the functional currency of the individual company using the exchange rates prevailing at each balance sheet date.

**Group companies**

The results and financial position of all Group companies that have a functional currency different from the presentation currency are converted into the presentation currency as follows:

- Assets and liabilities for each balance sheet item presented are converted at the closing rate at the date of the balance sheet.
- Income and expenses for each income statement are translated at average exchange rates.
- All resulting translation differences are recognized in other comprehensive income.

When a foreign operation is sold or partially disposed of, the associated exchange differences that were recorded in equity are reclassified and recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and converted at the closing rate.

One of the Group companies, operates in Argentina, which is considered to be a hyperinflationary economy. However, the effects are currently minimal. The Group continuously evaluates the effects in order to adjust the valuation when relevant.

**Segment reporting / IFRS 8**

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 which are explained further below.

**Portfolio services**

The portfolio services segment provides a full security service to our customers for a monthly subscription fee. We typically enter into self-renewing monitoring agreements with customers at the time of installation and the majority of customers pay via direct debit. Our service includes 24/7 monitoring, expert verification and response, customer care, maintenance, and professional technical support to existing customers. A majority of the costs in the portfolio services segment are either variable or partially variable. We do have some fixed costs, for example: long-term facility rentals. Our different nature of costs (variable and fixed), allows us to gain more leverage. As a result, we have historically been able to increase our portfolio operating margin and cash flows as we add new customers to our existing operations.

**Customer acquisition**

This segment develops, sources, purchases, provides and installs alarm systems for new customers in return for an upfront sales and installation fee.

Sales and installations can be performed both by our own employees as by external partners. Each new customer generates installation income that is recognized once the installation of the alarm equipment has been completed. The Group's costs for materials, installation, administration and marketing generally exceed the non-recurring income, resulting in negative cash flow for the segment.

**Adjacencies**

The adjacencies segment contains the sale of remote monitoring and assistance devices, services for senior citizens as well as the sale of Arlo cameras, video surveillance services in retail and online channels across Europe. Because these sales are not considered as part of our core alarm business, the revenues are categorised as adjacencies.

Business segments are recognized using the same accounting policies as applied by the Group.

**Revenue recognition / IFRS 15**

The Group's revenue is generated mainly from the recurring monthly fees in the portfolio segment. This is approx. 80% of the Group revenue. The remaining part of the revenue is generated from the installation fee in the customer acquisition segment, invoiced services and sale of products.

Within our customer contracts we have identified two performance obligations, installation and monitoring. For installation the revenue is recognized when the products are installed at our customers premises. Income from alarm monitoring services is recognized over time during the period to which the service relates.

For customer agreements containing multiple deliverables (installation and monitoring services) the transaction price is allocated to each performance obligation based on the stand-alone selling prices. The stand-alone selling price for the installation is calculated based on the cost for the installation with a margin based on external benchmark. Any amount invoiced as installation fee exceeding the calculated

Note 2 cont.

stand-alone selling price for the installation service is allocated to the performance obligation monitoring service and is recognized on a linear basis over the contract period.

Revenues from the sale of products and services are recognized when the product is transferred to the customer or when the service is performed.

### Financing

To enhance the payment plan flexibility to our customers some of the Group's entities offer to finance part of the upfront fee, i.e. the customer gets the opportunity to pay the financed amount in monthly instalments typically over a three-year period. This offered service supports the Group's growth and profitability targets and may be arranged in two alternative ways; external or internal financing.

### External financing

In the case of external financing, the customer is first invoiced for all instalments relating to the amount of financed upfront fee. These invoices are then sold at a discount to a financial institution which assumes the credit risk, but the collection process remains with the Group. The Group recognizes the received net amount as installation revenue.

### Internal financing

In case of internal financing, the customer may be invoiced with: a one-off charge for all installments occurred or the upfront fee is financed and broken down into monthly fees. In this case the Group assumes the credit risk. Interest income from these financial assets is included in installation revenue using the effective interest method.

### Business combinations / IFRS 3

Business combinations are accounted for using the acquisition method. The consideration for the business combination is measured at fair value on the acquisition date, which is equivalent to the sum of the fair value of assets transferred, liabilities that arise or are assumed and equity ownership issued in exchange for control of the acquired business, as of the date of acquisition. The consideration also includes fair value on the acquisition date of the assets or liabilities arising from an agreement concerning contingent consideration. Acquisition related costs are recognized in the income statement during the period in which they are incurred.

Contingent liabilities assumed in a business combination are recognized as existing liabilities arising from events that have occurred, if their fair value can be reliably calculated.

Measurement adjustments to the fair value of consideration transferred or of the acquired identifiable assets and liabilities as a result of additional information received during the measurement period, concerning facts and circumstances at the time of the acquisition date, qualify as adjustments of the business combination and require retrospective restatement with corresponding adjustment of goodwill. The measurement period ends on the earlier of the date when the Group receives the information needed (or determines that the information cannot be obtained) and one year after the acquisition date.

The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

### Operating expenses

The Group's business model involves sales and installation being carried out primarily by the same individuals. The costs of these activities are recognized in gross profit. This means that "cost of sales" includes some costs that are actually selling expenses but cannot be allocated to a specific function.

### Employee benefit expense / IAS 19

#### Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

#### Post-employment obligations

Our employees in Norway, Denmark, Sweden, France, Belgium, the Netherlands, United Kingdom, Finland, Germany and Switzerland have a pension plan, whereas our employees in Argentina, Chile, Brazil, Spain, Portugal, Italy and Peru do not. We offer both defined contribution and defined benefit pension plans. Defined contribution plans are post-employment benefit schemes under which we pay fixed contributions into a separate legal entity and have no legal or constructive obligation to pay further contributions. Costs for defined contribution schemes are expensed in the period during which the employee carried out his or her work. Costs are in line with the payments made during the period.

All pension liabilities in Sweden are classified as defined contribution plans, except pensions for office based staff which are through a national multi-employer pension plan, which is funded in the same manner as a defined contribution plan. The percentage of contribution depends on the level of employee participation and salaries in each country.

Defined benefit plans are post-employment benefit schemes other than defined contribution plans. The group has defined benefit plans of limited scope in France and Switzerland. For these plans, amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' earnings and/or years of service.

### Share-based payments

#### Equity plan

A limited number of leaders of the Group participate in an equity plan, which allows them to acquire shares at fair market value in Aegis Lux 2 S.à r.l. (either directly or through a legal entity). As the investment is done at a fair market value and with participants' out-of-pocket resources, there is no benefit for the employees.

Note 2 cont.

#### Share option plan / IFRS 2

Certain employees of the Group are granted share options in Aegis Lux 2 S.à.r.l. The Share Option Plan is settled through equity and disclosed accordingly. Hence, the options are recognized as an employee benefits expense, with a corresponding increase in equity during the vesting period. The total amount to be expensed is determined by reference to the fair value of the options granted. The fair value at grant date is determined using an adjusted form of the Black-Scholes model which includes a Monte Carlo simulation model.

#### Taxes / IAS 12

##### Income taxes

Income taxes include current and deferred tax. These taxes have been calculated at a nominal amount according to each country's tax rates that have been defined or announced and are highly likely to become affected.

##### Current tax

Current tax is tax that is paid or received for the current year and includes any adjustments to current tax for prior years. In the case of items recognized directly in equity or other comprehensive income, any tax effect on equity or other comprehensive income is also recognized.

##### Deferred tax

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred income tax is recognized using the balance sheet method, which means that deferred income tax is calculated on all temporary differences between the tax bases of assets and liabilities and their carrying amounts. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profits nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at tax rates that are expected to apply in the period when the liability is settled, or the asset is realized, based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also recognized in other comprehensive income.

Deferred tax assets on losses carried forward are recognized to the extent that it is probable that future taxable profits will be available against which the amounts can be utilized. Even though no statutory profits are forecasted, deferred tax assets (resulting from both deductible temporary differences, unused tax losses and unused tax credits) is recognized up to the amount of deferred tax liability if the reversals of deferred tax

assets occur during the same period of the reversals of deferred tax liability. The carrying amount is reviewed on each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### Property, plant and equipment / IAS 16 & IAS 36

Property, plant and equipment are recognized at cost less accumulated depreciation and any cumulative impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of the assets, net of their residual values, over their estimated useful lives as follows:

|                               |            |
|-------------------------------|------------|
| Alarm equipment               | 5–15 years |
| Other machinery and equipment | 3–10 years |

The useful lives and residual values of Group assets are determined by management at the time of acquisition and are reviewed annually for appropriateness. The assets lives are based primarily on historical experience with regards to the lifecycle of customers, as well as anticipation of future events that may have an impact, such as technological tendencies and macroeconomic factors.

Alarm equipment is considered as devices installed in customers' premises. Other machinery and equipment are primarily IT-equipment and furniture.

An asset's residual value and value-in-use are annually reviewed, and adjusted if appropriate, on the defined reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the estimated recoverable amount. Gains and losses on disposals are recognized in the income statement as cost of sales.

#### Leases / IFRS 16

The Group recognizes a right of use asset and a lease liability on the commencement date of the lease. The right of use asset is initially measured by cost, which comprises the initial amount of the lease liability adjusted with any lease payments made at or before the commencement date. The right of use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis as those of property, plant and equipment. In

Note 2 cont.

addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted with certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate. The incremental borrowing rate varies for each of the Groups entities and is based on the calculation of the cost of debt in the Group's overall WACC calculation. It also considers what kind of asset is leased, as well as, the contract period. The Group evaluates the rates annually and updates them according to any new contracts when necessary. When material changes are made in a contract, the Group also reevaluate the discount rate and updates it as appropriate.

Lease payments included in the measurement of the lease liability are comprised of fixed payments, variable lease payments that depend on an index or rate, and the amounts expected to be payable under a residual value guarantee. Non-lease components are included in vehicle leases, but not in leases of buildings.

The lease liability is measured at an amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured a corresponding adjustment is made to the carrying amount of the right of use asset.

The Group has elected not to recognize right of use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low value assets. The Group recognizes the lease payments as an expense on a straight-line basis over the lease term.

### Intangible assets | IAS 36 & IAS 38

#### Goodwill

In a business combination where the sum of the acquisition price, any minority interest and fair value of any previously held equity interest on the acquisition date exceeds the fair value of the identifiable acquired net assets on that date, the difference is recognized as goodwill. Goodwill is allocated to the lowest levels for which there are separately identifiable cash flows or cash generating units (CGUs). Goodwill is not subject to amortization and is tested for impairment annually, or as soon as there is an indication that the asset has declined in value and carried at cost less accumulated impairment losses.

#### Customer portfolio

The customer portfolio includes contract portfolios and customer acquisition costs. The customer acquisition costs are the incremental costs for obtaining a contract i.e. the costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, a sales commission). Amortization is based on the asset's cost and allocated on a straight-line basis over the estimated useful life.

### Other intangible assets

Other intangible assets are primarily computer software, development costs and trademark. Software that fulfils the capitalization criterias are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the asset's estimated useful life. Costs associated with maintaining computer software are recognized as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognized as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use. Amortization for all intangible assets is measured using the straight-line method during the useful life, as follows:

|                         |            |
|-------------------------|------------|
| Customer portfolio      | 3-15 years |
| Computer software       | 3-10 years |
| Other intangible assets | 3-18 years |

### Impairment of non-financial assets | IAS 36

Assets with an indefinite useful life are not subject to amortization and are tested for impairment annually or as soon as an indication emerges that they have decreased in value. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the recoverable amount may fall short of the carrying amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

### Initial recognition | IFRS 9

A financial asset or liability is recognized in the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets and liabilities are recognized on the trade date; that is, the date the Group commits to purchasing or selling the asset.

At initial recognition financial instruments are measured at fair value plus, in the case of an asset or financial liability not at fair

Note 2 cont.

value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commission. Transaction costs for financial assets and liabilities measured at fair value through profit or loss are expensed in the income statement.

#### **Financial assets – classification and measurement**

The Group classifies and measures its financial assets in the categories at amortized cost and at fair value through profit or loss. Classification of investments in debt instruments depends on the Group's business model for management of financial assets and the contractual terms of the assets' cash flows.

##### **Financial assets at amortized cost**

Assets held for the purpose of collecting contractual cash flows and where these cash flows consist solely of payments of principal and interest are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit losses reported (see below under Impairment of financial assets). The Group's financial assets measured at amortized cost consists of trade and other receivables, current trade receivables, other current receivables, cash and cash equivalent.

##### **Financial assets at fair value through profit or loss**

Assets that do not fulfil the conditions for measurement at amortized cost are measured at fair value through profit and loss. A profit or loss for a debt instrument measured at fair value through profit or loss and that is not included in a hedging relationship is recognized net in the income statement in the period in which the profit or loss arises. Any holdings of derivatives that has not been designated as hedging instruments are placed in this category. Accounting principle for derivatives for hedge accounting is described under the section "Currency derivatives and hedge accounting" below.

#### **Financial liabilities – classification and measurement**

##### **Financial liabilities at amortized cost**

After initial recognition, the Group's other financial liabilities are measured subsequently at amortized cost using the effective interest method. Financial liabilities consist of long-term borrowings, other non-current liabilities, trade payables, short-term borrowings and other current liabilities.

##### **Financial liabilities at fair value through profit or loss**

Financial liabilities measured at fair value through the income statement are financial liabilities held for trading. Financial liabilities at fair value through profit or loss continue to be measured at fair value in subsequent periods, with the change in value recognized in the income statement. Any holdings of derivatives that has not been designated as hedging instruments are placed in this category. Accounting principle for derivatives for hedge accounting is described under the section "Currency derivatives and hedge accounting" below.

#### **Derecognition of financial assets and financial liabilities**

Financial assets are derecognized in the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred substantially all the risks and rewards associated with ownership. Financial liabilities are derecognized in the balance sheet when the

contractual obligation has been discharged or otherwise terminated. When the terms of a financial liability are renegotiated, and not derecognized in the balance sheet, a gain or loss is recognized in the income statement. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

#### **Offsetting of financial instruments**

Financial assets and liabilities are offset and recognized with a net amount in the statement of financial position only when there is a legal right to offset the recognized amounts and an intention to balance the items with a net amount or to simultaneously realize the asset and settle the liability.

#### **Impairment of financial assets recognized at amortized cost**

The Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach, i.e., the reserve will correspond to the expected loss over the lifetime of the trade receivables. To measure the expected credit losses, trade receivables have been grouped based on days past due. Expected credit losses is based on historical loss rates that are adjusted to reflect current and forwardlooking information on macroeconomic factors affecting the ability of the customers to settle the receivables. In cases when the Group has more information on customers than the statistical model reflects, a management overlay is made for those specific customers. Expected credit losses are recognized under "cost of sales" in the income statement.

#### **Derivatives and hedge accounting**

Derivatives are reported in the balance sheet on the date of contract at fair value, both initially and at subsequent remeasurement at the close of each reporting period. The method used to report the gain or loss arising on remeasurement depends on whether the derivative was designated as a hedging instrument, and if so, the nature of the item hedged. The Group designates certain derivatives as hedging of a particular risk attributable to a highly probable forecast cash flow transaction (cash flow hedging). The Group does not use derivative financial instruments for speculative purposes.

When the transaction is entered into, the Group documents the relationship between the hedging instrument and the hedged item, as well as the Group's objective for the risk management and the risk management strategy relating to the hedge. The Group also documents its assessment, both when the hedge is entered into and on an ongoing basis, of whether the derivatives used in hedging transactions have been and will continue to be effective as regards countering changes in the cash flows attributable to the hedged items.

Information concerning the fair value of various derivatives used for hedging purposes can be found in note 22. The entire fair value of a derivative that is a hedging instrument is classified as a non-current asset or non-current liability if the

Note 2 cont.

remaining term of the hedged item is more than 12 months, and as a current asset or current liability if the remaining term of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

#### **Transaction exposure – cash flow hedging**

Currency exposure relating to future contracted and forecast cash flows is hedged through forward currency contracts. The currency forwards that hedge the forecast cash flow are recognized in the balance sheet at fair value. The effective portion of changes in the fair value of the forward contract is recognized in other comprehensive income and accumulated in equity as long as the hedge is effective. The ineffective portion of the change in value is recognized immediately in the income statement. If the hedge is not effective or if the hedged forecast transaction is no longer expected to occur, accumulated gains or losses are recognized immediately in net profit for the year. The amount that was recognized in equity via other comprehensive income is reversed to net profit for the year in the same period as that in which the hedged item affects net profit for the year. When a hedging instrument expires or is sold, terminated or exercised, or if the Group fails to designate the hedging relationship before the hedged transaction has occurred and the forecast transaction is still expected to occur, the reported accumulated gain or loss remains in the hedging reserve in equity and is recognized in the same way as above when the transaction occurs.

#### **Ineffectiveness in hedge accounting**

The effectiveness of a hedge is assessed when the hedging relationship is entered into. The hedged item and the hedging instrument are assessed continually to ensure that the relationship fulfils the requirements. When the Group hedges sales of foreign currency, hedging relationships are entered into in which critical conditions of the hedging instrument exactly match the terms of the hedged item. A qualitative assessment of the effectiveness of the relationship is thereby performed. When hedging sales of foreign currency, ineffectiveness can arise if the date of the forecast transaction changes from what was initially estimated.

#### **Derivatives that are not designated as hedging instruments**

Changes in the fair value of any derivative instrument that have not been designated as hedging instruments are recognized immediately in profit or loss.

#### **Trade receivables**

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. They are subsequently measured at amortized cost using the effective interest method, less loss allowance.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less.

#### **Trade and other payables**

Trade payable are obligations to pay for goods and services that have been acquired from suppliers as part of operating activities. Trade payables and other payables are classified as current liabilities if they fall due for payment within 12 months (or during a normal operating cycle if this is longer). If not, they are reported as non-current liabilities. The liabilities are initially recognized at fair value and thereafter at amortized cost using the effective interest method.

#### **Borrowing**

New borrowing is initially recognized at fair value, net after transaction costs. Thereafter borrowing is recognized at amortized cost and any difference between the amount received (net after transaction costs) and the repayment amount is recognized in profit or loss and distributed across the loan term, applying the effective interest method. Borrowing is classified under current liabilities unless the Group has an unconditional right to defer payment of the debt for at least 12 months after the closing date.

#### **Inventories | IAS 2**

Inventories are stated at the lower of cost and net realizable value. The cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable direct selling expenses. The cost of inventories is determined by using the first-infirst-out method. Provisions for obsolescence are included in the value for inventory.

#### **Provisions | IAS 37**

A provision is a liability of uncertain timing or amount and is generally recognized when the Group has a present obligation as a result of a past event, it is probable that payment will be made to settle the obligation and the payment can be estimated reliably.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

## Note 3 Critical Accounting Estimates and Judgements

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 on 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. These assumptions and estimates are continuously evaluated by management.

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 estimates uncertainties on 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 discussed below.

- Revenue recognition (note 4).
- Testing for impairment of goodwill and other assets (note 18).
- Measurement of deferred income tax assets and deferred income tax liabilities (note 14).
- Measurement of provisions and allocation for accrued expenses (note 27 and 28).
- Depreciation period for alarm equipment and amortization period for customer portfolio (note 16 and 19).
- Estimates regarding leases (note 11 and 17).

### Revenue recognition

Revenue recognition in the Group requires management to make judgements and estimates, mainly to determine the stand alone selling prices. Determining whether revenues should be recognized immediately or be deferred require management to make judgements on the stand alone selling price of each deliverable. The stand alone selling price of the installation revenue depends on the estimated installation cost and a margin based on a benchmark.

### Testing for impairment of goodwill and other assets

IFRS requires management to undertake an annual test for impairment on indefinite and finite life assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When testing for impairment of goodwill and other assets, the carrying amount should be compared with the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use.

