



VERISURE MIDHOLDING AB (PUBL)

INTERIM REPORT
JANUARY– SEPTEMBER 2022

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

Key operating highlights for the third quarter ending September 30, 2022 and 2021

Verisure Midholding Group, hereafter referred to as the Group, is the leading provider of professionally monitored alarm solutions for residential households and small businesses in Europe. We offer premium monitored alarm services to our portfolio of over 4.6 million customers and design, sell and install alarms with network connectivity across 17 countries in Europe and Latin America. We are also the leading provider of connected video surveillance systems through our Arlo Europe camera business. We have a strong track record of profitable growth, primarily delivered organically by our differentiated business model with high share of recurring revenues (c. 80%) and industry leading retention.

In the third quarter of 2022, the Group continued to deliver strong operational and financial performance. Our customer portfolio continued to grow and passed the 4.6 million customer milestone, which represents an annual portfolio growth rate of 12.0% compared to the same period last year. We have added close to 500 thousand customers to our portfolio in the last twelve months. Our subscription-based portfolio has continued to demonstrate its resilience, especially in the current external environment. The performance of our portfolio services segment continues to be strong, with portfolio services adjusted EBITDA increasing +14.2% in Q3 2022 compared to Q3 2021. Total adjusted EBITDA incl. SDIs in the quarter increased +31.7% vs. Q3 2021, and 13.1% during the nine first months of the year.

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

Summary of third quarter 2022 and 2021 financials:

- Total revenue reached EUR 722.0 million in the third quarter of 2022, increasing +13.9% from EUR 633.8 million in the same period last year. In constant currencies, total revenue grew by +13.5% in the quarter. Portfolio services revenue, representing 83% of total Group revenues in the quarter, grew by +15.3% to EUR 598.0 million. In constant currencies, portfolio services revenue grew by +15.0% in the quarter. In the first nine months of 2022, total reported revenue increased to EUR 2,102.3 million compared to EUR 1,856.2 million last year, what represents an increase of +13.3% in actual currencies and +12.8% in constant currencies. Portfolio services revenue grew +15.9% to EUR 1,746.9 million in the first nine months of the year (+15.5% in constant currencies).
- Adjusted EBITDA incl. SDIs increased to EUR 297.1 million in the quarter compared to EUR 225.7 million in Q3 2021, an increase of +31.7% vs. prior year. In constant currencies, total adjusted EBITDA incl. SDIs grew by +31.6%. In the first nine months of 2022 total reported adjusted EBITDA incl. SDIs increased +13.1% to EUR 837.5 million compared to EUR 740.6 million in 2021 (+13.2% in constant currencies).
- Portfolio services adjusted EBITDA increased to EUR 430.5 million in the quarter from EUR 376.9 million in Q3 2021, representing an increase of +14.2%. In constant currencies, portfolio services adjusted EBITDA increased +13.8% in the quarter. On an annualised basis, our portfolio services adjusted EBITDA is now over EUR 1.7 billion. Portfolio services adjusted EBITDA margin was 72.0% in the period, compared to 72.7% in the same period last year. In the first nine months of 2022, portfolio services adjusted EBITDA reached EUR 1,259.8 million, what represents an increase of +14.8% in actual currencies and +14.5% in constant currencies compared to the same period last year.
- ARPU reached EUR 43.4 in the quarter, what represents an increase of +2.7% vs. prior year (+2.4% in constant currencies). In the first nine months of 2022, ARPU increased +2.6% vs. prior year (+2.3% in constant currencies). EPC increased to EUR 31.2 in the quarter, representing an increase of +1.7% vs. prior year (+1.3% in constant currencies). In the first nine months, EPC increased +1.7% compared to the same period in 2021 (+1.4% in constant currencies).
- Acquisition of new customers continued to be strong in the third quarter of the year. We added 197,981 new customers in the quarter, what represents an increase of +4.3% compared to Q3 2021. So far this year, we have added 606,494 new customers to our portfolio, what represents an increase of +5.6% vs. last year.
- Net subscriber growth was 115,568 in the quarter, compared to 126,406 in Q3 2021. Growth deceleration is driven by an uptick in attrition rate (LTM), up from 6.4% in Q3 2021 to 6.9% this year. At the end of the quarter our customer portfolio stood at 4,644,898 customers, up 498,528 customers or +12.0% year-on-year. All customer portfolio growth was organic.