Impairment testing is an area that involves management's judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flow derived from such assets using cash flow projections which have been discounted at an appropriate rate. Since there are normally no quoted prices available on which to

estimate the fair value less costs to sell an asset, the asset's value-in-use is usually the value against which the carrying amount is compared for impairment testing purposes and is measured on the basis of assumptions and estimates. In calculating the net present value of the future cash flow, certain assumptions are required to be made in respect of highly uncertain matters, including management's expectations of:

- Long-term sales growth rates;
- Growth in adjusted EBITDA;
- Timing and quantum of future capital expenditure;
- Change in working capital; and
- The selection of discount rates to reflect the risks involved.

The Group prepares and approves formal long-term management plans for operations. The long-term management plans are used in value-in-use calculations. For the purposes of the calculation, a long-term growth rate of 2% into perpetuity has been applied.

The Group would not have any impairment issues if the Weighted Average Cost of Capital (WACC) used was 1% higher or if the compound annual growth rate was 1% lower.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect impairment evaluation and hence results. The yearly impairment test of goodwill is performed on the closing of the second quarter each year.

As a result from a review of the Group's CGUs, management has made a reassessment of the CGUs on which goodwill has been allocated, to provide a more accurate representation of the Group's operations. The allocation of goodwill is further presented in note 18.

### Measurement of deferred income tax assets and deferred income tax liabilities

The Group is liable to pay income taxes in various countries. The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgement in respect of certain tax positions, the resolution of which is uncertain until an agreement has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits, losses and/or cash flows.

The complexity of the Group's structure following geographic expansion makes the degree of estimation and judgement more challenging. The resolution of issues is not always within the control of the Group and it is often dependent on the efficiency of the legal processes in the relevant taxing jurisdictions in where we operate.

Issues can, and often do, take many years to resolve. Payments in respect to tax liabilities for an accounting period result from

Note 3 cont.

payments on account and on the final resolution of open items. As a outcome, there may be substantial differences between the tax charge in the consolidated income statement and tax payments, including potential tax cash flow impact from future implementation of local accounting regulation. The Group has also exercised significant accounting judgement regarding net operating loss utilization.

Moreover, the Group has exercised significant accounting judgements regarding the recognition of deferred tax assets. The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future against which the reversal of deductible temporary differences can be made. Where the temporary differences related to losses, the availability of the losses to offset against forecast taxable profits is also considered. Recognition therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax assets have been recognized.

The amounts recognized in the consolidated financial statements in respect of each matter are derived from the Group's best estimation and judgement as described above. However, the inherent uncertainty regarding the outcome of these items means any resolution could differ from the accounting estimates and therefore impact the Group's results and cash flow.

#### **Measurement of provisions and allocation for accrued expenses**

The Group exercises judgement in connection with significant estimates in relation to employee related costs and in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

#### **Depreciation period for alarm equipment and amortization period for customer portfolio**

The useful lives and residual values of Group assets are determined by management at the time of acquisition and are reviewed annually. The lives are based primarily on historical experience with regards to the lifecycle of customers, as well as anticipation of future events that may impact the useful life, such as technological evolution e.g. 2G/3G network shutdown and macroeconomic factors.

The charge in respect of periodic depreciation for alarm equipment as well as the amortization of the customer portfolio, is derived after determining an estimate of expected useful life of alarm equipment, established useful life of customers, and the expected residual value at the end of life. A decrease in the expected life of an asset or its residual value results in an increase depreciation/amortization charge being recorded in the consolidated income statement. A change in +/- 10 percentage points in depreciation and amortization would impact the operating result of approximately EUR 48 million (43 in 2021).

#### **Estimate regarding leases**

The Group performs several estimates when applying IFRS 16 in the accounting for leases. These mainly relate to the contract time. When the entity has the option to extend a lease, or end the lease before the contract end date, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term. The extension period has only been included in the present value calculation of future lease payments if it is deemed reasonably certain that the contract will be extended, and if it is deemed reasonably certain that an end option will be exercised this period have been excluded from the calculation.

## Note 4 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. Separate disclosed items (SDIs), depreciation and amortization, retirement of assets, financial items and taxes are not reported per segment. More information about SDIs are disclosed in the Directors report on page 37.

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

| EUR thousand                  | 2021                 |                    |                |                         |                  |                  |
|-------------------------------|----------------------|--------------------|----------------|-------------------------|------------------|------------------|
|                               | Customer acquisition | Portfolio services | Adjacencies    | Total Group – Excl SDIs | SDIs             | Total Group      |
| <b>Revenue</b>                | <b>373,492</b>       | <b>2,043,673</b>   | <b>91,682</b>  | <b>2,508,847</b>        | <b>-</b>         | <b>2,508,847</b> |
| <b>Adjusted EBITDA</b>        | <b>(421,036)</b>     | <b>1,477,479</b>   | <b>(8,448)</b> | <b>1,047,995</b>        | <b>(63,607)</b>  | <b>984,388</b>   |
| Depreciation and amortization | -                    | -                  | -              | (347,364)               | (129,928)        | (477,293)        |
| Retirement of assets          | -                    | -                  | -              | (128,232)               | -                | (128,232)        |
| Financial items               | -                    | -                  | -              | (290,381)               | (26,691)         | (317,072)        |
| <b>Result before tax</b>      | <b>-</b>             | <b>-</b>           | <b>-</b>       | <b>282,019</b>          | <b>(220,227)</b> | <b>61,793</b>    |

## Note 5 Expenses by Type of Costs

The table below illustrates the consolidated income statement in summary classified according to type of cost.

| EUR thousand                                                  | 2022               | 2021               |
|---------------------------------------------------------------|--------------------|--------------------|
| Revenue                                                       | 2,827,022          | 2,508,847          |
| Other income                                                  | 4,757              | 5,263              |
| <b>Total operating income</b>                                 | <b>2,831,779</b>   | <b>2,514,110</b>   |
| Employee benefit expense                                      | (1,067,448)        | (940,520)          |
| Depreciation and amortization expense                         | (557,114)          | (477,294)          |
| Retirement of assets                                          | (87,799)           | (128,232)          |
| Cost of materials                                             | (91,440)           | (86,050)           |
| Marketing-related costs                                       | (213,554)          | (198,189)          |
| Other cost                                                    | (343,146)          | (304,961)          |
| <b>Total operating cost</b>                                   | <b>(2,360,501)</b> | <b>(2,135,246)</b> |
| <b>Operating profit</b>                                       | <b>471,278</b>     | <b>378,864</b>     |
| EUR thousand                                                  | 2022               | 2021               |
| Currency translation differences included in operating profit | 3,514              | 4,562              |

Currency translation differences included in financial income and expenses are shown in note 13.

## Note 6 Audit Fees

| EUR thousand                               | 2022         | 2021         |
|--------------------------------------------|--------------|--------------|
| <b>PwC</b>                                 |              |              |
| Audit assignments                          | 1,822        | 1,662        |
| Audit work apart from the audit assignment | 88           | 219          |
| Tax consultancy                            | 126          | 128          |
| Other services <sup>1</sup>                | 726          | 421          |
| <b>Total PwC</b>                           | <b>2,762</b> | <b>2,430</b> |
| <b>Other auditors</b>                      |              |              |
| Audit assignments                          | 15           | 16           |
| <b>Total other auditors</b>                | <b>15</b>    | <b>16</b>    |
| <b>Total</b>                               | <b>2,777</b> | <b>2,446</b> |

1) The main part of the work is related to refinancing events.

## Note 7 Employee Benefit Expense

| EUR thousand                                                                    | 2022             | 2021           |
|---------------------------------------------------------------------------------|------------------|----------------|
| Wages and salaries including restructuring costs and other termination benefits | 794,981          | 725,141        |
| Social security costs                                                           | 229,259          | 174,934        |
| Pension costs                                                                   | 43,208           | 40,445         |
| <b>Total</b>                                                                    | <b>1,067,448</b> | <b>940,520</b> |

## Note 8 Remuneration of Directors and other Key Executive Management

| EUR thousand                 | 2022         | 2021         |
|------------------------------|--------------|--------------|
| Short-term employee benefits | 6,191        | 5,571        |
| Post-employment benefit      | 314          | 233          |
| <b>Total</b>                 | <b>6,505</b> | <b>5,805</b> |

The directors and the other key executive management have 6 to 12 months' notice period corresponding to an amount of EUR 7,886 thousand (7,317 in 2021).

## Note 9 Employee Option Plan

Certain employees of the Group participate in a management option plan and are granted options in Aegis Lux 2 S.à r.l. as a part of their compensation. The options vests in installments over a period of maximum five years.

Set out below are summaries of options granted under the plan:

| Number of options         | 2022             | 2021             |
|---------------------------|------------------|------------------|
| As at January 1           | 1,309,166        | -                |
| Granted during the year   | 227,301          | 1,309,166        |
| Forfeited during the year | (45,816)         | -                |
| Exercised during the year | (11,662)         | -                |
| <b>As at December 31</b>  | <b>1,478,989</b> | <b>1,309,166</b> |

No options are exercisable by the 31st of December, 2022. No options expired during 2022.

### Fair value of options granted

The fair value at grant date is independently determined using an adjusted form of the Black-Scholes model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected

price volatility of the underlying share, the risk-free interest rate for the term of the option, and the correlations and volatilities of the peer group companies. Total expenses arising from options issued under employee option plan recognized during the period was EUR 1,110 thousand (1,110 in 2021).

## Note 10 Non-Cash Items

| EUR thousand                      | 2022          | 2021           |
|-----------------------------------|---------------|----------------|
| Retirement of assets <sup>1</sup> | 87,799        | 128,232        |
| Other items                       | (30)          | (2)            |
| <b>Total</b>                      | <b>87,769</b> | <b>128,230</b> |

1) Relates primarily to retirement of installed equipment due to cancellation of customer subscriptions.

## Note 11 Leases

The Group leases offices, cars and various equipment and recognizes right of use asset and lease liability for these leases, except for short-term and low value leases.

The income statement shows the following amounts related to leases during 2022 and 2021:

| EUR thousand                                                                                               | 2022          | 2021          |
|------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Amortization charge of right of use assets                                                                 | 51,152        | 48,401        |
| Interest expense <sup>1</sup>                                                                              | 5,496         | 4,915         |
| Expense relating to short-term leases <sup>2</sup>                                                         | 2,688         | 606           |
| Expenses relating to leases of low-value assets that are not shown above as short-term leases <sup>2</sup> | 281           | 1,114         |
| <b>Total</b>                                                                                               | <b>59,617</b> | <b>55,036</b> |

1) Included in financial expenses.

2) Included in cost of sales, selling expenses and administrative expenses.

### Depreciation charge of right of use assets by type of asset

| EUR thousand | 2022          | 2021          |
|--------------|---------------|---------------|
| Buildings    | 22,973        | 19,222        |
| Vehicles     | 27,799        | 24,814        |
| Other        | 380           | 304           |
| <b>Total</b> | <b>51,152</b> | <b>44,340</b> |

### Total cash outflow for leases

| EUR thousand                          | 2022          | 2021          |
|---------------------------------------|---------------|---------------|
| Amortization of lease liability       | 49,154        | 42,054        |
| Interest                              | 5,496         | 4,915         |
| Payments for low value and short term | 2,969         | 1,720         |
| <b>Total cash outflow</b>             | <b>57,619</b> | <b>48,689</b> |

## Note 12 Depreciation and Amortization

| EUR thousand                  | 2022           | 2021           |
|-------------------------------|----------------|----------------|
| Property, plant and equipment | 190,081        | 148,673        |
| Right of use assets           | 51,152         | 48,401         |
| Customer portfolio            | 225,310        | 186,774        |
| Other intangible assets       | 90,571         | 93,447         |
| <b>Total</b>                  | <b>557,114</b> | <b>477,294</b> |

Depreciation and amortization are reflected in the income statement as follows:

| EUR thousand                        | 2022           | 2021           |
|-------------------------------------|----------------|----------------|
| Cost of sales                       | 367,429        | 233,744        |
| Selling and administrative expenses | 189,685        | 243,550        |
| <b>Total</b>                        | <b>557,114</b> | <b>477,294</b> |

## Note 13 Financial Income and Expenses

| EUR thousand                         | 2022             | 2021             |
|--------------------------------------|------------------|------------------|
| Interest income, other               | 970              | 978              |
| <b>Financial income</b>              | <b>970</b>       | <b>978</b>       |
| Interest cost on borrowings          | (282,134)        | (251,905)        |
| Interest cost, leasing               | (5,496)          | (4,915)          |
| Interest cost, other                 | (22,519)         | (16,783)         |
| Fair value changes in derivatives    | 20,011           | 1,480            |
| Net currency translation differences | (24,650)         | 23,126           |
| Bank charges                         | (18,546)         | (40,267)         |
| Other items                          | (4,391)          | (28,785)         |
| <b>Financial expenses</b>            | <b>(337,725)</b> | <b>(318,049)</b> |
| <b>Financial income and expenses</b> | <b>(336,755)</b> | <b>(317,071)</b> |

Details of borrowings are presented in note 26.

## Note 14 Taxes

### Income statement Tax expense

| EUR thousand | 2022            |                | 2021            |                |
|--------------|-----------------|----------------|-----------------|----------------|
| Current tax  | (74,507)        | (55.4%)        | (98,770)        | (159.8%)       |
| Deferred tax | (17,751)        | (13.2%)        | 51,911          | 84.0%          |
| <b>Total</b> | <b>(92,259)</b> | <b>(68.6%)</b> | <b>(46,859)</b> | <b>(75.8%)</b> |

The Swedish rate of corporate income tax was 20.6% in both 2022 and 2021.

### Difference between Swedish tax rate and actual tax for the Group

| EUR thousand                                                                                        | 2022            |                | 2021            |                |
|-----------------------------------------------------------------------------------------------------|-----------------|----------------|-----------------|----------------|
| Tax calculated at Swedish tax rate                                                                  | (27,712)        | (20.6%)        | (12,729)        | (20.6%)        |
| Difference between tax rate in Sweden and weighted tax rates applicable to foreign subsidiaries     | 13,769          | 10.2%          | 10,503          | 17.0%          |
| Non-recognized deferred tax assets on losses carried forward, new losses as well as utilized losses | (32,708)        | (24.3%)        | 24,210          | (39.2%)        |
| Non-taxable/non-deductible income statement items, net                                              | (42,018)        | (31.2%)        | (53,094)        | (85.9%)        |
| Effect of tax rates changed                                                                         | (1,303)         | (1.0%)         | 14,460          | 23.4%          |
| Other                                                                                               | (2,287)         | (1.7%)         | (30,208)        | (48.9%)        |
| <b>Total</b>                                                                                        | <b>(92,259)</b> | <b>(68.6%)</b> | <b>(46,859)</b> | <b>(75.8%)</b> |

Unused tax losses for which no deferred tax asset has been recognized amounts to EUR 520,697 thousand in 2022 (480,348 in 2021).

### Other comprehensive income Tax on other comprehensive income

| EUR thousand                                                    | 2022         | 2021           |
|-----------------------------------------------------------------|--------------|----------------|
| Deferred tax on remeasurements of defined benefit pension plans | (120)        | 18             |
| Deferred tax on hedging reserve                                 | 1,768        | (3,671)        |
| <b>Total</b>                                                    | <b>1,648</b> | <b>(3,653)</b> |

Note 14 cont.

**Balance sheet****Deferred tax assets attributable to:**

| EUR thousand                                                             | 2022           | 2021           |
|--------------------------------------------------------------------------|----------------|----------------|
| Temporary differences arising between the tax bases and carrying amounts | 11,761         | 12,692         |
| Pension provisions and employee related liabilities                      | 2,079          | 1,808          |
| Risk reserves                                                            | 2,122          | 1,992          |
| Tax loss carry-forwards                                                  | 75,659         | 87,852         |
| Acquisition-related intangible assets                                    | 1,442          | 905            |
| IFRS 15                                                                  | 26,074         | 25,716         |
| Other temporary differences                                              | 45,121         | 19,486         |
| <b>Total deferred tax assets</b>                                         | <b>164,258</b> | <b>150,451</b> |
| Netting                                                                  | (135,480)      | (122,591)      |
| <b>Total</b>                                                             | <b>28,778</b>  | <b>27,860</b>  |

**Deferred tax liabilities attributable to:**

| EUR thousand                                                             | 2022           | 2021           |
|--------------------------------------------------------------------------|----------------|----------------|
| Temporary differences arising between the tax bases and carrying amounts | 42,671         | 42,058         |
| Pension provisions and employee related liabilities                      | 169            | -              |
| Acquisition-related intangible assets                                    | 19,551         | 34,240         |
| Customer acquisition costs                                               | 186,100        | 177,715        |
| IFRS 15                                                                  | 15,993         | 14,090         |
| Other temporary differences                                              | 55,451         | 29,962         |
| <b>Total deferred tax liabilities</b>                                    | <b>319,935</b> | <b>298,065</b> |
| Netting                                                                  | (135,480)      | (122,591)      |
| <b>Total</b>                                                             | <b>184,455</b> | <b>175,474</b> |

Deferred tax assets are recognized in respect to tax loss carry-forwards to the extent that the realization of the related tax benefit through taxable profits is probable. On 31st December, 2022, the Group has tax loss carried-forward of EUR 746.1 million (728.2 in 2021). As of 31st December, 2022, tax loss carry-forwards for which deferred tax assets had been recognized amounted to EUR 354.4 million (388.3 in 2021) and

deferred tax assets related to the tax loss amounted to EUR 75.7 million (87.9 in 2021). A time limitation in respect of tax loss carry-forward utilization exists in Argentina, Norway and in Switzerland. No such limitation exists in other countries. During 2021, a time limitation in respect of tax losses carry forward also existed in the Netherlands.

## Note 15 Transactions with Related Parties

Transactions between Group companies, which are related parties, have been eliminated on consolidation and, therefore, are not required to be disclosed in these financial statements. Details of transactions between the Group and other related

parties are disclosed below. All transactions with related parties are at market rates. Refer to note 8 for information regarding Remuneration of the Directors and other Key Executive Management.

**Transactions with related parties**

| EUR thousand              | 2022  | 2021  |
|---------------------------|-------|-------|
| Interest income           | 21    | 420   |
| Shareholders contribution | 1,016 | 1,016 |

**Balances with related parties**

| EUR thousand                      | 2022    | 2021    |
|-----------------------------------|---------|---------|
| Group contribution, non-current   | 231,588 | 231,588 |
| Financial receivable, non-current | 628     | 428     |
| Group contribution, current       | 124     | -       |

## Note 16 Property, Plant and Equipment

| EUR thousand                                   | 2022             |                  |                  |
|------------------------------------------------|------------------|------------------|------------------|
|                                                | Alarm equipment  | Other            | Total            |
| Balance at beginning of year                   | 1,722,255        | 184,366          | 1,906,621        |
| Investments                                    | 410,078          | 30,349           | 440,428          |
| Disposals/retirement of assets                 | (137,082)        | (13)             | (137,095)        |
| Translation differences                        | (15,816)         | (931)            | (16,746)         |
| <b>Balance at end of year</b>                  | <b>1,979,436</b> | <b>213,771</b>   | <b>2,193,207</b> |
| Depreciation at beginning of year              | (614,251)        | (122,418)        | (736,669)        |
| Disposals/retirement of assets                 | 43,865           | (1,229)          | 42,636           |
| Depreciation charge for the year               | (168,123)        | (21,957)         | (190,081)        |
| Translation differences                        | 5,784            | (1,749)          | 7,534            |
| <b>Accumulated depreciation at end of year</b> | <b>(732,725)</b> | <b>(143,856)</b> | <b>(876,581)</b> |
| <b>Net book value at end of year</b>           | <b>1,246,711</b> | <b>69,915</b>    | <b>1,316,626</b> |

| EUR thousand                                   | 2021             |                  |                  |
|------------------------------------------------|------------------|------------------|------------------|
|                                                | Alarm equipment  | Other            | Total            |
| Balance at beginning of year                   | 1,472,576        | 160,190          | 1,632,766        |
| Investments                                    | 358,958          | 26,058           | 385,016          |
| Disposals/retirement of assets                 | (109,906)        | (1,976)          | (111,882)        |
| Translation differences                        | 627              | 94               | 721              |
| <b>Balance at end of year</b>                  | <b>1,722,255</b> | <b>184,366</b>   | <b>1,906,621</b> |
| Depreciation at beginning of year              | (519,882)        | (106,961)        | (626,843)        |
| Disposals/retirement of assets                 | 37,221           | 1,814            | 39,035           |
| Depreciation charge for the year               | (131,402)        | (17,271)         | (148,673)        |
| Translation differences                        | (188)            | -                | (188)            |
| <b>Accumulated depreciation at end of year</b> | <b>(614,251)</b> | <b>(122,418)</b> | <b>(736,669)</b> |
| <b>Net book value at end of year</b>           | <b>1,108,004</b> | <b>61,948</b>    | <b>1,169,952</b> |

Refer to note 2 Accounting Policies for more information.

## Note 17 Right of Use Assets

| EUR thousand                                   | 2022            |                 |              |                 |
|------------------------------------------------|-----------------|-----------------|--------------|-----------------|
|                                                | Buildings       | Vehicles        | Other assets | Total           |
| Balance at beginning of year                   | 142,588         | 87,621          | 1,796        | 232,006         |
| New lease contracts                            | 29,673          | 35,373          | 51           | 65,097          |
| Terminations of lease contracts                | (11,777)        | (32,750)        | (138)        | (44,665)        |
| Translation differences                        | (1,793)         | (469)           | 20           | (2,242)         |
| <b>Balance at end of year</b>                  | <b>158,690</b>  | <b>89,775</b>   | <b>1,731</b> | <b>250,195</b>  |
| Depreciation at beginning of year              | (42,343)        | (42,211)        | (586)        | (85,139)        |
| Depreciation charge for the year               | 10,599          | 31,672          | 134          | 42,406          |
| Terminations of lease contracts                | (22,973)        | (27,799)        | (380)        | (51,152)        |
| Translation differences                        | 623             | 320             | 2            | 946             |
| <b>Accumulated depreciation at end of year</b> | <b>(54,094)</b> | <b>(38,018)</b> | <b>(829)</b> | <b>(92,941)</b> |
| <b>Net book value at end of year</b>           | <b>104,596</b>  | <b>51,756</b>   | <b>903</b>   | <b>157,255</b>  |

| EUR thousand                                   | 2021            |                 |              |                 |
|------------------------------------------------|-----------------|-----------------|--------------|-----------------|
|                                                | Buildings       | Vehicles        | Other assets | Total           |
| Balance at beginning of year                   | 116,738         | 74,060          | 1,549        | 192,347         |
| New lease contracts                            | 35,609          | 34,192          | 247          | 70,048          |
| Terminations of lease contracts                | (9,835)         | (20,819)        | (40)         | (30,694)        |
| Translation differences                        | 76              | 188             | 41           | 304             |
| <b>Balance at end of year</b>                  | <b>142,588</b>  | <b>87,621</b>   | <b>1,796</b> | <b>232,005</b>  |
| Depreciation at beginning of year              | (28,735)        | (34,223)        | (277)        | (63,235)        |
| Depreciation charge for the year               | (21,149)        | (26,939)        | (313)        | (48,401)        |
| Terminations of lease contracts                | 7,416           | 19,026          | 11           | 26,453          |
| Translation differences                        | 125             | (75)            | (8)          | 42              |
| <b>Accumulated depreciation at end of year</b> | <b>(42,343)</b> | <b>(42,211)</b> | <b>(586)</b> | <b>(85,141)</b> |
| <b>Net book value at end of year</b>           | <b>100,245</b>  | <b>45,409</b>   | <b>1,209</b> | <b>146,864</b>  |

Refer to note 2 Accounting Policies for more information.

## Note 18 Goodwill

| EUR thousand                  | 2022           | 2021           |
|-------------------------------|----------------|----------------|
| Balance at beginning of year  | 867,680        | 866,819        |
| Translation differences       | (89,915)       | 861            |
| <b>Balance at end of year</b> | <b>777,765</b> | <b>867,680</b> |

Refer to note 2 Accounting Policies for more information.

### Impairment testing of goodwill

For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

Goodwill is allocated to cash-generating units, as follows:

| EUR thousand    | 2022           | 2021           |
|-----------------|----------------|----------------|
| Northern Europe | 464,608        | 551,335        |
| Southern Europe | 284,688        | 284,688        |
| Latin America   | 28,469         | 31,657         |
| <b>Total</b>    | <b>777,765</b> | <b>867,680</b> |

### Impairment tests

The conclusion from the annual impairment test is that no need for impairment of goodwill or other intangible assets has been identified. In each case, the recoverable amount of all items of goodwill was determined based on value-in-use calculations. Management based the value-in-use calculations on cash flow forecasts derived from the most recent long-term financial plans approved by the board of the directors. The principal assumptions in the value-in-use calculation were those regarding sales growth rates and operating margin. A weighted average pre-tax WACC has been applied to each geography for impairment testing. The range of the WACC applied was 9.3% to 13.8%.

For the period, subsequent to the long-term plan, cash flows generated by the CGUs to which significant goodwill has been allocated have been extrapolated on the basis of a projected annual growth rate of 2%. It is not anticipated that this rate will exceed actual annual growth in the geographies concerned. The assumptions regarding WACC are from internal judgement and benchmarking. The annual growth rates are based on historical experience. A sensitivity analysis has been performed on the impairment test with the conclusion that the Group would not have any impairment issues if the Weighted Average Cost of Capital (WACC) used was 1% higher or if the compound annual growth rate was 1% lower.

## Note 19 Customer Portfolio

| EUR thousand                                   | 2022               | 2021               |
|------------------------------------------------|--------------------|--------------------|
| Balance at beginning of year                   | 2,715,283          | 2,523,395          |
| Investments                                    | 276,329            | 266,704            |
| Disposals/retirement of assets                 | (2,724)            | (75,289)           |
| Translation differences                        | (29,492)           | 473                |
| <b>Balance at end of year</b>                  | <b>2,959,396</b>   | <b>2,715,283</b>   |
| Amortization at beginning of year              | (1,703,607)        | (1,533,335)        |
| Disposals/retirement of assets                 | 1,870              | 17,381             |
| Amortization charge for the year               | (225,310)          | (186,774)          |
| Translation differences                        | 5,254              | (878)              |
| <b>Accumulated amortization at end of year</b> | <b>(1,921,793)</b> | <b>(1,703,607)</b> |
| <b>Net book value at end of year</b>           | <b>1,037,603</b>   | <b>1,011,677</b>   |

Intangible assets arising on acquisitions are principally represented by acquired customer relationships and have finite useful lives. Management has assessed the recoverability of the carrying amount of the customer portfolio as of the acquisition

date. The impairment tests are described in note 18. Out of total net book value, EUR 929,039 thousand (824,479 in 2021) relates to cost to obtain a contract. Refer to note 2 Accounting Policies for more information.

## Note 20 Other Intangible Assets

| EUR thousand                                   | 2022             | 2021             |
|------------------------------------------------|------------------|------------------|
| Balance at beginning of year                   | 713,402          | 603,270          |
| Investments                                    | 124,410          | 111,447          |
| Disposals/retirement of assets                 | (1,711)          | (1,079)          |
| Translation differences                        | 60               | (236)            |
| <b>Balance at end of year</b>                  | <b>836,161</b>   | <b>713,402</b>   |
| Amortization at beginning of year              | (430,571)        | (338,116)        |
| Disposals/retirement of assets                 | 1,231            | 882              |
| Amortization charge for the year               | (90,571)         | (93,447)         |
| Translation differences                        | 95               | 110              |
| <b>Accumulated amortization at end of year</b> | <b>(519,817)</b> | <b>(430,571)</b> |
| <b>Net book value at end of year</b>           | <b>316,344</b>   | <b>282,831</b>   |

Out of the total book value, EUR 254,900 thousand (208,572 in 2021) relates to internally developed intangible assets. Refer to note 2 Accounting Policies for more information.

## Note 21 Prepayments and Accrued Income

| EUR thousand         | 2022          | 2021          |
|----------------------|---------------|---------------|
| Accrued sales income | 1,260         | 1,017         |
| Prepaid expenses     | 76,179        | 57,951        |
| Other accrued income | 4,388         | 128           |
| <b>Total</b>         | <b>81,827</b> | <b>59,097</b> |

## Note 22 Financial Risk Management

### Financial instruments by category and valuation level

| EUR thousand                               | 2022            |                     | 2021            |                     |
|--------------------------------------------|-----------------|---------------------|-----------------|---------------------|
|                                            | Financial Asset | Financial Liability | Financial Asset | Financial Liability |
| <b>Hedge accounting</b>                    |                 |                     |                 |                     |
| FX Forwards <sup>1</sup>                   | 6,244           | 5,175               | 9,651           | -                   |
|                                            |                 |                     |                 |                     |
| <b>Fair value through profit or loss</b>   |                 |                     |                 |                     |
| FX Swaps <sup>1</sup>                      | -               | -                   | -               | 3,479               |
| Cross currency swaps <sup>1</sup>          | 1,363           | -                   | -               | 18,630              |
| Interest rate swaps <sup>1</sup>           | -               | 4,593               | -               | 8,744               |
|                                            |                 |                     |                 |                     |
| <b>Amortized cost</b>                      |                 |                     |                 |                     |
| Trade and other receivables                | 285,959         | -                   | 296,155         | -                   |
| Trade receivables, current <sup>2, 4</sup> | 193,131         | -                   | 147,629         | -                   |
| Other current receivables <sup>2, 4</sup>  | 17,028          | -                   | 22,304          | -                   |
| Cash and cash equivalent                   | 43,629          | -                   | 24,283          | -                   |
| Long-term borrowings <sup>2, 3</sup>       | -               | 7,138,198           | -               | 6,920,429           |
| Other non-current liabilities <sup>2</sup> | -               | 3,152               | -               | 5,547               |
| Trade payables, current <sup>2, 4</sup>    | -               | 188,664             | -               | 190,682             |
| Accrued expenses, current <sup>2, 4</sup>  | -               | 206,812             | -               | 196,326             |
| Short-term borrowings <sup>2, 4</sup>      | -               | 120,346             | -               | 88,817              |
| Other current liabilities <sup>2, 4</sup>  | -               | 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 26.

3) Fair value for the bond (includes both Senior Secured Notes and Senior Unsecured Notes) amounts to EUR 3,507 million (4,010 in 2021), fair value for the Term Loan B is EUR 2,605 million (2,780 in 2021), which is the quoted market price at the balance sheet day. Since it is a quoted market price in an active market it is classified as level 1.

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

### Derivatives

The Group's business activities expose the Group to financial risk arising from changes in foreign exchange rates and interest rates. The use of financial derivatives is governed by the Group's treasury policy, which is approved by the board of directors. The Group treasury policy provides written principles on the use of financial derivatives consistent with the Group's risk management strategy. Derivatives are only used for economic hedging purposes and not as speculative investments. Where all the criteria for hedge accounting are fulfilled, hedge accounting is applied to eliminate the effect of accounting differences between the hedging instrument and the hedged item. However, derivatives that have not been designated as hedging instruments are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The Group currently uses the following derivatives:

- Interest rate swaps: to hedge cash flows due to interest rate risk on the Group's long-term debt.
- Cross currency swaps: to hedge foreign exchange risk in the Group's financing operations by artificially increasing the exposure to SEK liabilities.
- FX swaps: to manage cash positions in foreign currencies.
- FX forward: to lock in the exchange rate of future cash flow in a foreign currency different to each subsidiary's functional currency.

The Group has the following derivative instruments recognized on the following lines of the balance sheet:

Note 22 cont.

| EUR thousand                            | 2022         | 2021          |
|-----------------------------------------|--------------|---------------|
| <b>Current liabilities</b>              |              |               |
| Interest rate swaps – held for trading  | 4,593        | 8,744         |
| FX forward – cash flow hedges           | 5,175        | -             |
| FX swaps – held for trading             | -            | 3,479         |
| Cross currency swaps – held for trading | -            | 18,630        |
| <b>Total</b>                            | <b>9,768</b> | <b>30,853</b> |
| <b>Current receivables</b>              |              |               |
| FX swaps – held for trading             | -            | -             |
| FX forward – cash flow hedges           | 6,244        | 9,651         |
| Cross currency swaps – held for trading | 1,363        | -             |
| <b>Total</b>                            | <b>7,607</b> | <b>9,651</b>  |

*Change in hedging reserve*

| EUR thousand                               | Change in cash flow reserves |
|--------------------------------------------|------------------------------|
| <b>Opening balance 1st January, 2021</b>   | <b>(6,182)</b>               |
| Change in fair value of hedging instrument | 17,517                       |
| Deferred tax                               | (3,671)                      |
| <b>Closing balance 31st December, 2021</b> | <b>7,664</b>                 |
| Change in fair value of hedging instrument | (8,583)                      |
| Deferred tax                               | 1,768                        |
| <b>Closing balance 31st December, 2022</b> | <b>849</b>                   |

*Impact of hedge accounting on the Group's financial position and earnings*

The effects of the hedge accounting of the impact of currency risk on the Group's financial position are shown below:

*Derivatives – currency forwards*

| EUR thousand                                                                                    | 2022                                  |
|-------------------------------------------------------------------------------------------------|---------------------------------------|
| Carrying amount (current liability)                                                             | 5,175                                 |
| Notional amount, currency USD                                                                   | 154,750                               |
| Maturity date                                                                                   | May-December 2023                     |
| Hedge ratio                                                                                     | 1:1                                   |
| Change in discounted spot value of outstanding hedging instruments since inception of the hedge | (5,175)                               |
| Change in value of hedged item to determine ineffectiveness                                     | 5,175                                 |
| Weighted average for outstanding hedging instruments in USD (including forward points)          | SEK 10.74 : 1 USD<br>EUR 1.02 : 1 USD |

*Derivatives – currency forwards*

| EUR thousand                                                                                    | 2022                                | 2021                                |
|-------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Carrying amount, current assets                                                                 | 6,244                               | 9,651                               |
| Notional amount, currency USD                                                                   | 132,500                             | 229,001                             |
| Maturity date                                                                                   | January-December 2023               | January 2022                        |
| Hedge ratio                                                                                     | 1:1                                 | 1:1                                 |
| Change in discounted spot value of outstanding hedging instruments since inception of the hedge | 6,244                               | 9,651                               |
| Change in value of hedged item to determine ineffectiveness                                     | (6,244)                             | (9,651)                             |
| Weighted average for outstanding hedging instruments in USD (including forward points)          | SEK 9.73: 1 USD<br>EUR 1.13 : 1 USD | SEK 8.59: 1 USD<br>EUR 1.19 : 1 USD |

Note 22 cont.

**Credit risk from trade receivables**

The Group has no significant concentrations of credit risk in relation to trade receivables. Maximum credit exposure representing the value of the Group trade receivables at the end of December 2022 was 239,873 thousands (198,194 in 2021). The Group's credit policy ensures that credit management includes use of credit ratings, credit limits, decision-making structures and management of doubtful claims. The policy's goal is to ensure that sales are made only to customers with an appropriate credit rating. While the trade receivables closely follow the geography of Group operations, there are no significant concentrations of credit risk by customer as the Group has a large number of customers in many countries that are not individually significant or related. For more details, see note 24.

**Financial credit risk**

Verisure's objective is to minimise the counterparty risk of financial transactions without compromising flexibility. The Company limits financial credit risk by operating with external banks and financial counterparties that meet, to the extent possible, investment grade credit ratings. Investment of excess liquid funds are only made in securities issued by governments, with a minimum long-term sovereign credit rating by Moody's of Aa1 and/or Standard & Poor's of AA+, or in money market funds with a minimum credit rating by Moody's of Aa1 and/or Standard & Poor's of AA+ and managed by a Global Systematically Important Bank. Alternatively, deposits may also be arranged with banks bearing a short-term investment grade credit rating. The Group had no exposure at the end of December 2022.

**Interest bearing liabilities per currency**

| EUR thousand                                  | 2022             | 2021             |
|-----------------------------------------------|------------------|------------------|
| <b>Long-term borrowings, principal amount</b> |                  |                  |
| EUR liabilities                               | 7,175,277        | 6,959,911        |
| SEK liabilities                               | 142,175          | 152,979          |
| Other currencies                              | 23,528           | 16,226           |
| <b>Total</b>                                  | <b>7,340,980</b> | <b>7,129,116</b> |
| <b>Short-term borrowings, carrying amount</b> |                  |                  |
| EUR liabilities                               | 154,071          | 119,982          |
| SEK liabilities                               | 4,182            | 3,769            |
| Other currencies                              | 8,470            | 6,168            |
| <b>Total</b>                                  | <b>166,723</b>   | <b>129,919</b>   |

**Credit facilities as per 31st December, 2022**

| Line of credit                  | Currency            | Facility amount | Available amount | Maturity |
|---------------------------------|---------------------|-----------------|------------------|----------|
| Revolving Credit Facility (RCF) | Multicurrency (EUR) | 700             | 245,501          | 2027     |
| Term loan B                     | EUR                 | 800             | -                | 2026     |
| Term loan B                     | EUR                 | 2,000           | -                | 2028     |
| Bond                            | EUR                 | 200             | -                | 2025     |
| Bond                            | EUR                 | 800             | -                | 2026     |
| Bond                            | EUR                 | 500             | -                | 2027     |
| Bond                            | EUR                 | 1,150           | -                | 2027     |
| Senior Unsecured Notes (SUN)    | EUR                 | 1,175           | -                | 2029     |
| Senior Unsecured Notes (SUN)    | SEK                 | 1,500           | -                | 2029     |

**Credit facilities as per 31st December, 2021**

| Line of credit                  | Currency            | Facility amount | Available amount | Maturity |
|---------------------------------|---------------------|-----------------|------------------|----------|
| Revolving Credit Facility (RCF) | Multicurrency (EUR) | 700,000         | 465,285          | 2027     |
| Term loan B                     | EUR                 | 2,000,000       | -                | 2028     |
| Term loan B                     | EUR                 | 800,000         | -                | 2026     |
| Bond                            | EUR                 | 500,000         | -                | 2023     |
| Bond                            | EUR                 | 200,000         | -                | 2025     |
| Bond                            | EUR                 | 800,000         | -                | 2026     |
| Bond                            | EUR                 | 1,150,000       | -                | 2027     |
| Senior Unsecured Notes (SUN)    | EUR                 | 1,175,000       | -                | 2029     |
| Senior Unsecured Notes (SUN)    | SEK                 | 1,500,000       | -                | 2029     |

Note 22 cont.

**Liquidity risk**

Liquidity risk is the risk that the Group's funds and borrowing facilities become insufficient to meet the business needs or that extra costs are incurred to arrange the financing needed. The objective is to always maintain enough liquidity in the Group. The Group's short-term liquidity is assured by maintaining a minimum liquidity reserve called Available Funds (cash, bank deposits, short-term investments and the unutilized portion of committed credit facilities), which if below a certain amount the Audit Committee is immediately notified. The Group closely monitors liquidity against forecasts and manages the business to ensure there is always enough liquidity in the Group. The Company has a EUR 700 million Revolving Credit Facility in place. Pro forma for the EUR 450 million new bond issued in January 2023, which was used to repay existing drawings under the Revolving Credit Facility, almost the entirety of the EUR 700 million Revolving Credit Facility remains undrawn.