In September, we officially started operations in Ireland. We are now proud to protect customers in our 17th country.

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

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

Key Figures

EUR thousand (unless otherwise stated)	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021
Consolidated				
Non-IFRS and IFRS financial data				
Revenue ¹	721,979	633,777	2,102,332	1,856,232
Organic revenue growth	13.8%	13.1%	13.1%	18.5%
Adjusted EBITDA excl. SDIs	302,159	270,758	854,850	796,891
Adjusted EBITDA margin excl. SDIs	41.9%	42.7%	40.7%	42.9%
Adjusted EBITDA incl. SDIs	297,119	225,668	837,547	740,562
Adjusted EBITDA margin incl. SDIs	41.2%	35.6%	39.8%	39.9%
Operating profit ¹	136,668	76,468	359,491	287,458
Capital expenditures	206,935	181,389	606,270	542,327
Net Debt per SFA	7,344,981	7,069,641	7,344,981	7,069,641
Unaudited operating data				
Payback period, years	3.8	3.4	3.7	3.3
Portfolio services segment				
Non-IFRS and IFRS financial data				
Portfolio services revenue ¹	597,992	518,442	1,746,902	1,507,205
Portfolio services adjusted EBITDA excl. SDIs	430,453	376,864	1,259,805	1,097,132
Portfolio services adjusted EBITDA margin	72.0%	72.7%	72.1%	72.8%
Unaudited operating data				
Total subscribers (end of period), units	4,644,898	4,146,370	4,644,898	4,146,370
Cancellation, units	82,413	63,463	236,423	191,937
Attrition rate (LTM)	6.9%	6.4%	6.9%	6.4%
Net subscriber growth, units	115,568	126,406	370,071	382,425
Subscriber growth rate, net	12.0%	14.4%	12.0%	14.4%
Monthly average number of subscribers during the period, units	4,596,196	4,092,049	4,462,298	3,952,006
Average monthly revenue per user (ARPU), EUR	43.4	42.2	43.5	42.4
Adjusted EBITDA per customer (EPC), EUR	31.2	30.7	31.4	30.8
Customer acquisition segment				
Non-IFRS and IFRS financial data				
Customer acquisition revenue ¹	103,362	90,732	293,153	281,153
Customer acquisition adjusted EBITDA excl. SDIs	(129,917)	(103,975)	(407,508)	(295,395)
Customer acquisition capital expenditures	148,275	135,064	442,278	406,163
Unaudited operating data				
New subscribers added (gross)	197,981	189,869	606,494	574,362
Cash acquisition cost per new subscriber (CPA), EUR	1,405	1,259	1,401	1,221
Adjacencies segment				
Non-IFRS and IFRS financial data				
Adjacencies revenue ¹	20,625	24,603	62,277	67,875
Adjacencies adjusted EBITDA excl. SDIs	1,623	(2,131)	2,553	(4,846)

1) IFRS financial data

Analysis of Operating Results

The information presented and discussed in this report includes a number of measures that are not defined or recognized under IFRS including CPA, ARPU, EPC and Adjusted EBITDA. These are considered by Management to be key measures of the Group's financial performance and as such have been included to enhance comparability and usefulness. The key measures are further described under the section Key Operating Metrics. CPA is the net investment to acquire a new customer. ARPU and EPC reflect the monthly revenues and adjusted EBITDA per customer in the portfolio segment. Adjusted EBITDA, being earnings before interests, taxes, write-offs, depreciation and amortization, excluding separately disclosed items (SDIs), is considered by Management to give a fairer view of the year-on-year comparison of financial performance. SDIs are costs or income recognized in the income statement and which Management believes, due to their nature or size, should be disclosed separately to give a more comparable view of the year-on-year financial performance. All SDIs are further explained later in this section. As a result of rounding, numbers presented in this interim report may in some cases not add up to the total. Percentages presented are always calculated taking the exact underlying value, and therefore deviations may occur if percentages are calculated taking the rounded figures presented in the tables.