**Refinancing risk**

Refinancing risk is defined as the risk that a too large proportion of the Group's funding matures within a limited time frame during which funding sources are limited or expensive. The risk is minimised by actively managing the maturity profile of external funding. With the refinancing in October 2022 of our EUR 500 million Senior Secured Notes due in May 2023, the Group does not have significant debt maturities until 2026 and beyond, besides our EUR 200 million Floating Rate Notes due in April 2025.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

**Liquidity report**

| EUR thousand                                          | 2022             |                    |                    |                    |
|-------------------------------------------------------|------------------|--------------------|--------------------|--------------------|
|                                                       | Less than 1 year | 1-4 years          | 5 years or more    | Total              |
| Liabilities to credit institutions, principal amounts | (53,428)         | (5,902,695)        | (1,309,529)        | <b>(7,265,652)</b> |
| Interest payments borrowings                          | (376,625)        | (1,309,258)        | (108,269)          | <b>(1,794,152)</b> |
| Interest payments derivatives <sup>2</sup>            | (30,684)         | (109,116)          | -                  | <b>(139,800)</b>   |
| Other non-current liabilities                         | -                | (1,267)            | (2,048)            | <b>(3,315)</b>     |
| Lease liabilities                                     | (46,439)         | (89,272)           | (24,925)           | <b>(160,636)</b>   |
| Trade payables                                        | (188,664)        | -                  | -                  | <b>(188,664)</b>   |
| Derivatives, cross-currency swaps                     | (18,573)         | (33,584)           | -                  | <b>(52,157)</b>    |
| Other current liabilities                             | (231,459)        | -                  | -                  | <b>(231,459)</b>   |
| <b>Total outflow</b>                                  | <b>(945,872)</b> | <b>(7,445,192)</b> | <b>(1,444,771)</b> | <b>(9,835,835)</b> |
| Other non-current receivables                         | -                | 50,580             | 235,375            | <b>285,955</b>     |
| Trade receivables                                     | 193,131          | -                  | -                  | <b>193,131</b>     |
| Derivatives, cross-currency swaps                     | 10,475           | 18,941             | -                  | <b>29,416</b>      |
| Interest derivatives <sup>2</sup>                     | 21,840           | 77,667             | -                  | <b>99,507</b>      |
| Other current receivables                             | 17,028           | -                  | -                  | <b>17,028</b>      |
| <b>Total inflow</b>                                   | <b>242,474</b>   | <b>147,188</b>     | <b>235,375</b>     | <b>625,037</b>     |
| <b>Net cash flow, total<sup>1</sup></b>               | <b>(703,398)</b> | <b>(7,298,004)</b> | <b>(1,209,396)</b> | <b>(9,210,798)</b> |

| EUR thousand                                          | 2021             |                    |                    |                    |
|-------------------------------------------------------|------------------|--------------------|--------------------|--------------------|
|                                                       | Less than 1 year | 1-4 years          | 5 years or more    | Total              |
| Liabilities to credit institutions, principal amounts | (28,729)         | (2,124,595)        | (4,878,663)        | <b>(7,031,987)</b> |
| Interest payments borrowings                          | (264,030)        | (947,137)          | (239,761)          | <b>(1,450,928)</b> |
| Interest payments derivatives <sup>2</sup>            | (7,870)          | -                  | -                  | <b>(7,870)</b>     |
| Other non-current liabilities                         | -                | 86,792             | -                  | <b>86,792</b>      |
| Lease liabilities                                     | (41,102)         | (77,693)           | (28,064)           | <b>(146,859)</b>   |
| Trade payables                                        | (190,682)        | -                  | -                  | <b>(190,682)</b>   |
| Derivatives, cross-currency swaps                     | (8,641)          | -                  | -                  | <b>(8,641)</b>     |
| Other current liabilities                             | (39,015)         | -                  | -                  | <b>(39,015)</b>    |
| <b>Total outflow</b>                                  | <b>(580,069)</b> | <b>(3,236,217)</b> | <b>(5,146,488)</b> | <b>(8,962,774)</b> |
| Other non-current receivables                         | -                | 311,030            | 623                | <b>311,653</b>     |
| Trade receivables                                     | 147,629          | -                  | -                  | <b>147,629</b>     |
| Derivatives, cross-currency swaps                     | 6,645            | -                  | -                  | <b>6,645</b>       |
| Interest derivatives <sup>2</sup>                     | 125              | -                  | -                  | <b>125</b>         |
| Other current receivables                             | 35,288           | -                  | -                  | <b>35,288</b>      |
| <b>Total inflow</b>                                   | <b>189,687</b>   | <b>311,030</b>     | <b>623</b>         | <b>501,339</b>     |
| <b>Net cash flow, total<sup>1</sup></b>               | <b>(390,383)</b> | <b>(2,925,187)</b> | <b>(5,145,865)</b> | <b>(8,461,435)</b> |

1) All contractual cash flows per the balance sheet date are included, including future interest payments.

2) Including interest rate swaps.

Note 22 cont.

**Interest rate risk**

Interest rate risk is the exposure of a company to adverse movements in interest rates. Borrowings raised at variable interest rates expose the Group to interest rate risk. Borrowings raised at fixed interest rates expose the Group to fair value interest rate risk. During 2022 and 2021, the Group's borrowings at variable interest rates were denominated in Euro and Swedish krona. To reduce the interest rate risk the Group is exposed to, the Group enters into interest rate swap contracts to economically hedge cash flows arising from the Groups' long-term debt contracts. The Group seeks to operate on a 50-75% fixed rate range. Currently all interest rate swaps are used to exchange future interest payments from floating to fixed. In addition, currency swaps are used to actively manage our cash and minimise interest expenses charged by banks in our cash pool structures. Refer to note 26 for more information. As of 31st December, 2022, with current financing terms and existing derivatives in place (including derivatives), an increase of EURIBOR/ STIBOR fixings of 100 basis points would impact the Group's total interest expenses by a negative EUR 24 million.

**Foreign currency risk****Transaction risk**

The Group's foreign currency risk is primarily generated by commitments to pay material purchases in USD. The Group's

exposure is mainly in EUR/USD and SEK/USD and it is continuously monitored and partly hedged through foreign exchange forwards. The transaction aims to limit the risk that currency fluctuations affect the Group's cash flow and EBIT results. Currently the Group targets to hedge 50% of its material purchases in USD on a 12-month rolling basis. Where all relevant criteria are met, hedge accounting is applied to these contracts. As of 31st December, 2022, the total exposure in USD in trade payables for the Group was USD 60.3 million (66.5 in 2021), whereof USD 57.9 million (61.5 in 2021) is recalculated in EUR and USD 2.7 million (5.0 in 2021) is recalculated in SEK.

The Group has SEK denominated loans. The exchange of borrowings in non-EUR currencies into EUR impacts the Group's income statement. To reduce the risk the Group is exposed to, the Group uses foreign exchange instruments (cross currency swaps) to economically hedge the risk.

**Sensitivity analysis**

The Group is primarily exposed to SEK/USD and EUR/USD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US dollar-denominated financial instruments and the impact on other components of equity arises from foreign forward exchange contracts designated as cash flow hedges.

| EUR million                                | 2022                      |                                      | 2021                      |                                      |
|--------------------------------------------|---------------------------|--------------------------------------|---------------------------|--------------------------------------|
|                                            | Effect                    |                                      | Effect                    |                                      |
|                                            | Impact on post-tax profit | Impact on other components of equity | Impact on post-tax profit | Impact on other components of equity |
| <b>Interest rate risk</b>                  |                           |                                      |                           |                                      |
| Interest rate +1 percentage point          | (24)                      | (24)                                 | 2                         | 2                                    |
| Interest rate -1 percentage point          | (8)                       | (8)                                  | (15)                      | (15)                                 |
| <b>Transaction risk</b>                    |                           |                                      |                           |                                      |
| Currency rate SEK/USD +10 percentage point | 0.3                       | 0.5                                  | 0.5                       | 0.6                                  |
| Currency rate SEK/USD -10 percentage point | (0.3)                     | (0.5)                                | (0.5)                     | (0.6)                                |
| Currency rate EUR/USD +10 percentage point | 5.5                       | 6.5                                  | 5.4                       | 6.3                                  |
| Currency rate EUR/USD -10 percentage point | (5.5)                     | (6.5)                                | (5.4)                     | (6.3)                                |

**Capital structure**

Asset management is aimed at ensuring that the Group's financial resources are used in an optimal way to guarantee future operations, provide security for lenders, and generate a beneficial return for shareholders. Asset management additionally aims to ensure that the Group has sufficient funds to finance necessary investments for continued growth. This growth can be organic or via acquisition which means financial flexibility is required.

The credit facility includes covenants that must be fulfilled for the duration of the loans. The Group has complied with all covenants during the reporting period. The existing financial maintenance covenant applies only when drawings under the Revolving Credit Facility exceed 40% (EUR 280 million). When this occurs, Portfolio Net Leverage Ratio (defined as total net debt / Portfolio services adjusted EBITDA) during the last two quarters annualised) cannot exceed 8.9x. As of year-end 2022 this ratio was 4.3x. The Group's total net debt and net leverage is further presented in note 26.

## Note 23 Inventories

| EUR thousand              | 2022    | 2021    |
|---------------------------|---------|---------|
| Materials and consumables | 342,732 | 252,086 |

Impairment for provision in inventories at year end totalled EUR 6,970 thousand (3,032 in 2021). The cost of materials recognized as an expense and included in "cost of sales" was EUR 91,822 thousand (86,050 in 2021) by the 31st of December, 2022.

## Note 24 Trade Receivables

### Non-current

| EUR thousand                                     | 2022          | 2021          |
|--------------------------------------------------|---------------|---------------|
| Trade receivables before provision for bad debts | 79,465        | 53,442        |
| Provision for bad debts                          | (32,723)      | (2,876)       |
| <b>Total</b>                                     | <b>46,742</b> | <b>50,565</b> |

### Current

| EUR thousand                                     | 2022           | 2021           |
|--------------------------------------------------|----------------|----------------|
| Trade receivables before provision for bad debts | 276,596        | 255,543        |
| Provision for bad debts                          | (83,465)       | (107,914)      |
| <b>Total</b>                                     | <b>193,131</b> | <b>147,629</b> |

### Provision for bad debts

| EUR thousand                                             | 2022           | 2021           |
|----------------------------------------------------------|----------------|----------------|
| Balance at beginning of year                             | 110,790        | 80,093         |
| Provision for bad debt during the year                   | 33,624         | 39,573         |
| Receivables written off during the year as uncollectible | (27,179)       | (8,157)        |
| Unused amounts reversed                                  | (1,044)        | (719)          |
| <b>Balance at end of year</b>                            | <b>116,191</b> | <b>110,790</b> |

Customer credit losses recognized in the income statement totalled to EUR 34.2 million as of the 31st of December, 2022 (31.3 in 2021).

### Due dates for trade receivables

| EUR thousand         | 2022           | 2021           |
|----------------------|----------------|----------------|
| Past due 0–3 months  | 39,339         | 33,000         |
| Past due 3–6 months  | 12,467         | 9,504          |
| Past due 6–9 months  | 10,599         | 7,159          |
| Past due 9–12 months | 8,875          | 9,128          |
| Past due >12 months  | 74,091         | 75,324         |
| <b>Total</b>         | <b>145,371</b> | <b>134,115</b> |

## Note 25 Share Capital

Verisure Midholding AB's (publ) share capital totalled EUR 56,104 by the 31st of December, 2022, and 2021, distributed among 500,000 shares with a quotient value of EUR 0.1122. All shares are of the same category and were fully paid.

### Change in number of shares

|                                        | 2022           | 2021           |
|----------------------------------------|----------------|----------------|
| Number of shares at beginning of year  | 500,000        | 500,000        |
| <b>Number of shares at end of year</b> | <b>500,000</b> | <b>500,000</b> |

## Note 26 Borrowings

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

1) Of the total amount regarding adjustment amortized costs EUR (13,103) thousand in 31st December, 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.

The Group's secured borrowings are jointly and severally guaranteed by some of the Company's direct and indirect subsidiaries and secured by liens on substantially all of their assets. An analysis of the security given is presented in note 29.

### Net Debt and Leverage per SFA

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

Note 26 cont.

**Borrowings, currency and interest rate profile**

The currency and interest rate profile of outstanding borrowing principals, after taking into account the effect of the Group's currency and interest rate hedging activities, was as follows:

|              | Floating interest rate |                                  | Fixed interest rate |                                  |                                                        | Total EUR thousand |
|--------------|------------------------|----------------------------------|---------------------|----------------------------------|--------------------------------------------------------|--------------------|
|              | EUR thousand           | Weighted average interest rate % | EUR thousand        | Weighted average interest rate % | Weighted average period for which rate is fixed, years |                    |
| <b>2022</b>  |                        |                                  |                     |                                  |                                                        |                    |
| EUR          | 2,179,500              | 7.2%                             | 4,625,000           | 4.5%                             | 4.7                                                    | <b>6,804,500</b>   |
| SEK          | 409,529                | 7.3%                             | -                   | -                                | -                                                      | <b>409,529</b>     |
| <b>Total</b> | <b>2,589,029</b>       | <b>-</b>                         | <b>4,625,000</b>    | <b>-</b>                         | <b>-</b>                                               | <b>7,214,029</b>   |

|              | Floating interest rate |                                  | Fixed interest rate |                                  |                                                        | Total EUR thousand |
|--------------|------------------------|----------------------------------|---------------------|----------------------------------|--------------------------------------------------------|--------------------|
|              | EUR thousand           | Weighted average interest rate % | EUR thousand        | Weighted average interest rate % | Weighted average period for which rate is fixed, years |                    |
| <b>2021</b>  |                        |                                  |                     |                                  |                                                        |                    |
| EUR          | 1,459,700              | 7.4%                             | 5,125,000           | 2.9%                             | 3.9                                                    | <b>6,584,700</b>   |
| SEK          | 421,493                | 4.5%                             | -                   | -                                | -                                                      | <b>421,493</b>     |
| <b>Total</b> | <b>1,881,193</b>       | <b>-</b>                         | <b>5,125,000</b>    | <b>-</b>                         | <b>-</b>                                               | <b>7,006,193</b>   |

The majority of all borrowings with floating interest include a floor of 0% which means that applied interest fixing of Euribor and Stibor will equal 0% as long as the relevant period fixings of Euribor and Stibor are below 0%.

**Cash flows related to borrowings**

| EUR thousand              | Carrying amount Jan 1, 2022 | Cash flows      | Non-Cash changes                    |                     |                                       |                           |                      | Carrying amount Dec 31, 2022 |
|---------------------------|-----------------------------|-----------------|-------------------------------------|---------------------|---------------------------------------|---------------------------|----------------------|------------------------------|
|                           |                             |                 | Change in adjustment amortized cost | New lease contracts | Lease contracts terminated in advance | Foreign exchange movement | New accrued interest |                              |
| Long-term borrowings      | 6,920,428                   | 218,124         | 11,113                              | -                   | -                                     | (11,467)                  | -                    | <b>7,138,198</b>             |
| Short-term borrowings     | 25,935                      | 12,994          | -                                   | -                   | -                                     | -                         | -                    | <b>38,929</b>                |
| Accrued interest          | 62,882                      | (62,882)        | -                                   | -                   | -                                     | -                         | 81,416               | <b>81,416</b>                |
| Lease liability           | 150,151                     | (49,154)        | -                                   | 63,943              | (2,705)                               | (1,600)                   | -                    | <b>160,636</b>               |
| <b>Total liabilities</b>  | <b>7,159,396</b>            | <b>119,082</b>  | <b>11,113</b>                       | <b>63,943</b>       | <b>(2,705)</b>                        | <b>(13,067)</b>           | <b>81,416</b>        | <b>7,419,180</b>             |
| Cash and cash equivalents | (24,283)                    | (19,462)        | -                                   | -                   | -                                     | 116                       | -                    | <b>(43,630)</b>              |
| <b>Total cash</b>         | <b>(24,283)</b>             | <b>(19,462)</b> | <b>-</b>                            | <b>-</b>            | <b>-</b>                              | <b>116</b>                | <b>-</b>             | <b>(43,630)</b>              |
| <b>Total</b>              | <b>7,135,113</b>            | <b>99,620</b>   | <b>11,113</b>                       | <b>63,943</b>       | <b>(2,705)</b>                        | <b>(12,951)</b>           | <b>81,416</b>        | <b>7,375,549</b>             |

| EUR thousand              | Carrying amount Jan 1, 2021 | Cash flows       | Non-Cash changes                    |                     |                                       |                           |                      | Carrying amount Dec 31, 2021 |
|---------------------------|-----------------------------|------------------|-------------------------------------|---------------------|---------------------------------------|---------------------------|----------------------|------------------------------|
|                           |                             |                  | Change in adjustment amortized cost | New lease contracts | Lease contracts terminated in advance | Foreign exchange movement | New accrued interest |                              |
| Long-term borrowings      | 4,980,130                   | 1,976,576        | (32,957)                            | -                   | -                                     | (3,320)                   | -                    | <b>6,920,428</b>             |
| Short-term borrowings     | 27,694                      | (1,759)          | -                                   | -                   | -                                     | -                         | -                    | <b>25,935</b>                |
| Accrued interest          | 36,390                      | (36,390)         | -                                   | -                   | -                                     | -                         | 62,882               | <b>62,882</b>                |
| Lease liability           | 131,582                     | (45,976)         | -                                   | 69,670              | (5,216)                               | 91                        | -                    | <b>150,151</b>               |
| <b>Total liabilities</b>  | <b>5,175,796</b>            | <b>1,892,451</b> | <b>(32,957)</b>                     | <b>69,670</b>       | <b>(5,216)</b>                        | <b>(3,230)</b>            | <b>62,882</b>        | <b>7,159,397</b>             |
| Cash and cash equivalents | (97,941)                    | 84,009           | -                                   | -                   | -                                     | (10,351)                  | -                    | <b>(24,283)</b>              |
| <b>Total cash</b>         | <b>(97,941)</b>             | <b>84,009</b>    | <b>-</b>                            | <b>-</b>            | <b>-</b>                              | <b>(10,351)</b>           | <b>-</b>             | <b>(24,283)</b>              |
| <b>Total</b>              | <b>5,077,854</b>            | <b>1,976,460</b> | <b>(32,957)</b>                     | <b>69,670</b>       | <b>(5,216)</b>                        | <b>(13,581)</b>           | <b>62,882</b>        | <b>7,135,114</b>             |

## Note 27 Other Provisions

| EUR thousand                    | 2022          | 2021          |
|---------------------------------|---------------|---------------|
| Balance at beginning of year    | 22,437        | 53,892        |
| Additional provisions           | 5,977         | 9,059         |
| Utilized provisions             | (11,599)      | (38,672)      |
| Reversal of provisions not used | -             | (1,842)       |
| <b>Balance at end of year</b>   | <b>16,815</b> | <b>22,437</b> |

### Breakdown

| EUR thousand                        | 2022          | 2021          |
|-------------------------------------|---------------|---------------|
| Provision for staff related costs   | 1,303         | 2,818         |
| Provision for service related costs | 1,825         | 4,226         |
| Other items                         | 13,687        | 15,393        |
| <b>Total</b>                        | <b>16,815</b> | <b>22,437</b> |

## Note 28 Accrued Expenses and Deferred Income

| EUR thousand                          | 2022           | 2021           |
|---------------------------------------|----------------|----------------|
| Subscription fees invoiced in advance | 227,382        | 201,947        |
| Staff-related costs                   | 163,005        | 147,971        |
| Marketing-related costs               | 30,235         | 29,547         |
| Goods received                        | 16,187         | 27,255         |
| Audit assignments and other services  | 1,651          | 1,464          |
| Risk reserves                         | 12,854         | 11,331         |
| External services                     | 37,877         | 31,193         |
| Other items                           | 117,802        | 95,132         |
| <b>Total</b>                          | <b>606,993</b> | <b>545,839</b> |

### Unsatisfied long-term customer contracts

Aggregate amount of the customer contracts revenue allocated to long-term customer contracts that are partially or fully unsatisfied as of the 31st of December, 2022, amounts to EUR 752,489 thousand, compared to EUR 637,208 thousand as of the 31st of December, 2021. As of the 31st of December, 2022, the Group had non-cancellable customer contracts which resulted in partly unsatisfied performance obligations at year-end. Management expect that 62.3% of the transaction price allocated to the partly unsatisfied contracts as of the

31st of December, 2022 will be recognized as revenue during the year 2023, 31.1% is expected to be recognized during 2024 and 6.6% during 2025 or later. The Group does not include binding revenue with an outstanding contract period of 12 months or less. Since the Group does not include all contracts and has cancellable subscriptions, the amount of the outstanding unsatisfied performance obligations does not amount to expected revenue for future periods.

Note 28 cont.

**Liabilities related to contracts with customers**

The Group has recognized the following liabilities related to contracts with customers

| EUR thousand                                   | 2022           | 2021           |
|------------------------------------------------|----------------|----------------|
| Balance at beginning of year                   | 296 445        | 293,667        |
| Prepayments taken as income                    | (236,927)      | (225,820)      |
| New prepayments                                | 308,967        | 228,811        |
| Translation effect                             | 690            | (214)          |
| <b>Balance at end of year</b>                  | <b>369,175</b> | <b>296,444</b> |
| <b>The balance at end of year consists of:</b> |                |                |
| Non-current liabilities                        | 106,516        | 74,480         |
| Current liabilities                            | 262,659        | 221,964        |
| <b>Total</b>                                   | <b>369,175</b> | <b>296,444</b> |

**Note 29** Pledged Assets and Contingent Liabilities**Pledged assets**

| EUR thousand           | 2022      | 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 | 2022   | 2021   |
|--------------|--------|--------|
| Guarantees   | 37,431 | 36,769 |

The Group has pledged shares in subsidiaries, certain bank accounts, trade receivables, IP rights, certain inventory assets, intra-group loans, intra-group equity certificates, rights under insurances, rights under the acquisition agreements regarding the purchase of the Group and rights under reports in relation to the acquisition of the Group as collateral for bank borrowings, as disclosed in note 26. Guarantees relate primarily to warranties 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 the month of May of this current 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.

# Parent Company Financial Statements

## Parent Company Income Statement

| EUR thousand                   | Note | 2022            | 2021           |
|--------------------------------|------|-----------------|----------------|
| Administrative expenses        |      | 710             | 35,854         |
| <b>Operating profit</b>        |      | <b>710</b>      | <b>35,854</b>  |
| Financial income               | 2, 3 | 48,204          | 43,098         |
| Financial expenses             | 2, 3 | (79,454)        | (99,013)       |
| Dividend                       | 3    | -               | 295,868        |
| Group contributions            |      | 3,317           | -              |
| <b>Result before tax</b>       |      | <b>(27,224)</b> | <b>275,807</b> |
| Income tax expense and benefit |      | (385)           | -              |
| <b>Result for the year</b>     |      | <b>(27,609)</b> | <b>275,807</b> |

## Parent Company Statements of Financial Position

| EUR thousand                                 | Note | 2022             | 2021             |
|----------------------------------------------|------|------------------|------------------|
| <b>Assets</b>                                |      |                  |                  |
| <b>Non-current assets</b>                    |      |                  |                  |
| <i>Long-term investments</i>                 |      |                  |                  |
| Investments in subsidiaries                  | 4    | 1,191,984        | 1,190,969        |
| Receivables from Group companies             | 3    | 688,349          | 704,210          |
| <b>Total non-current assets</b>              |      | <b>1,880,333</b> | <b>1,895,178</b> |
| <b>Current assets</b>                        |      |                  |                  |
| Accrued interest income from Group companies | 3    | 20,009           | 20,766           |
| Cash and cash equivalents                    |      | 627              | 1,061            |
| <b>Total current assets</b>                  |      | <b>20,636</b>    | <b>21,827</b>    |
| <b>Total assets</b>                          |      | <b>1,900,969</b> | <b>1,917,005</b> |

| EUR thousand                         | Note | 2022             | 2021             |
|--------------------------------------|------|------------------|------------------|
| <b>Equity and liabilities</b>        |      |                  |                  |
| <b>Equity</b>                        |      |                  |                  |
| Share capital                        | 5    | 56               | 56               |
| Other paid in capital                |      | 569,170          | 569,170          |
| Retained earnings                    |      | (88,471)         | (61,878)         |
| <b>Total equity</b>                  |      | <b>480,755</b>   | <b>507,349</b>   |
| <b>Non-current liabilities</b>       |      |                  |                  |
| Long-term borrowings                 | 6    | 1,296,655        | 1,306,365        |
| Liabilities to Group companies       | 3    | 94,887           | 77,387           |
| <b>Total non-current liabilities</b> |      | <b>1,391,542</b> | <b>1,383,752</b> |
| <b>Current liabilities</b>           |      |                  |                  |
| Trade payables                       |      | -                | 9                |
| Accrued expenses and prepaid income  | 6    | 28,672           | 25,893           |
| Other current liabilities            |      | -                | 2                |
| <b>Total current liabilities</b>     |      | <b>28,672</b>    | <b>25,904</b>    |
| <b>Total liabilities</b>             |      | <b>1,420,214</b> | <b>1,409,656</b> |
| <b>Total equity and liabilities</b>  |      | <b>1,900,969</b> | <b>1,917,005</b> |

## 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           |
| <b>Balance at January 1, 2022</b>   | <b>56</b>                                            | <b>569,170</b>        | <b>(61,878)</b>   | <b>507,348</b>  |
| Result for the period               | -                                                    | -                     | (27,609)          | <b>(27,609)</b> |
| Shareholders contribution           | -                                                    | -                     | 1,016             | <b>1,016</b>    |
| <b>Balance at December 31, 2022</b> | <b>56</b>                                            | <b>569,170</b>        | <b>(88,471)</b>   | <b>480,755</b>  |

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

## Parent Company Statement of Cash Flows

| EUR thousand                                                                | Note | 2022         | 2021         |
|-----------------------------------------------------------------------------|------|--------------|--------------|
| <b>Operating activities</b>                                                 |      |              |              |
| Operating result                                                            |      | 710          | (146)        |
| Paid taxes                                                                  |      | (385)        | -            |
| <b>Cash flow from operating activities before change in working capital</b> |      | <b>325</b>   | <b>(146)</b> |
| <b>Change in working capital</b>                                            |      |              |              |
| Change in trade payables                                                    |      | (14)         | 9            |
| Change in other receivables                                                 |      | (749)        | 2            |
| <i>Cash flow from change in working capital</i>                             |      | <i>(763)</i> | <i>11</i>    |
| <b>Cash flow from operating activities</b>                                  |      | <b>(438)</b> | <b>(134)</b> |
| <b>Investing activities</b>                                                 |      |              |              |
| <b>Cash flow from investing activities</b>                                  |      | <b>-</b>     | <b>-</b>     |
| <b>Financing activities</b>                                                 |      |              |              |
| New financing                                                               |      | -            | 1,322,783    |
| Repayment of loan                                                           |      | -            | (1,242,562)  |
| Dividend received                                                           |      | -            | 1,703,787    |
| Dividend paid                                                               |      | -            | (1,703,787)  |
| New loans from Group companies                                              |      | 17,500       | 39,810       |
| Repayment of loan from Group companies                                      |      | -            | (60,402)     |
| Paid bank and advisory fees                                                 |      | -            | (16,793)     |
| Other financial items                                                       |      | 119          | -            |
| Call cost old debt                                                          |      | -            | (17,175)     |
| Net interest paid                                                           |      | (17,615)     | (24,862)     |
| <b>Cash flow from financing activities</b>                                  |      | <b>4</b>     | <b>798</b>   |
| <b>Cash flow for the period</b>                                             |      | <b>(434)</b> | <b>664</b>   |
| Cash and cash equivalents at start of period                                |      | 1,061        | 396          |
| <b>Cash and cash equivalents at end of period</b>                           |      | <b>627</b>   | <b>1,061</b> |

# Notes to the Parent Company Financial Statements

## Note 1 Accounting Policies

The parent company Verisure Midholding AB applies the Swedish Financial Reporting Board's recommendation "RFR 2". The parent company adopted the same accounting policies for recognition and measurement as the Group. The accounting policies applied by the parent company deviate from the

accounting policies set out in note 2 to the consolidated financial statements in the annual report. The accounting policies are unchanged compared with those applied in 2021.

## Note 2 Financial Income and Expenses

| EUR thousand                         | 2022            | 2021            |
|--------------------------------------|-----------------|-----------------|
| Interest income from Group companies | 48,204          | 43,098          |
| <b>Financial income</b>              | <b>48,204</b>   | <b>43,098</b>   |
| Interest expense                     | (70,949)        | (70,392)        |
| Interest expense to Group companies  | (2,475)         | (1,671)         |
| Net currency translation differences | (4,180)         | (1,008)         |
| Other items                          | (1,850)         | (25,942)        |
| <b>Financial expenses</b>            | <b>(79,454)</b> | <b>(99,013)</b> |

## Note 3 Transactions with Related Parties

### Transaction with related parties

| EUR thousand     | 2022    | 2021    |
|------------------|---------|---------|
| Interest income  | 48,204  | 43,098  |
| Interest expense | (2,475) | (1,671) |
| Dividend         | -       | 295,868 |

### Balances with related parties

| EUR thousand                       | 2022     | 2021     |
|------------------------------------|----------|----------|
| Group contribution claim           | 40,171   | 43,239   |
| Financial receivable, non-current  | 648,177  | 660,971  |
| Accrued interest income            | -        | 20,766   |
| Dividend                           | 15,943   | -        |
| Financial liabilities, non-current | (68,734) | (51,234) |
| Group contribution liability       | (26,153) | (26,153) |
| Accrued interest expense           | (4,146)  | (1,671)  |

## Note 4 Investments in Subsidiaries

| EUR thousand                                 | 2022             | 2021             |
|----------------------------------------------|------------------|------------------|
| Opening acquisition value                    | 1,190,969        | 1,191,365        |
| Capital increase                             | 2,031            | 1,016            |
| Write down of shares                         | (1,016)          | (1,412)          |
| <b>Closing accumulated acquisition value</b> | <b>1,191,984</b> | <b>1,190,969</b> |

| Subsidiary name     | Reg. no     | Reg. office | No. of shares | Share of share capital and voting rights | 2022             | 2021             |
|---------------------|-------------|-------------|---------------|------------------------------------------|------------------|------------------|
| Verisure Holding AB | 556854-1410 | Malmö       | 500,000       | 100%                                     | 1,191,984        | 1,190,969        |
| <b>Total</b>        |             |             |               |                                          | <b>1,191,984</b> | <b>1,190,969</b> |

| Subsidiary name                               | Reg. no        | Reg. office                | Share of share capital and voting rights |
|-----------------------------------------------|----------------|----------------------------|------------------------------------------|
| Verisure Holding AB (publ)                    | 556854-1410    | Malmö, Sweden              | 100.00%                                  |
| Securitas Direct AB (publ)                    | 556222-9012    | Malmö, Sweden              | 100.00%                                  |
| Verisure Sales Sverige AB                     | 556955-2978    | Linköping, Sweden          | 100.00%                                  |
| Verisure Sverige AB                           | 556153-2176    | Linköping, Sweden          | 100.00%                                  |
| Alert Alarm AB                                | 556674-8975    | Solna, Sweden              | 100.00%                                  |
| Securitas Direct Sverige AB                   | 556893-9010    | Linköping, Sweden          | 100.00%                                  |
| Verisure Logistics AB                         | 556702-0747    | Linköping, Sweden          | 100.00%                                  |
| Verisure Innovation AB                        | 556723-5329    | Malmö, Sweden              | 100.00%                                  |
| Verisure International AB                     | 559132-9569    | Malmö, Sweden              | 100.00%                                  |
| ESML SD Iberia Holding S.A.U.                 | A85537363      | Madrid, Spain              | 100.00%                                  |
| Securitas Direct España S.A.U                 | A26106013      | Madrid, Spain              | 100.00%                                  |
| Verisure Perú S.A.C                           | 12880228       | Santiago de Surco, Peru    | 100.00%                                  |
| Verisure Italy S.R.L.                         | 12454611000    | Rome, Italy                | 100.00%                                  |
| Verisure Brazil Monitoramento de Alarmes LTDA | 11660106000138 | São Paulo, Brazil          | 100.00%                                  |
| Securitas Direct Portugal Unip. LDA           | 505760320      | Lisbon, Portugal           | 100.00%                                  |
| Verisure Chile SPA                            | 76058647-1     | Santiago, Chile            | 100.00%                                  |
| Verisure Argentina Monitoreo de Alarmas S.A   | 24704          | Buenos Aires, Argentina    | 100.00%                                  |
| Verisure SAS                                  | 34500602700188 | Antony, France             | 100.00%                                  |
| Verisure Sàrl                                 | CHE300209613   | Versoix, Switzerland       | 100.00%                                  |
| Verisure Services Portugal Unip. LDA          | 516730266      | Lisbon, Portugal           | 100.00%                                  |
| OPSEC International BV                        | 74814990       | Amsterdam, The Netherlands | 100.00%                                  |
| Securitas Direct BV                           | 17158925       | Amsterdam, The Netherlands | 100.00%                                  |
| Verisure Installation and Monitoring B.V.     | 71133607       | Amsterdam, The Netherlands | 100.00%                                  |
| Verisure NV                                   | 0459.866.904   | Brussels, Belgium          | 100,00%                                  |
| Verisure Academy BV                           | 0781.455.655   | Brussels, Belgium          | 100,00%                                  |
| Verisure Security BV                          | 0877.035.396   | Brussels, Belgium          | 100,00%                                  |
| Verisure Holding AS                           | 997434366      | Oslo, Norway               | 100.00%                                  |
| Verisure AS                                   | 929120825      | Oslo, Norway               | 100.00%                                  |
| Verisure A/S                                  | 25019202       | Glostrup, Denmark          | 100.00%                                  |
| Falck Alarm by Verisure A/S                   | 38049380       | Glostrup, Denmark          | 100.00%                                  |
| Verisure Oy                                   | 1773522-2      | Helsinki, Finland          | 100.00%                                  |
| Verisure Services (UK) Limited                | 08840095       | Brentford, United Kingdom  | 100.00%                                  |
| Verisure Arlo Europe DAC                      | 658538         | Cork, Ireland              | 100.00%                                  |
| Verisure Deutschland GmbH                     | HRB85120       | Düsseldorf, Germany        | 100.00%                                  |
| Verisure Ireland DAC                          | 696619         | Cork, Ireland              | 100.00%                                  |

## Note 5 Share Capital

Verisure Midholding AB's (publ) share capital totalled EUR 56,104 as of the 31st of December, 2022 and 2021, distributed among 500,000 shares with a quotient value of EUR 0.1122. All shares are of the same class. All shares issued by the company were fully paid.

### Change in number of shares

|                                        | 2022           | 2021           |
|----------------------------------------|----------------|----------------|
| Number of shares at beginning of year  | 500,000        | 500,000        |
| <b>Number of shares at end of year</b> | <b>500,000</b> | <b>500,000</b> |

## Note 6 Borrowings

| EUR thousand                   | 2022             |                               |                  |
|--------------------------------|------------------|-------------------------------|------------------|
|                                | Principal amount | Adjustment<br>amortized costs | Carrying amount  |
| <b>Non-current liabilities</b> |                  |                               |                  |
| <b>Unsecured</b>               |                  |                               |                  |
| Senior Unsecured Notes         | 1,309,870        | (13,215)                      | 1,296,655        |
| <b>Long-term borrowings</b>    | <b>1,309,870</b> | <b>(13,215)</b>               | <b>1,296,655</b> |
| <b>Current liabilities</b>     |                  |                               |                  |
| Accrued interest expenses      | 24,513           | -                             | 24,513           |
| <b>Short-term borrowings</b>   | <b>24,513</b>    | <b>-</b>                      | <b>24,513</b>    |
| <b>Total</b>                   | <b>1,334,383</b> | <b>(13,215)</b>               | <b>1,321,168</b> |

| EUR thousand                   | 2021             |                               |                  |
|--------------------------------|------------------|-------------------------------|------------------|
|                                | Principal amount | Adjustment<br>amortized costs | Carrying amount  |
| <b>Non-current liabilities</b> |                  |                               |                  |
| <b>Unsecured</b>               |                  |                               |                  |
| Senior Unsecured Notes         | 1,321,337        | (14,972)                      | 1,306,365        |
| <b>Long-term borrowings</b>    | <b>1,321,337</b> | <b>(14,972)</b>               | <b>1,306,365</b> |
| <b>Current liabilities</b>     |                  |                               |                  |
| Accrued interest expenses      | 24,208           | -                             | 24,208           |
| <b>Short-term borrowings</b>   | <b>24,208</b>    | <b>-</b>                      | <b>24,208</b>    |
| <b>Total</b>                   | <b>1,345,545</b> | <b>(14,972)</b>               | <b>1,330,573</b> |

## Note 7 Pledged Assets and Contingent Liabilities

### Pledged assets

| EUR thousand           | 2022      | 2021      |
|------------------------|-----------|-----------|
| Shares in subsidiaries | 1,191,984 | 1,190,969 |

There are no other contingent liabilities in 2022 and 2021.

April 27, 2023, Malmö

Austin Lally  
CEO

Cecilia Hultén  
Chairman

Vincent Litrico

Daniel Bruzaeus

Elizabeth Henry

Our auditor's report was issued on April 27 2023, Stockholm  
PricewaterhouseCoopers AB

Johan Rippe  
Authorised Public Accountant

# Independent Auditor's Report

To the Board of Directors in Verisure Midholding AB (publ)

Corporate identity number 556854-1402

## Opinions

We have audited the annual financial statements and the consolidated financial statements of Verisure Midholding AB (publ) for the financial year ended December 31, 2022. The annual financial statements and consolidated financial statements comprise the annual financial statements of the parent company and consolidated statement of financial position of Verisure Midholding AB (publ) and its subsidiaries ("the Group") as at December 31, 2022 and the related annual financial statements and consolidated statements of income, comprehensive income, changes in equity and cash flows for the period from January 1, 2022 through December 31, 2022 and a summary of significant accounting policies. The financial statements of the parent company and the group are included in the printed version of this document on pages 42-83.

In our opinion, the accompanying annual financial statements of the parent company have been prepared in accordance with the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and present fairly, in all material respects, the financial position of the parent company as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

The consolidated financial statements present fairly, in all material respects, the financial position of the group as at December 31, 2022, and the operations and cash flows for the period from January 1, 2022 through December 31, 2022, in accordance with International Financial Reporting Standards, as adopted by the EU.

## Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the parent company and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Emphasis of Matter – Basis of Accounting and Use

We draw attention to the Notes of the annual financial statements of the parent company and consolidated financial statements, which describes the basis of preparation and accounting. The annual financial statements of the parent

company and consolidated financial statements have been prepared to present the operations of Verisure Midholding AB (publ) for the full year 2022, in order to fulfil the reporting requirements of the Euro MTF Market of the Luxembourg Stock Exchange. As a result, the annual financial statements and consolidated financial statements may not be suitable for other purposes. Our opinion is not modified in respect of this matter.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements of the parent company in accordance with Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the EU ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Stockholm, April 27, 2023  
PricewaterhouseCoopers AB

Johan Rippe  
Authorised Public Accountant

# Five-Year Financial Overview

| EUR thousand (if not otherwise stated)                         | 2022      | 2021      | 2020      | 2019      | 2018      |
|----------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| <b>Consolidated:</b>                                           |           |           |           |           |           |
| <b>Non-IFRS and IFRS financial data</b>                        |           |           |           |           |           |
| Revenue <sup>1</sup>                                           | 2,827,022 | 2,508,847 | 2,138,903 | 1,900,730 | 1,612,525 |
| Organic revenue growth                                         | 12.8%     | 16.7%     | 14.4%     | 18.6%     | 19.4%     |
| Adjusted EBITDA excl. SDIs                                     | 1,151,969 | 1,047,995 | 919,569   | 761,086   | 610,614   |
| Adjusted EBITDA margin excl. SDIs                              | 40.7%     | 41.8%     | 43.0%     | 40.0%     | 37.9%     |
| Adjusted EBITDA incl. SDIs                                     | 1,116,191 | 984,388   | 853,128   | 702,869   | 583,549   |
| Adjusted EBITDA margin incl. SDIs                              | 39.5%     | 39.2%     | 39.9%     | 37.0%     | 36.2%     |
| Operating profit <sup>1</sup>                                  | 471,278   | 378,864   | 324,226   | 237,480   | 190,007   |
| Capital expenditures                                           | 841,059   | 762,444   | 634,980   | 422,445   | 351,304   |
| Net Debt per SFA <sup>2</sup>                                  | 7,382,658 | 7,171,870 | 5,108,146 | 5,126,308 | 4,749,682 |
| <b>Unaudited operating data</b>                                |           |           |           |           |           |
| Payback period (in years)                                      | 3.8       | 3.4       | 3.3       | 3.5       | 3.7       |
| <b>Portfolio services segment</b>                              |           |           |           |           |           |
| <b>Non-IFRS and IFRS financial data</b>                        |           |           |           |           |           |
| Portfolio services revenue <sup>1</sup>                        | 2,358,158 | 2,043,673 | 1,740,581 | 1,548,936 | 1,329,536 |
| Portfolio services adjusted EBITDA excl. SDIs                  | 1,694,390 | 1,477,479 | 1,255,774 | 1,075,348 | 890,704   |
| Portfolio services adjusted EBITDA margin                      | 71.9%     | 72.3%     | 72.1%     | 69.4%     | 67.0%     |
| <b>Unaudited operating data</b>                                |           |           |           |           |           |
| Total subscribers (year-end), units                            | 4,752,097 | 4,274,827 | 3,763,945 | 3,346,712 | 2,930,753 |
| Cancellation, units                                            | 324,828   | 258,701   | 229,699   | 195,362   | 171,099   |
| Attrition rate (LTM)                                           | 7.2%      | 6.4%      | 6.5%      | 6.2%      | 6.2%      |
| Net subscriber growth, units                                   | 477,270   | 510,882   | 417,233   | 415,959   | 344,630   |
| Subscriber growth rate, net                                    | 11.2%     | 13.6%     | 12.5%     | 14.2%     | 13.3%     |
| Monthly average number of subscribers during the period, units | 4,522,759 | 4,017,721 | 3,518,094 | 3,133,291 | 2,755,113 |
| Average monthly revenue per user (ARPU), in EUR                | 43.4      | 42.4      | 41.2      | 41.2      | 40.2      |
| Adjusted EBITDA per customer (EPC), in EUR                     | 31.2      | 30.6      | 29.7      | 28.6      | 26.9      |
| <b>Customer acquisition segment</b>                            |           |           |           |           |           |
| <b>Non-IFRS and IFRS financial data</b>                        |           |           |           |           |           |
| Customer acquisition revenue <sup>1</sup>                      | 385,954   | 373,492   | 338,138   | 329,098   | 266,823   |
| Customer acquisition adjusted EBITDA excl. SDIs                | (544,846) | (421,036) | (321,999) | (316,297) | (277,768) |
| Customer acquisition capital expenditures                      | 583,738   | 546,440   | 451,374   | 422,445   | 351,304   |
| <b>Unaudited operating data</b>                                |           |           |           |           |           |
| New subscribers added gross, units                             | 802,098   | 769,583   | 646,932   | 611,321   | 515,624   |
| Cash acquisition cost per new subscriber (CPA), in EUR         | 1,407     | 1,257     | 1,195     | 1,208     | 1,220     |
| <b>Adjacencies segment</b>                                     |           |           |           |           |           |
| <b>Non-IFRS and IFRS financial data</b>                        |           |           |           |           |           |
| Adjacencies revenue <sup>1</sup>                               | 82,910    | 91,682    | 60,184    | 22,696    | 16,167    |
| Adjacencies adjusted EBITDA excl. SDIs                         | 2,424     | (8,448)   | (14,206)  | 2,035     | (2,322)   |

1) IFRS financial data.

2) Starting in 2021 and in compliance with our Senior Facilities Agreement ("SFA") dated January 25th, 2021, Net Debt per SFA is reported on a post-IFRS basis. In order to be consistent with this agreement, 2020-2018 figures have been adjusted and therefore differ from the figures reported in previous reports.

# 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 thousand                                                | 2022             | 2021             |
|-------------------------------------------------------------|------------------|------------------|
| Operating profit according to consolidated income statement | 471,278          | 378,864          |
| Depreciation and amortization add-back                      | 557,115          | 477,293          |
| Retirement of assets add-back                               | 87,799           | 128,232          |
| Separately disclosed items add-back                         | 35,777           | 63,607           |
| <b>Adjusted EBITDA</b>                                      | <b>1,151,969</b> | <b>1,047,995</b> |
| Whereof adjusted EBITDA customer acquisition                | (544,846)        | (421,036)        |
| Whereof adjusted EBITDA portfolio services                  | 1,694,390        | 1,477,479        |
| Whereof adjusted EBITDA adjacencies                         | 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 thousand                                                                                                                              | 2022      | 2021      |
|-------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Portfolio services segment revenue                                                                                                        | 2,358,158 | 2,043,673 |
| Monthly average portfolio services segment revenue                                                                                        | 196,513   | 170,306   |
| Average number of subscribers during the period, units                                                                                    | 4,522,759 | 4,017,721 |
| Monthly average portfolio services segment revenue (in EUR)<br>divided by average number of subscribers during the period – ARPU (In EUR) | 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 thousand                                                                                                                                     | 2022      | 2021      |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Portfolio services segment adjusted EBITDA excl. SDIs                                                                                            | 1,694,390 | 1,477,479 |
| Monthly average portfolio services segment adjusted EBITDA excl. SDIs                                                                            | 141,199   | 123,123   |
| Average number of subscribers during the period, units                                                                                           | 4,522,759 | 4,017,721 |
| Monthly average portfolio services segment adjusted EBITDA (in EUR)<br>divided by average number of subscribers during the period – EPC (In EUR) | 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 thousand                                                                                                                              | 2022               | 2021             |
|-------------------------------------------------------------------------------------------------------------------------------------------|--------------------|------------------|
| Customer acquisition adjusted EBITDA excl. SDIs                                                                                           | (544,846)          | (421,036)        |
| Customer acquisition capital expenditure                                                                                                  | (583,738)          | (546,440)        |
| <b>Customer acquisition cost</b>                                                                                                          | <b>(1,128,584)</b> | <b>(967,476)</b> |
| New subscriber added gross, units                                                                                                         | 802,098            | 769,583          |
| Monthly average portfolio services segment revenue (in EUR)<br>divided by average number of subscribers during the period – ARPU (In EUR) | 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 thousand                                     | 2022       | 2021       |
|--------------------------------------------------|------------|------------|
| Cash acquisition cost per new subscriber ("CPA") | 1,407      | 1,257      |
| Monthly adjusted EBITDA per customer ("EPC")     | 31.2       | 30.6       |
| <b>CPA divided by EPC divided by 12</b>          | <b>3.8</b> | <b>3.4</b> |

# Definitions

## Key Operating Metrics

The 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, (ARPU)

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, (CPA)

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 by net of any revenues from installation fees charged to the subscriber and represents the sum of adjusted EBITDA plus capital expenditure in our customer acquisition segment on average for every subscriber acquired.

### Monthly Adjusted EBITDA Per Subscriber, (EPC)

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 monthly 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 subscribers 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 value of an asset which will no longer be used in the operations are recognized as a cost in the income statement.

### Separately Disclosed Items (SDIs)

Separately disclosed items (SDIs) are income and costs that have been recognized in the income statement 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. Such items could be projects related to organisation effectiveness, M&A, transformational and capital structure.

### Subscriber growth rate

Number of subscribers at the end of period divided by the number of subscribers 12 months ago.

# Risk Factors

## Risks Related to Our Business and Industry

### **We operate in a highly competitive industry and our results may be adversely affected by this competition.**

We face significant competition from both established and new competitors. In some instances, we compete against companies with greater local scale, easier access to financing, greater personnel resources, greater brand name recognition and experience or longer established relationships with customers.

The residential home and small business segment of the larger security services market (the “RHSB segment”) in Europe and Latin America is fragmented and subject to significant competition and pricing pressures. As a result, within our segment, we must compete against a variety of players who use various strategies. For example, most of our competitors offer lower installation and lower recurring fees, generally reflecting the product quality and service levels. Likewise, existing competitors may expand their current product and service offerings more rapidly, adapt to new or emerging technologies more quickly, take advantage of acquisitions or devote greater resources to the marketing and sale of their products and services, than we do. Our competitors may use lower pricing to increase their customer base and win market share. Our higher installation fees, compared to our competitors’, could make our competitors’ offers appear more attractive to potential customers, which could have a significant effect on our ability to maintain or grow our customer base. Likewise, if our competitors charge lower ongoing monitoring fees than we do, we may have to reduce our monitoring fees or risk losing our existing customers. These competitive actions could impact our ability to attract new customers, subject us to pricing pressure or erode our existing customer portfolio, each of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We also face potential competition from improvements in do-it-yourself (“DIY”) self-monitored systems, which, through the internet, text messages, emails or similar communications, enable consumers to monitor and control their home environment through devices that they install and monitor without third-party involvement. Continued pricing pressure or improvements in technology, as well as increased smart phone penetration, and shifts in consumer preferences towards DIY and self-monitoring could materially adversely impact our customer base or pricing structure and have a material adverse effect on our business, financial condition, results of operations and cash flows.

With respect to competition from potential new entrants, we believe that players operating in the connected home market and telecommunications market, who may have existing access and relationships with subscribers and highly recognized brands, are well-situated to move into the security and safety industry. While within the connected home market, security and

safety is the largest growing segment, the connected home market itself is growing quickly and covers many different products and services in segments such as utility management, entertainment, wellness management and smart appliances. If competitors in these alternative segments move into the security and safety segment of the connected home market, such action could have a material adverse effect on our business, financial condition, results of operations and cash flows. Additionally, large players in adjacent or overlapping industries, such as Amazon, Google, Apple and Microsoft, have launched smart home platforms. Such players could leverage their well-known brand names and technological superiority to enter or further expand the security and safety segment of the connected home market. For example, Google acquired Dropcam (a manufacturer of security cameras) in June 2014, and merged the company with Nest (a manufacturer of smart thermostats) and subsequently launched a DIY home alarm platform in the U.S. Though Nest’s home alarm offering is not present in Europe and Google has now embraced professional security services provider ADT as strategic go-to-market partner in the U.S., Google may launch its home alarm offering in the European market and Google may form similar alliances with European security services providers. As another example, Amazon acquired Blink in December 2017 and Ring in February 2018, and subsequently proceeded to launch a Ring Alarm product suite initially in the U.S., followed by launches in the UK and most European countries. Such actions could impact our ability to attract new customers through pricing pressure or erode our existing customer portfolio, each of which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Telecommunications players have already shown significant interest in entering the security and safety market in Europe and Comcast has already done so successfully in the United States and Telefonica in Spain and Orange in France have both re-entered the alarm category in the past year. Given the extensive customer base of larger telecommunications players, if they can successfully develop security monitoring capabilities, they may be able to leverage their existing customer contacts to rapidly grow this segment of their business.

### **Changes in both global and regional economic and political conditions may have a material adverse effect on our business, financial condition, results of operations and cash flows.**

A decline in economic activity, such as recession or economic downturn in the EU or elsewhere, or inflation in the markets in which we operate, can materially adversely affect demand for our products and services and our cost of doing business. Global macroeconomic conditions can significantly affect our business and the markets that we serve. Differing economic conditions and patterns of economic growth and contraction in the geographical regions in which we operate could have an impact on our business and demand for services. This includes

factors such as a general contraction in the credit markets, tightening of terms we and our clients can obtain in the credit market, lower levels of liquidity, increases in the rates of default and bankruptcy, and any volatility in credit, equity and fixed income markets. A general weakening of, and related declining corporate and consumer confidence in, the global economy could have a material adverse effect on our business.

In particular, a material portion of our revenues and profitability is derived from the EU. Weak economic conditions and disruptions in this region, or with connected markets or the wider global financial markets, may impact our ability to obtain financing or to refinance existing debt on acceptable terms, if at all, could increase the cost of our borrowings and may increase our exposure to currency fluctuations in countries where we operate. Additionally, an increase in price levels generally, or in price levels in a particular sector, such as current inflation related to domestic and global supply chain issues and energy costs, which has led to both overall price increases and pronounced price increases in certain sectors, could result in a shift in consumer demand away from the products we offer. Additionally, major political events, including the United Kingdom's withdrawal from the EU, elections and political uncertainty and the recent conflict between Russia and Ukraine, create significant uncertainty for businesses. For instance, in response to the rapidly developing conflict between Russia and Ukraine, the EU and other countries have imposed and may further impose broad sanctions or other restrictive actions against governmental and other entities in Russia.

Additionally, ongoing economic volatility and uncertainty and changing demand patterns, including as a result of the COVID-19 pandemic, affect our business in a number of other ways, including making it more difficult to accurately forecast client demand and effectively build our revenue and resource plans. In particular, the COVID-19 pandemic has created significant worldwide uncertainty, volatility and economic disruption. The ultimate impact of the COVID-19 pandemic on our business is dependent on future developments, including the duration of the pandemic, the severity of the disease and outbreak, the impact of new strains of the virus, effectiveness and availability of a vaccine, future and ongoing actions that may be taken by governmental authorities, the lockdown orders in China that began in April 2022, the impact on the business, and the length of its impact on the global economy, which are uncertain and are difficult to predict at this time. Economic volatility and uncertainty are particularly challenging because it may take some time for the effects and changes in demand patterns resulting from these and other factors to manifest themselves in our business.

If our markets do not develop as anticipated or are negatively affected by global and local economic conditions, as well as geopolitical tensions, our business, financial condition, results of operations and cash flows may be materially impacted.

**Certain of our potential competitors may seek to expand their market share by bundling their existing offerings with additional products and services.**

We may not be able to compete effectively with companies that integrate or bundle security offerings similar to ours with the

other general services they provide. For example, home insurance companies (many of which offer reduced premiums for homes with security alarms), telecommunications companies or utility companies (all of which may already have a relationship with our potential customers) may decide to expand into security and safety services and bundle their existing offerings with such services. For example, Google acquired Dropcam (a manufacturer of security cameras) in June 2014, and merged it with Nest (a manufacturer of smart thermostats) and has subsequently launched a DIY home alarm platform in the U.S. on that basis. Though Nest's home alarm offering is not yet present in Europe and Google remains focused on addressing the U.S. market (for example, through its strategic alliance with U.S. security services provider ADT), Nest may launch its home alarm offering in the European market and Google may form similar alliances with European security services providers. As another example, Amazon acquired Blink in December 2017 and Ring in February 2018, and subsequently proceeded to launch a Ring Alarm product suite initially in the U.S., followed by launches in the UK and most European countries. Telecommunications players have also shown significant interest in entering the security and safety market in Europe. Comcast has already done so successfully in the United States, and Telefonica in Spain and Orange in France have both re-entered the alarm category in recent years. The existing access to and relationship with customers that these companies have could give them a substantial advantage over us, especially if they are able to offer customers a lower price by bundling these services. These potential competitors may subject us to increased pricing pressure, slower growth in our customer base, higher costs and increased attrition rate among our customers. If we are unable to sufficiently respond to these competitors or otherwise meet these competitive challenges, we may lose customers or experience a decrease in demand for our products and services, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In addition, in many locations, we work with guarding companies to respond to triggered alarms. In some cases, like with Securitas AB, they are also competing with us for security and safety monitoring services. If these or other guarding companies were to successfully expand or further expand into the alarm monitoring and installation market segment, they would become direct and larger competitors with us. This development could also force us to find alternative first responders in the affected regions, and such alternative first responders may not be available on a timely basis or on commercially attractive terms. The costs and difficulties associated with finding alternative providers, as well as any decrease in our share of supply in the relevant region, resulting from the presence of these companies, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**The success of our business depends, in part, on our ability to respond to rapid changes in our industry and provide customers with technological features that meet their expectations.**

Our success and competitive position depend, in part, on our ability to develop and supply innovative products and keep

pace with technological developments in the security and safety services industry. Whether developed by us or otherwise, our offering of new product features can have a significant impact on a customer's initial decision to choose our products. Likewise, the quality of our monitoring services, which heavily depend on the technology used in our security and safety systems, also plays a large role in our ability to attract new customers and retain existing customers. Accordingly, the success of our business depends, in part, on our ability to continue enhancing our existing products and services (for example, through the ongoing roll-out of our Moonshot product proposition and anticipating changing customer requirements and industry standards. We may not be able to develop or partner with third-party suppliers to gain access to technical advances before our competitors, match technological innovations made by our competitors or design systems that meet customers' requirements. Alternatively, we may not have the financial resources required to successfully develop or implement such new technologies. If we are unable, for technological, legal, financial or other reasons, to adapt to changing market conditions or customer requirements in a timely manner, we could lose existing customers, encounter trouble recruiting new customers, or become subject to increased pricing pressures. Should we experience any of these technology related challenges, our business, financial condition, results of operations and cash flows could be materially adversely affected.

In addition to developing and supplying innovative products, we may need, from time to time, to phase-out outdated technologies and services. If we are unable to do so in a cost-effective basis, our financial condition, results of operations and cash flows could be adversely affected.

**We are susceptible to economic downturns, particularly those impacting the housing market or consumer spending.**

Our financial performance depends primarily on residential consumers in single-family dwellings and, to a lesser extent, on small businesses. Periods of economic downturn, particularly those impacting the housing market or consumer discretionary spending, can increase our attrition rate among existing customers. For example, customer attrition rates increased across our business in 2009 compared to 2008, which coincided with the global economic crisis. In the residential segment, a proportion of customers discontinued our service in order to reduce their recurring costs, while others moved from their homes and did not re-subscribe to our service. In the small business segment, customers were particularly impacted by the economic downturn and sought to reduce their costs or were forced to close their businesses. Thus, we had a more significant increase in attrition rate in our small business portfolio compared to our residential customers. We continued to closely monitor our customer attrition rates during the first two years of the COVID-19 pandemic and did not experience any material increase in those rates during that period.