Three months ending September 30, 2022 and 2021

Results excluding SDIs

EUR million	Jul-Sep 2022	Jul-Sep 2021	Percentage change
Revenue	722.0	633.8	13.9%
Operating expenses	(420.9)	(364.2)	15.6%
Other income	1.1	1.1	-
Adjusted EBITDA	302.2	270.8	11.6%
Adjusted EBITDA margin, %	41.9%	42.7%	-
Depreciation and amortization	(120.4)	(87.1)	38.2%
Retirement of assets	(22.7)	(29.6)	(23.6)%
Operating profit	159.1	154.0	3.3%
Operating profit margin, %	22.0%	24.3%	-
Interest income and expenses	(76.5)	(75.5)	1.4%
Other financial items	(1.2)	(1.6)	(26.4)%
Result before tax	81.4	76.9	5.9%

Revenue

The following table shows our revenue split by segment:

Revenue by segment

EUR million	Jul-Sep 2022	Jul-Sep 2021	Percentage change
Portfolio services	598.0	518.4	15.3%
Customer acquisition	103.4	90.7	13.9%
Adjacencies	20.6	24.6	(16.2)%
Total	722.0	633.8	13.9%

Total revenue in the third quarter of 2022 increased by 13.9%, or EUR 88.2 million, to EUR 722.0 million, up from EUR 633.8 million in the prior period. Organic revenue grew by 13.8%, primarily due to the growing customer base, which increased by 12.0%, from 4,146,370 in September 30, 2021, to 4,644,898 in September 30, 2022.

Portfolio services revenue in the third quarter of 2022 increased by 15.3%, or EUR 79.6 million, to EUR 598.0 million, up from EUR 518.4 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 2.7% compared to the same quarter last year.

Customer acquisition revenue in the third quarter of 2022 reached EUR 103.4 million, what represents an increase of 13.9% vs. last year. The increase was due to higher installations in the period, which increased 4.3% compared to the same period last year.

Operating expenses

Operating expenses in the third quarter of 2022 increased by 15.6%, or EUR 56.7 million, to EUR 420.9 million, from EUR 364.2 million last year. The increase was mainly due to growth in the portfolio as well as inflationary pressures on material costs.

Adjusted EBITDA

Adjusted EBITDA in the three months ending September 30, 2022 increased by 11.6%, or EUR 31.4 million, to EUR 302.2 million, from EUR 270.8 million in the same period last year. The increase is driven by growth in the number of total subscribers in our portfolio as well as higher monthly adjusted EBITDA per customer (EPC), what improves portfolio services adjusted EBITDA.

Depreciation and amortization

Depreciation and amortization increased to EUR 120.4 million in the three months ending September 30, 2022, up from EUR 87.1 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 22.7 million in the third quarter of 2022, from EUR 29.6 million in the same period last year. The cost corresponds mainly to the remaining balance of capitalized material and direct costs, at the time customers leave the portfolio or upgrade to our new platform. The decrease in write-offs during the third quarter of 2022 is due to the new approach described above.

Interest income and expenses

Interest income reached EUR 0.3 million in the three months ending September 30, 2022, compared to EUR 0.1 million in the same period last year. Interest expense reached EUR 76.8 million in the three months ending September 30, 2022, compared to EUR 75.6 million in the same period last year.

Other financial items

Other financial items, mainly consisting of commitment fees for our Revolving Credit Facility and Ancillary Facilities, and charges for excess cash, amounted to a cost of EUR 1.2 million in the third quarter of 2022, compared to EUR 1.6 million in the same period last year.

Reported consolidated income statement for the three months ending September 30, 2022 and 2021

EUR million	Jul-Sep 2022			Jul-Sep 2021		
	Result excluding SDIs	SDIs	Reported	Result excluding SDIs	SDIs	Reported
Revenue	722.0	-	722.0	633.8	-	633.8
Operating expenses	(420.9)	(5.0)	(425.9)	(364.2)	(45.1)	(409.3)
Other income	1.1	-	1.1	1.1	-	1.1
Adjusted EBITDA	302.2	(5.0)	297.1	270.8	(45.1)	225.7
Depreciation and amortization	(120.4)	(17.4)	(137.8)	(87.1)	(32.4)	(119.6)
Retirement of assets	(22.7)	-	(22.7)	(29.6)	-	(29.6)
Operating profit	159.1	(22.4)	136.7	154.0	(77.5)	76.5
Interest income and expenses	(76.5)	-	(76.5)	(75.5)	-	(75.5)
Other financial items	(1.2)	(5.3)	(6.5)	(1.6)	(6.8)	(8.4)
Result before tax	81.4	(27.8)	53.7	76.9	(84.3)	(7.4)
Income tax benefit and expense	-	-	(8.3)	-	-	2.7
Result for the period	-	-	45.4	-	-	(4.7)

Separately disclosed items (SDIs)

SDIs affecting operating expenses

For the third quarter of 2022, total SDIs affecting operating expenses reached EUR 5.0 million, compared to EUR 45.1 million in the same period last year. SDIs affecting operating expenses in the third quarter of 2022 include one-off costs related to various transition projects within the Group. In Q3 2021, SDIs affecting operating expenses included a provision related to the appeal of the NCA decision. The fine was paid in December 2021.

SDIs affecting depreciation and amortization

The market value of the acquisition-related intangible assets is amortized over its expected useful life. Most of the EUR 17.4 million cost in the third quarter of 2022, and the EUR 32.4 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 in the third quarter of 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 5.3 million in the third quarter of 2022, compared to a cost of EUR 6.8 million during the same period last year. For the three months ending September 30, 2022, other financial items include a negative non-cash FX revaluation of debt items and unrealised derivatives of EUR 1.2 million, amortization of prepaid financing fees of EUR 3.5 million and a negative IFRS 9 adjustment regarding the modification of loan agreements of EUR 0.8 million, offset by a positive effect from realised derivatives of EUR 0.3 million. For the three months ending September 30, 2021, other financial items include a negative non-cash FX revaluation of debt items and unrealized derivatives of EUR 2.4 million, amortization of prepaid financing fees of EUR 3.3 million, other bank charges of EUR 0.3 million and a negative IFRS 9 adjustment regarding the modification of loan agreements of EUR 0.8 million.

Income tax benefit and expense

For the three months ending September 30, 2022, income tax represented a cost of EUR 8.3 million, compared to a benefit of EUR 2.7 million in the same period last year. While current tax expense totalled EUR 16.3 million in the third quarter of 2022, compared to EUR 47.0 million in the same period last year, deferred tax totalled positive EUR 8.0 million in the third quarter of 2022 and EUR 49.7 million in the same period last year.

Cash Flow

The following table shows a summary of our cash flow for the three months ending September 30, 2022 and 2021.

EUR million	Jul-Sep 2022	Jul-Sep 2021
Cash flow from operating activities before change in working capital	292.6	254.2
Change in working capital	(41.4)	11.5
Cash flow from operating activities¹	251.2	265.8
Cash flow from investing activities	(206.9)	(181.4)
Cash flow from financing activities ²	(65.9)	(111.7)
Cash flow for the period	(21.6)	(27.3)
Cash and cash equivalents at beginning of period	45.6	56.9
Translation differences on cash and cash equivalents	-	(0.4)
Cash and cash equivalents at end of period	24.0	29.2

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 251.2 million and EUR 265.8 million for the three months ending September 30, 2022 and 2021, respectively. Cash flow from operating activities before change in working capital increased from EUR 254.2 million in the third quarter of 2021 to EUR 292.6 million in the third quarter of 2022 mainly driven by an improvement in operating profit. Change in working capital negatively impacted cash flow by EUR 41.4 million in the third quarter of 2022, compared to a cash inflow of EUR 11.5 million in the same period last year, driven by additional inventory build-ups and higher trade receivables, partially offset by higher other payables.

Cash flow from investing activities

Cash flow from investing activities amounted to an outflow of EUR 206.9 million and EUR 181.4 million for the three months ending September 30, 2022 and 2021, respectively. The increase is mainly driven by the higher number of new installations conducted during the period.