The outlook for the world economy remains subject to uncertainty, particularly considering the impact of the COVID-19 pandemic, inflation, energy supply shortages and the war between Russia and the Ukraine, which may lead to prolonged periods of economic uncertainty in many of our geographies. The

International Monetary Fund ("IMF") predicts global growth will moderate in 2022, as compared to 2021, impacted by the COVID-19 pandemic. However, there is no assurance that even such moderate growth will occur and a renewed or future recession could lead to increases in our attrition rate and could reduce the inflow of new customers purchasing our services. Periods of economic downturn, particularly those that affect Europe, can also negatively impact our ability to sell new alarm systems. Furthermore, in our response to the COVID-19 pandemic, we did utilize certain generally-available governmental support measures including in conjunction with the temporary suspension or part time work of a portion of our employees. Any government action relating to funds received by the Group under such governmental support measures, or actions otherwise targeted at profitable corporations (such as the introduction of additional corporate taxes to fund economic recovery), could have a material adverse effect on the business, financial condition, results of operations and cash flows of the Group.

Additionally, we have seen the implementation of the United Kingdom's withdrawal from the European Union ("Brexit"). While it is still difficult to predict the full effect of Brexit on the European and global economy, it could result in additional volatility in the markets, increased costs and a material adverse effect on the buying behavior of commercial and individual customers. The resulting political and economic uncertainty could also lead to further calls for other governments of other European Union Member States to consider withdrawal from the European Union or the abandonment of the euro as a currency. Such developments, or the perception that any such developments could occur, could have a material adverse effect on global economic conditions and the stability of the global economy.

Any deterioration of the current economic situation in the market segments in which we operate, or in the global economy could have a negative impact on the Group's revenues and increase the Group's financing costs, circumstances that could have a material adverse effect on the business, financial condition, results of operations and cash flows of the Group. In particular, given the jurisdictional scope in which we operate, any protracted conflict or the broader macroeconomic impact of sanctions imposed on Russia could have an adverse impact on our business, financial condition, results of operations and cash flows.

**Attrition of customer accounts or failure to continue to acquire new customers in a cost effective manner could materially adversely affect our operations.**

The Group contracts with customers on standard terms within each country. In some countries, our customer contracts have minimum periods of duration – typically ranging from 12 to 36 months, depending on whether residential or small business customer – during which cancellation fees or payments may be payable if the contract is terminated by the customer. Following the expiration of any initial minimum period, a customer may cancel a subscription on giving the requisite period of notice (typically one to three months) without payment of a cancellation fee. For residential customers, the main reasons for cancelling a subscription include factors such as moving to a new home, financial distress, or dissatisfaction with our

service or prices. For small businesses, attrition is usually related to financial distress, the failure, closure or relocation of the business or dissatisfaction with our service or prices. Our overall attrition rates on a twelve-month trailing basis were 6.2%, 6.5%, 6.4% and 7.2% in the years ended December 31, 2019, 2020, 2021 and 2022. As we continue to expand, including into new countries, our new customers may have different economic and other characteristics from our current customers, which may lead to increased attrition rates.

Customer attrition reduces our revenues from monthly subscription fees and, to the extent we decide to invest in replacing such customers with new customers, customer attrition also increases our customer acquisition costs. Consequently, customer attrition, particularly prior to the end of the payback period (the time it takes to recapture our upfront costs) have a negative effect on our business and financial condition. If upfront customer acquisition costs increase, or if the installation fees or monthly subscription fees we charge decrease, the payback period will lengthen, increasing the negative effects that attrition may have on our business, financial condition, results of operations and cash flows.

Our ability to retain existing customers and acquire new customers in a cost-effective manner may also be affected by our customers' selection of telecommunications services. Certain elements of our operating model rely on our customers' selection of telecommunications services (both wireless and wired), which we use to communicate with our monitoring operations. In order to continue to service our customers, our systems need to be able to interface with the technology existing in our customers' residences or businesses. Advances in technology may require customers to upgrade to alternative technologies to transmit alarm signals. Such need for an upgrade may reduce the market for new customers, or increase attrition. While we generally seek to upgrade customers on a rolling basis, if a substantial number of customers were to simultaneously need upgrading, we may not be able to efficiently or effectively accommodate such need. For example, telecommunications providers are expected to gradually discontinue 2G and 3G services in Europe over the next decade, as well as the Public Switched Telephone Network (PSTN) technology in certain of the countries in which we operate, with the phasing and timing of such discontinuations varying by operator, network and by country. While this will not impact the growing cohort of customers using our Moonshot suite of devices, it will impact the majority of our legacy customers, who use previous-generation devices that rely on such services. This latter group will gradually need to have their installed hardware modified or upgraded in the upcoming years for us to be able to continue delivering our services to them. The Company has established a Group wide program for the execution of this transition. Although we seek to mitigate the cost of this phased transition, and generate some benefits from it, we expect that the rollout will result in material capital expenditures spread over a number of years. Additionally, in the future we may face other situations in which we will not be able to successfully implement new technologies or adapt existing technologies to changing market demands, and in any event we may be required to incur significant additional costs to upgrade to improved technology. Continued shifts in technology or customers'

preferences regarding telecommunications services could divert management's attention and other important resources away from our customer service and sales efforts for new customers and have a material adverse effect on our business, financial condition, results of operations and cash flows. Our ability to offer our services to our customers depends on the performance of these telecommunications services. In particular, we rely on them to provide our customers with constant connectivity to our alarm monitoring operations so that we can be made aware of all actual intrusions. Such telecommunications services are, however, vulnerable to damage from a variety of sources, including power loss, malicious human acts and may become unavailable during natural disasters. Moreover, these telecommunications services providers have the right to terminate their services under their agreements in certain circumstances and under certain conditions, some of which are outside our customers' control. The termination of such services could impact our ability to provide our customers with the services they require, which would materially adversely affect the value of our business.

**Our substantial concentration of sales in Iberia (Spain and Portugal) makes us more vulnerable to negative developments in the region.**

A significant portion of our operations occur in Iberia (Spain and Portugal). The Iberian segment accounted for 38% of our revenue for the year ended December 31, 2022. In light of this concentration, our business is particularly sensitive to developments that materially impact the Iberian economy or otherwise affect our operations in Iberia. Negative developments in, or the general weakness of, the Iberian economy may have a direct negative impact on the spending patterns of potential new customers, our current customers and the willingness of small businesses to make investments. We have a higher percentage of small business customers in Iberia than in our other geographies and such small business customers tend to be more sensitive to economic conditions. A recession, or public perception that economic conditions are deteriorating, could substantially decrease the demand for our products and materially adversely affect our business. Additionally, increased competition from existing and new competitors could materially impact our business performance. While the impact of an economic slowdown or recession on our business in Iberia is uncertain, it could result in a decline in our revenues which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**Privacy concerns, such as consumer identity theft and security breaches, including any breaches caused by cyber-attacks, could hurt our reputation and revenues, and our failure to comply with complex and evolving laws and regulations regarding the use of personal customer data could subject us to lawsuits or result in the loss of goodwill of our customers and materially adversely affect our business, financial condition, results of operations and cash flows.**

Companies that collect and retain personal data are under increasing attack by cybercriminals and other actors around the world. As part of our operations, we or our partners, collect and retain a large amount of personal data from our customers, including name, address, bank details, credit card information, images, videos, voice recordings and other personal data. While

we implement security measures with our products, components, networks, security systems and infrastructure, those measures may not prevent cybersecurity breaches, the access, capture, or alteration of data by criminals, the exposure or exploitation of potential security vulnerabilities or the installation of malware or ransomware that could be detrimental to our reputation, business, financial condition, results of operations and cash flows. In particular, if we were to experience a breach of our data security, we might find ourselves in a position where personal data regarding our customers was at risk of exposure. To the extent that any such exposure leads to credit card fraud or identity theft, or the misuse or distribution of other personal data, including images or videos taken by our photo detectors and cameras, we may experience a general decline in consumer confidence in our business, which may lead to an increase in our attrition rate or make it more difficult to attract new customers. For example, Verisure Sverige AB is currently subject to an investigation by the Swedish Authority for Privacy Protection ("IMY") following the publication by a Swedish tabloid media outlet of anonymous allegations made about the use of certain customer data by Verisure employees: for more information. In addition, we cannot be certain that advances in criminal capabilities, computing power, discoveries in the field of cryptography, or other developments will not compromise or breach the technology protecting the networks that access our products and service, and we can make no assurance that we will be able to detect, prevent, timely and adequately address or mitigate the negative effects of cyber-attacks or other security breaches.

In addition, if technology upgrades or other expenditures are required to prevent security breaches of our network, boost general consumer confidence in our business, or prevent credit card fraud and identity theft, we may be required to make unplanned capital expenditures or expend other resources. Furthermore, as we expand the automation of our services and offer increasingly centralized access for consumers through features like "Connected Home," the potential risk associated with any form of cyberattack or data breach also increases, threatening to expose consumer data. Any such breach and associated loss of confidence in our business or additional capital expenditure requirement could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Moreover, in most of the countries in which we operate, the processing of personal data is subject to governmental regulation and legislation, including laws and regulations concerning the collection, use, retention, security, processing and transfer of personal data. In particular, our operations are subject to the provisions of Regulation (EU) 2016/679 of April 27, 2016 (the "GDPR") as well as to local laws and regulations relating to data privacy and protection. Complying with all relevant data protection laws and regulations is complex. We, or the entities or businesses acquired by us, may become subject to heightened scrutiny by regulators, and any finding that we failed to comply with such regulations or legislation (including in the case of any supplier contracts, employment agreements, customer or consumer contracts or other types of material contracts that are found not to be compliant with applicable data protection laws and regulations) could lead to

governmental sanctions, including fines or the initiation of criminal or civil proceedings. Such an event could additionally result in unfavorable publicity and therefore materially adversely affect the market's perception of the security and reliability of our services and our credibility and reputation with our customers, which may lead to customer distrust and could result in an increase in our attrition rate or make it more difficult to attract new customers. As the regulatory focus on privacy issues continues to increase while, at the same time, technology continues to evolve, these potential risks to our business may intensify. The consequences for violating applicable data privacy and protection laws and regulations can be significant: for example, the GDPR provides for maximum fines of up to the higher of (i) €20 million or (ii) 4% of annual global turnover. A fine under the GDPR may be imposed instead of, or in addition to, enforcement action that may be ordered by local supervisory authorities.

Notwithstanding our efforts to protect personal data, we are exposed to the risk that data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection regulation, by us or on our behalf.

**Potential disputes or other events relating to the brand name SECURITAS may negatively impact our operating results in countries where we use the Securitas Direct brand.**

Verisure trades under three brands, SECURITAS DIRECT, VERISURE, and, across Europe, under the "ARLO" brand for the sale of cameras and related products. We do not own the "SECURITAS" brand name or trademark. Instead, we license the "SECURITAS" (which can only be used in conjunction with "DIRECT") brand name and trademark from Securitas AB (publ) for the relevant operating geographic locations. Securitas AB (publ) is our former parent company from whom we demerged in 2006. Although, historically, Securitas AB (publ) has primarily focused on the large enterprise segment of the broader security services market, they do compete with us for monitoring services for the residential and small business segment in which we operate in certain of our geographies, including Spain, Sweden, Belgium, the Netherlands, Finland, Norway, France, Germany and Portugal. Securitas AB (publ) is increasing their presence in the residential and small business segment including use of the "SECURITAS" brand name in the geographies in which we operate, which may cause consumer confusion. Additionally, once our current license for the use of the "SECURITAS" brand name and trademark expires in December 2029, or in case of an early termination event, we may not be able to continue to license the "SECURITAS" brand on commercially reasonable terms, if at all, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**We have incurred and may continue to incur significant expenses in connection with developing our brands.**

We make significant expenditures to market our brands and increase brand awareness among consumers. In addition, from time to time we seek to develop new brands, and often make significant investments to develop these brands. Since 2009, we have developed our "VERISURE" brand and moved several of our countries to this brand from "SECURITAS DIRECT." As we continue to build the "VERISURE" brand name, there are some risks that

the volume of new installations and our attrition rate could be adversely impacted, as it may take time for potential customers and existing customers to associate this new brand name with our historical reputation as a quality service provider under the “SECURITAS DIRECT” brand and company name. We may not be successful in achieving and maintaining an acceptable level of recognition for our brands and company and, if so, this could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We regard our brand names as critical to our success. Failure to protect our brand names or to prevent unauthorized use by third parties, or termination of the agreements granting our license, could harm our reputation, affect the ability of customers to associate our quality service with our company and cause us substantial difficulty in soliciting new customers, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**We may face difficulties in increasing our customer base or our subscription fees or upselling new products to our current customers, and these difficulties may cause our operating results to suffer.**

We have experienced strong revenue growth over the past several years. However, our future rate of growth may slow compared to the past period. Our recent revenue growth is primarily due to the growth of our customer base and increases in our subscription fees (including some increases beyond the increase in consumer price indices, generally reflecting increased service levels). We may not be able to sustain this level of customer growth, and further increases in subscription fees may meet customer resistance and lead to increases in customer attrition rates. If we are unable to execute our business strategy, the RHSB segment does not continue to grow as we expect, or we encounter other unforeseen difficulties in acquiring new customers in a cost-efficient manner or selling additional products and services to existing customers, we may experience a material adverse effect on our business, financial condition, results of operations and cash flows.

Additionally, we may be forced to spend additional capital to continue to acquire customers at our present rate or, during certain periods in the future, we may seek to increase the rate at which we acquire additional customers. Either such strategy would cause us to expend additional amounts to purchase inventory and to market our products. As a result of these increased investments, our profitability would decrease. In addition, we may evaluate complementary business opportunities, adding customer acquisition channels and forming new alliances with partners to market our alarm systems. Any of these new opportunities, customer acquisition channels or alliances, such as the acquisition of all commercial operations of Arlo in Europe in December 2019, could have higher cost structures than our current arrangements, which could reduce profit margins. Moreover, our customer base includes long-time legacy customers, and it is a challenge to sell additional services to such customers. Should we increase our efforts to upsell new products and incur the additional costs, our business, financial condition, results of operations and cash flows could be materially adversely affected.

**We are subject to increasing operating costs and inflation risk which may adversely affect our earnings, and we may not be able to successfully implement our comprehensive cost savings program, Funding our Growth (“FOG”).**

We are subject to increasing operating costs. We are also impacted by increases in salaries, wages, benefits and other administrative costs. While we aim to increase our subscription rates to offset increases in operating costs, we may not be successful in doing so. Price increases are also associated with expenses, in particular, service costs. As a result, our operating costs may increase faster than our associated revenues, resulting in a material adverse effect on our business, financial condition, results of operations and cash flows.

In late 2014, we began a group-wide operational improvement plan, FOG, with the aim of optimizing our cost structure and improving productivity, which is still ongoing and has become embedded in our culture. The program seeks to leverage our scale and share best practices across our global footprint in order to reduce costs and improve our margins. We have, since the program's implementation, monitored the obtained savings through the implementation of a diligent bottom-up process with quarterly reporting to country and Group management teams. In 2020, we introduced a new detailed bottom-up cost savings plan comprised of approximately 80 global initiatives and over 600 initiatives at the local level, which we believe will enable us to achieve targeted gross aggregate cost savings of over €200 million between January 1, 2020 and December 31, 2025.

We expect our incremental EBITDA savings will be at least €25 million from January 1 to December 31, 2023. There can be no guarantee that such benefits will be realized or that additional costs will not be incurred. The continued success of the program is contingent on many factors, including the implementation of initiatives in daily operations, follow-ups by management, effective leverage of successful strategies across jurisdictions, assumptions regarding local and macroeconomic conditions, engagement with third parties (including contract counterparties), timely launch of various request for proposals, foreign exchange rates, successful training with respect to customer care efficiency initiatives and effective rollout of automation of various systems, some of which may not materialize in accordance with our expectations. If the planned measures to increase efficiency and achieve cost savings fail in whole or in part or are not sustainable, we may not operate profitably or may experience less profitably than we expect to. All of the risks described above could materially adversely affect our business, financial condition, results of operations and cash flows.

**An increase in labor costs in the jurisdictions in which we operate, especially in Spain, and adverse developments in our relationships with our employees, and inability to attract talent to sustain our expected future growth, may adversely affect our business and profitability.**

Our business is labor intensive, with labor costs representing 45% of our total operating costs for the year ended December 31, 2022. Any increase in labor costs, particularly in Spain where our largest number of employees are located, could materially adversely affect our business and profitability. In 2019 and 2020, for example, the minimum wage in Spain has been increased by

22% and 5%, respectively, resulting in additional labor costs to us. Many of our employees work under collective bargaining agreements. These existing collective bargaining agreements may not be able to be extended or renewed on their current terms, and we may be unable to negotiate collective bargaining agreements in a favorable and timely manner. We may also become subject to additional collective bargaining agreements in the future or our non-unionized workers may unionize, any of which could have a material adverse effect on our costs, operations and business. Furthermore, if our relationship with our employees deteriorates for any reason, this may result in strikes, work slowdowns or other labor actions. For example, a one-week strike involving a limited number of our monitoring agents in Lille, France occurred in 2022 and, while this did not impact our ability to deliver our services, this may not be the case for future occurrences. In the event that we experience a significant or material increase in labor costs and are not able to pass some or all of those costs on to our customers and/or a deterioration in our relationship with our employees, and/or inability to attract talent to sustain our expected future growth, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**Any significant or prolonged disruption of our monitoring centers could constrain our ability to effectively respond to alarms and serve our customers.**

A disruption to one or more of our 20 monitoring center locations could constrain our ability to provide alarm monitoring services and serve our customers, which could have a material adverse effect on our business. Our alarm systems are linked to our monitoring centers by a variety of connection platforms (both wired and wireless). It is critical that the communication platforms supporting our monitoring activities function properly and allow us to provide our full range of security solutions. We are exposed to various risks ranging from outages and interruptions in the connections between our alarms and our monitoring centers as well as larger-scale power failures or other catastrophes with respect to our monitoring centers. In addition, because our customer service operators are often in the same location as our monitoring staff, damage or a protracted outage in telecommunication traffic in a specific area or a wide range of areas that affect more than one of our monitoring stations could significantly disrupt both our operations and customer services operations. For example, if any of our monitoring centers were to be affected by earthquake, flood, fire or other natural disaster, health epidemics or pandemics, act of terrorism, war, power loss or other catastrophe, our operations and customer relations could be, in turn, materially adversely affected. Monitoring could also be disrupted by information systems and network-related events or cybersecurity attacks, such as computer hacking, computer viruses, worms or other malicious software, distributed denial of service attacks, malicious social engineering, or other destructive or disruptive activities that could also cause damage to our properties, equipment, and data. We attempt to mitigate this risk by maintaining auxiliary facilities that can support full monitoring capabilities. For example, as part of our initial contingency plan for the COVID-19 pandemic, most of our employees, including our monitoring staff, transitioned to a remote work environment while maintaining consistent service and response levels.

Nevertheless, such facilities may not remain operational or we may not be able to transfer our monitoring function in a timely manner. In addition, an auxiliary facility typically does not have all the same capabilities and functionalities as the main center, such as invoicing. Any significant disruption to our operations could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**Any disruption to the communities in which we operate, or in which our suppliers operate, as a result of the COVID-19 pandemic could impact our ability to increase our customer base at the same rate, maintain the same low levels of attrition, deliver uninterrupted high quality services to our customers or source the products needed for our operations and may therefore adversely affect our business.**

Where our sales activities are disrupted by restrictions imposed by governments to address the risk of transmission of COVID-19, or by changes in consumer behavior, our future rate of growth may slow temporarily compared to the past period.

The general economic impacts of COVID-19 restrictions on the communities that we serve may result in customers not being able to continue to pay for the service we provide or deciding to cancel the service. This could result in an increase in bad debts and cancellations, which would impact our profitability and attrition rate negatively. The disruptions and restrictions triggered by COVID-19 could constrain our ability to provide alarm monitoring and other customer services from our monitoring centers.

The disruptions triggered by COVID-19 in countries where our suppliers are located may result in a slow-down of their production activities. In addition, the flow of goods between countries may be impacted by the restrictions imposed on cross border trade.

The disruptions described above, while difficult to predict given the changing circumstances, could have a material impact on our business, financial condition, results of operations and cash flows.

**Our reputation as a supplier and service provider of high quality security offerings may be adversely affected by product defects or shortfalls in our customer service.**

Our business depends on our reputation and our ability to maintain good relationships with our customers, suppliers, employees and local regulators. Our reputation may be harmed either through product defects, such as the failure of one or more of our alarm systems, or shortfalls in our customer service, such as a failure to provide reliable product maintenance. Any harm done to our reputation or business relationships as a result of our actions or the actions of third parties could have a significant negative effect on us. For example, Verisure Sverige AB is currently subject to an investigation by the Swedish IMY following the publication by a Swedish tabloid media outlet of anonymous allegations made about the use of certain customer data by Verisure employees: for more information. Our relationships with our customers are of particular importance. Customers generally judge our performance through their interactions with the staff at our monitoring centers, the reliability of our products and our

maintenance performance for any products that require repair. Any failure to meet our customers' expectations in such customer service areas could have a material impact on our attrition rate or make it difficult to recruit new customers. Moreover, we may be exposed to product liability claims in the event that any of our products is alleged to contain a defect and we may incur liability costs for the entire damage or loss claimed. Any claims could divert resources from operating the business and may adversely affect our reputation with our customers as a provider of quality solutions. Any harm to our reputation caused by any of these or other factors could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**We may face liability or damage to our reputation or brand for our failure to respond adequately to alarm activations.**

The nature of the services we provide potentially exposes us to risks of liability for operational failures. If we fail to respond effectively to an alarm, our customers could be harmed, their items could be stolen or their property could be damaged. Our customer contracts and other agreements pursuant to which we sell our products and services typically contain provisions limiting our liability to customers and third parties in the event that certain failures lead to a loss due to a system failure or an inadequate response to alarm activation. However, these provisions as well as our insurance policies may be inadequate to protect us from potential liability. In addition, if a claim is brought against us, these limitations may not be enforced or enforceable. Any significant or material claim related to the failure of our products or services could lead to significant litigation costs, including the payment of monetary damages, reputational damage and adverse publicity, which could have an adverse effect on our business, financial condition, results of operations and cash flows.

**Our business operates in a regulated industry, and noncompliance with general or industry specific regulations could expose us to fines, penalties and other liabilities and negative consequences.**

Our operations and employees are subject to various general and industry specific laws and regulations. We are subject to EU and local laws, rules and regulations in the geographic regions in which we operate. These regulations govern our operations, from the marketing, sales and installation process throughout the monitoring and alarm verification process. Relevant regulation for our operations includes regulation covering such matters as consumer protection, fair trade, country-specific security industry regulation (including with respect to hardware requirements or operational requirements), data privacy, marketing and competition law. As we are growing as a company in individual countries and globally, including by gaining in market share, entering into a wider range of services and facing increased competition, the risk of being the target of regulatory enforcement action grows. Many European countries have regulations governing consumer sales methods such as door to door, telemarketing and online sales or regulations governing trial periods during which customers may request a refund if they change their mind about wanting to purchase a given product or service. In order to install an alarm system, we generally must be licensed in the country where we are installing the system. Additionally, we generally must obtain

operating certificates or permits for our alarm monitoring centers, and provide specified levels of training to our employees at those centers. We are also governed by regulations relating to when we can forward alarms to emergency providers, and may in certain countries be subject to consequences if we forward false alarms to such emergency providers. Any failure to comply with the laws, rules or regulations (local or otherwise) in jurisdictions in which we operate may result in fines, penalties or a suspension or termination of our right to sell, install and/or monitor alarm systems in the relevant jurisdiction.

Additionally, changes in laws or regulations in the jurisdictions in which we operate, or the introduction of new EU regulation, such as the so-called Omnibus Directive that came into effect across most of our European footprint by the end of May 2022, could cause us to incur significant costs and expenses to comply with such laws or regulations. Such changes may result in adaptations to our go-to-market channels and related processes and IT systems. Any limitation on our ability to operate our business, or adaptations to our go-to-market model or business processes, due to legal or regulatory reasons could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**Increased adoption of false alarm ordinances by local governments or other similar regulatory developments could materially adversely affect our business.**

An increasing number of local governmental authorities have adopted, or are considering the adoption of, laws, regulations or policies aimed at reducing the perceived costs to them of responding to false alarm signals. These measures could include, among other things:

- requiring permits for the installation and monitoring of individual alarm systems and the revocation of such permits following a specified number of false alarms;
- imposing limitations on the number of times the police will respond to alarms at a particular location after a specified number of false alarms;
- requiring further verification of an alarm signal before the police will respond; and
- subjecting alarm monitoring companies to fines or penalties for transmitting false alarms.

Enactment of such measures could materially adversely affect our costs and our ability to conduct our activities. For example, concern over false alarms in localities adopting these ordinances could cause a decrease in the timeliness of emergency responders. As a result, consumers may be discouraged from purchasing or maintaining a monitored alarm system. In addition, some local governments impose fines, penalties and limitations on either customers or the alarm companies for false alarms. Our alarm service contracts generally allow us to pass these charges on to customers. However, if more local governments impose fines or penalties, or if local governments increase existing requirements, our customers may find these additional charges prohibitive and be discouraged from using monitored alarm services. If the adoption of such ordinances reduces the demand for our

products or services or if we are unable to pass related assessments, fines and penalties on to our customers, we could experience a material adverse effect on our business, financial condition, results of operations and cash flows.

**We rely on third-party suppliers for our alarm systems and any failure or interruption in the provision of such products or failure by us to meet minimum purchase requirements could harm our ability to operate our business.**

The alarm systems and other products that we install are manufactured by third-party suppliers. Our suppliers' abilities to meet our needs are subject to various risks, including political and economic stability, natural calamities, health epidemics or pandemics, interruptions in transportation systems, sourcing issues, unavailability of raw materials, terrorism and labor issues. We are therefore susceptible to the interruption of supply or the receipt of faulty products from our suppliers. Difficulties encountered with suppliers may result in disruptions to our operations, loss of profitability and damage to our reputation, and in such instances our business, financial condition, results of operations and prospects could be adversely affected. See "Any disruption to the communities in which we operate, or in which our suppliers operate, as a result of the COVID-19 pandemic could impact our ability to increase our customer base at the same rate, maintain the same low levels of attrition, deliver uninterrupted high quality services to our customers or source the products needed for our operations and may therefore adversely affect our business." For example, if suppliers for key components face difficulties related to the production or extraction of materials, or fail to deliver products or experience delays in delivery, such difficulties may prevent us from upgrading equipment, delivering products to our customer on time, or otherwise hinder our ability to install and upgrade systems and provide replacement parts. This could result in higher costs to us and a potential decline in confidence in our products and services among our customers. We are particularly vulnerable to any disruptions in supply of our legacy systems or replacement parts for these systems, as these products may become obsolete and may be out of production. Across the Group, we have a number of critical components in our systems where we have a single supplier, which subjects us to a higher risk of interrupted supply. We also must meet minimum purchase commitments with certain suppliers, which may require us to hold inventory in excess of our requirements or to buy volumes beyond actual demand where demand falls below expectations. For example, in 2008, as the economy slowed significantly, so did the demand for our products and we were required to purchase and hold excess inventory to meet our minimum purchase requirements. We experienced a similar scenario at the beginning of the COVID-19 pandemic, where our inventory days increased in April, May, and June of 2020, as our ability to conduct sales was inhibited by lockdowns. However, inventory days returned to pre-COVID-19 pandemic levels in July 2020 as markets re-opened.

We also often partner with key suppliers to develop proprietary technologies and products used in our business. We use these partnerships to supplement our own internal product development team. If these suppliers fail to keep pace with technological innovations in the RHSB segment, we may incur

increased product development costs or lose customers to competitors with access to these technological innovations. Any interruption in supply, failure to produce quality products or inability to keep pace with technological innovation by a key supplier could materially adversely affect our operations, as it may be difficult for us to find alternatives on terms acceptable to us, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**We may incur unexpectedly high costs as a result of meeting our warranty obligations.**

Many of our customer agreements provide for warranties with longer coverage periods than the warranties offered to us from suppliers of our component parts. Therefore, we may be liable for defects in our suppliers' component parts that manifest after the term of the manufacturer's warranty expires. Further, our suppliers' warranties also have limitations on the extent of their liability for repairs or replacements. Additionally, we may encounter situations where we believe a product is defective, but the manufacturer may not honor the warranty either because they do not agree that the product is defective or because the manufacturer has financial difficulties. Any significant incurrence of warranty expense in excess of our estimates for which we are unable to receive reimbursement from the supplier could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**Our insurance policies may not fully protect us from significant liabilities.**

We carry insurance of various types, including claims, general liability and professional liability insurance, in amounts management considers adequate and customary for our industry. Some of our insurance policies, and the laws of some of the jurisdictions in which we operate, may limit or prohibit insurance coverage for punitive or certain other types of damages, or liability arising from gross negligence. As such, our insurance policies may be inadequate to protect us against liability from the hazards and risks related to our business. Additionally, we may not be able to obtain adequate insurance coverage in the future at rates we consider reasonable. The occurrence of an event not fully covered by insurance, or an event that we did not carry adequate insurance for, could result in substantial losses and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**Unauthorized use of or disputes involving our proprietary technology and processes may adversely affect our business.**

Our success and competitive position depend in part on a combination of trade secrets and proprietary know-how. We use our in-house development team to design proprietary products, including hardware and software protocols. We also cooperate with our network of manufacturing partners to jointly develop new and share patents for proprietary products and solutions. While we are increasingly seeking patent protection covering such proprietary technologies, the legal protections covering our proprietary technologies from infringement or other misuse may be inadequate. Likewise, the remedy for any breach of such protections may not be adequate to compensate us for the damages suffered. Any access to or use by competitors of our technology could have a material

adverse effect on our business, financial condition, results of operations and cash flows.

In addition, we may be subject to claims of patent or other intellectual property rights infringement by third parties. In developing technologies and systems, we may not adequately identify third-party intellectual property rights or assess the scope and validity of these third-party rights. Accordingly, we may become subject to lawsuits alleging that we have infringed on the intellectual property rights of others and seeking that we cease to use the relevant technology. Intellectual property litigation could adversely affect the development or sale of the challenged product or technology or require us to pay damages or royalties to license proprietary rights from third parties. Licenses may not be available to us on commercially reasonable terms, if at all. Any such intellectual property litigation could represent a significant expense and divert our personnel's attention and efforts and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**We may be unable to effectively manage our growth into new geographies or realize the intended benefits from our acquisitions.**

Our growth plan includes expansion into new or recently entered regions in Europe and Latin America. Expanding into these geographies involves significant expenditures, over a period of several years, on development of monitoring and backup centers, hiring and training of personnel, and marketing efforts to introduce our brand to the new geography. We may not accurately predict such costs or accurately anticipate operational difficulties caused by local conditions, and therefore may not achieve our financial and strategic objectives for our operations in the new geographies. Accordingly, we may incur losses as we expand our operations. Some examples of the risks encountered in entering new regions include:

- costs associated with signing up customers who may not prove as loyal as our current customer base, which would cause our attrition rate to increase;
- increased investment associated with understanding new geographies and following trends in these areas in order to effectively compete;
- increased costs associated with adapting our products and services to different requirements in the local markets areas, which may decrease our margins and profitability;
- challenges relating to developing and maintaining appropriate, and risk of non-compliance with, risk management and internal control structures for operations in new geographies and understanding and complying with new regulatory schemes;
- reduced ability to predict our performance because we will have less experience in the new geographies than in our existing geographies;
- trade barriers such as export requirements, which could cause us to experience inventory shortages or an inability to offer our full set of products;

- tariffs, taxes and other restrictions and expenses, which could increase the prices of our products and make us less competitive in some countries;
- currency effects, such as future currency devaluations;
- actual and/or perceived decreasing crime and burglary rates, lowering consumer interest in home security solutions; and
- political, regulatory and other local risks.

When we enter into acquisitions, such as the acquisition of all commercial operations of Arlo in Europe in December 2019, we expect such acquisitions will result in various benefits. However, achieving the anticipated benefits is subject to a number of uncertainties, including whether the business we acquire can be operated in the manner in which we intend. Failure to achieve these anticipated benefits and synergies could result in increased costs, decreases in the amount of revenues generated by the combined business and diversion of management's time and energy. In addition, in connection with any acquisitions, we cannot exclude that, in spite of the due diligence we perform, we will not inadvertently or unknowingly acquire actual or potential liabilities or defects, including legal claims, claims for breach of contract, employment-related claims, environmental liabilities, conditions or damage, hazardous materials or liability for hazardous materials or tax liabilities.

We may also become subject to national or international antitrust investigations in connection with any acquisitions or otherwise. Both our failure to accurately predict or manage costs or any operational difficulties we encounter in expanding into new geographies, and our failure to accurately anticipate or capture expected benefits from our add-on acquisitions, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**We are exposed to risks associated with foreign currency fluctuations as we translate our financial results into euro, and these risks would increase if individual currencies are reintroduced in the Eurozone.**

We present our consolidated financial statements in euro. As a result, we must translate the assets, liabilities, revenue and expenses of all of our operations with a functional currency other than the euro into euro at then-applicable exchange rates. Consequently, increases or decreases in the value of certain other currencies (the Swedish krona (SEK) and Norwegian krone (NOK) in particular) against the euro may affect the value of these items with respect to our non-euro businesses in our consolidated financial statements, even if their value has not changed in their original currency. Our primary exposure is to the SEK and NOK. For the year ended December 31, 2022, 70.6% of our revenue was denominated in euro, 10.2% was denominated in SEK and NOK and 4.9% of revenue was denominated in other currencies. Historically, the euro/SEK exchange rate fluctuated significantly, as it averaged SEK 9.6464 = €1.0 in 2017, SEK 10.2937 = €1.0 in 2018, SEK 10.5824 = €1.0 in 2019, SEK 10.4815 = €1.0 in 2020, SEK 10.1562 = €1.0 in 2021 and SEK 10.6571 = €1.0 in 2022. There can be no guarantee that past exchange rates between SEK, NOK and euros are representative of future exchange rates.

Foreign exchange rate fluctuations can significantly affect the comparability of our results between financial periods and result in significant changes to the carrying value of our assets, liabilities and stockholders' equity. In addition, certain of our supply contracts in non-euro denominated countries contain clauses that reset the prices at which we buy our goods based on fluctuations in exchange rates, which can increase our costs if rates move in a manner that is unfavorable to us.

Where we are unable to match sales received in foreign currencies with costs paid in the same currency, our results of operations are impacted by currency exchange rate fluctuations and any unfavorable movement in currency exchange rates, including as a result of the devaluation of a currency in a particular country we operate in, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**We may suffer future impairment losses, as a result of potential declines in the fair value of our assets.**

We have a significant amount of goodwill. We evaluate goodwill for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is evaluated for impairment by computing the fair value of a cash-generating unit and comparing it with its carrying value. If the carrying value of the cash-generating unit exceeds its fair value, a goodwill impairment is recorded. Significant judgment is involved in estimating cash flows and fair value. Management's fair value estimates are based on historical and projected operating performance, recent market transactions and current industry trading multiples. We cannot assure you that significant impairment charges will not be required in the future, and such charges may have a material adverse effect on our business, financial condition, results of operations and cash flows.

**We are subject to risks from legal and arbitration proceedings, as well as tax audits, which could materially adversely affect our financial results and condition.**

From time to time we are involved in legal and arbitration proceedings, the outcomes of which are difficult to predict. We could become involved in legal and arbitration disputes in the future which may involve substantial claims for damages or other payments or which may result in injunctive rulings that could require us to change certain of our practices. In the event of a negative outcome of any material legal or arbitration proceeding, whether based on a judgment or a settlement agreement, we could be obligated to make substantial payments or to change certain of our practices, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, the costs related to litigation and arbitration proceedings may be significant.

As we are growing as a company in individual countries and globally, enter into a wider range of services and face increased competition, the risk of being the target of legal and arbitration proceedings grows. Furthermore, in the aftermath of both public health measures implemented or to be implemented in the jurisdictions in which we operate as well as our temporary

personnel initiatives due to the impact of the COVID-19 pandemic, we could be subject to an increase in litigation, in particular in relation to our vendors and our employees. Any increase in litigation, even in the case of a positive outcome in such proceedings, may still result in increased costs to us as we will have to bear part or all of our advisory and other costs to the extent they are not reimbursed by the opponent. All of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**We are dependent on our experienced senior management team, which may be difficult to replace.**

Our success and our growth strategy are dependent on our ability to attract and retain key management, sales marketing, finance and operating personnel. In particular, we are dependent on a small group of experienced senior executives. There can be no assurance that we will continue to attract or retain the qualified personnel needed for our business. Competition for qualified senior managers, as well as research and development personnel, in our industry is intense and there is limited availability of persons with the relevant experience. To the extent that the demand for qualified personnel exceeds supply, we could experience a delay or higher labor costs in order to attract and retain qualified managers and personnel from time to time. Also, our business model is specific and differentiated. So, we need to ensure new personnel have the time and training to become fully effective. We also are dependent on continuing to retain the very experienced managers across the Company who are experts in our specific and differentiated business model. We have had new personnel join our management every year from 2014 through to 2021, particularly at the senior management level. As such, we may face some of the challenges typically associated with the integration and assimilation of new managers and key personnel, such as changes in organizational and reporting structures, the need to recruit additional new personnel or the departure of existing personnel. For example, in 2014, we increased the size and responsibility of our management team and we hired a new Chief Executive Officer and Chief Human Resources Officer. In 2015, we hired a Chief Marketing Officer and Chief Legal Officer. We continued to add new talent to our senior leadership in 2016 with the hiring of a new Chief Financial Officer. In 2017, we hired a Chief Product and Services Officer to lead our Research & Development organization, in 2018 we replaced our Chief Marketing Officer and our Chief Legal Officer, and in 2022 we again replaced our Chief Marketing Officer. To the extent we are not able to retain individuals in these roles, we will incur additional costs to train new personnel to replace those who leave our business. Our failure to recruit and retain key personnel or qualified employees, or effectively integrate new managers and other key personnel, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**Market perceptions concerning the instability of the euro, the potential re-introduction of individual currencies within the Eurozone, or the potential dissolution of the euro entirely, could have adverse consequences for us with respect to our outstanding euro-denominated debt obligations.**

Given the diverse economic and political circumstances in individual Eurozone countries, there is a risk that fears

surrounding the sovereign debts and/or fiscal deficits of several countries in Europe, the possibility of a downgrading of, or defaults on, sovereign debt, a future slowdown in growth in certain economies and uncertainties regarding the overall stability of the euro and the sustainability of the euro as a single currency could result in one or more countries defaulting on their debt obligations and/or ceasing use the euro and re-establishing their own national currency or the Eurozone as a whole collapsing. If such an event were to occur, it is possible that there would be significant, extended and generalized market dislocation, which may have a material adverse effect on our business, financial condition, results of operations and cash flows, especially as our operations are primarily in Europe.

Such unfavorable economic conditions may impact a significant number of customers and, as a result, it may, among others, be more (i) difficult for us to attract new customers, (ii) likely that customers will downgrade or disconnect their services and (iii) difficult for us to maintain ARPU at existing levels. Accordingly, our ability to increase, or, in certain cases, maintain, the revenue, ARPUs, operating cash flow, operating cash flow margins and liquidity of our operating segments could be adversely affected if the macroeconomic environment remains uncertain or declines further.

Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations and for parties subject to other contractual provisions referencing the euro such as supply contracts would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could materially adversely affect our trading environment and the value of the Notes, and could have adverse consequences for us with respect to our outstanding euro-denominated debt obligations, which could materially adversely affect our financial condition.

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