Cash flow from financing activities

Cash flow from financing activities totalled an outflow of EUR 65.9 million and EUR 111.7 million for the three months ending September 30, 2022 and 2021, respectively. Key components in the three months ending September 30, 2022, include net interest payments of EUR 95.8 million and a positive change in borrowings of EUR 28.9 million. Compared to the same period last year, net interest payments decreased by EUR 13.0 million, from EUR 108.7 million, due to interest phasing effects.

Nine months ending September 30, 2022 and 2021

Results excluding SDIs

EUR million	Jan-Sep 2022	Jan-Sep 2021	Percentage change
Revenue	2,102.3	1,856.2	13.3%
Operating expenses	(1,251.0)	(1,063.1)	17.7%
Other income	3.5	3.8	(6.6)%
Adjusted EBITDA	854.9	796.9	7.3%
Adjusted EBITDA margin, %	40.7%	42.9%	-
Depreciation and amortization	(362.9)	(244.6)	48.4%
Retirement of assets	(61.4)	(96.6)	(36.5)%
Operating profit	430.6	455.7	(5.5)%
Operating profit margin, %	20.5%	24.5%	-
Interest income and expenses	(225.9)	(209.9)	7.6%
Other financial items	(4.3)	(4.4)	(0.3)%
Result before tax	200.3	241.4	(17.0)%

Revenue

The following table shows our revenue split by segment:

Revenue by segment

EUR million	Jan-Sep 2022	Jan-Sep 2021	Percentage change
Portfolio services	1,746.9	1,507.2	15.9%
Customer acquisition	293.2	281.2	4.3%
Adjacencies	62.3	67.9	(8.2)%
Total	2,102.3	1,856.2	13.3%

Total revenue in the nine months ending September 30, 2022, increased by 13.3%, or EUR 246.1 million, to EUR 2,102.3 million, up from EUR 1,856.2 million in the same period last year, primarily due to the growing customer base and increased average monthly revenue per user (ARPU) of 2.6%. Organic revenue growth was 13.1%.

Portfolio services revenue in the nine months ending September 30, 2022, increased by 15.9%, or EUR 239.7 million, to EUR 1,746.9 million, up from EUR 1,507.2 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 2.6%.

Customer acquisition revenue in the nine months ending September 30, 2022, increased by 5.3% or EUR 15.0 million to EUR 293.2 million, up from EUR 281.2 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 the first nine months of 2022, increased by 17.7%, or EUR 187.9 million, to EUR 1,251.0 million, up from EUR 1,063.1 million in the same period last year. The increase was mainly driven by growth in the portfolio as well as inflationary pressures on material costs.

Adjusted EBITDA

Adjusted EBITDA in the nine months ending September 30, 2022, increased by 7.3%, or EUR 58.0 million, to EUR 854.9 million, up from EUR 796.9 million last year. The increase is driven by growth in the portfolio and higher monthly adjusted EBITDA per customer (EPC), improving the portfolio services adjusted EBITDA.

Depreciation and amortization

Depreciation and amortization increased to EUR 362.9 million in the nine months ending September 30, 2022, up from EUR 244.6 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 61.4 million in the first nine months of 2022, down from EUR 96.6 million in the same period last year. The cost corresponds mainly to the remaining balance of capitalized material and direct costs, at the time

customers leave the portfolio or upgrade to our new platform. The decrease in write-offs during the first nine months of 2022 is due to the new approach described above.

Interest income and expenses

Interest income reached EUR 0.6 million in the nine months ending September 30, 2022, compared to EUR 0.4 million in the same period last year. Interest expense reached EUR 226.5 million in the nine months ending September 30, 2022, compared to EUR 210.3 million in the same period last year, driven mainly by an increase in gross debt.

Other financial items

Other financial items, mainly consisting of commitment fees for our Revolving Credit Facility and Ancillary Facilities, and charges for excess cash, amounted to a cost of EUR 4.3 million in the nine months ending September 30, 2022, compared to EUR 4.4 million in the same period last year.

Reported consolidated income statement for the nine months ending September 30, 2022 and 2021

EUR million	Jan-Sep 2022			Jan-Sep 2021		
	Result excluding SDIs	SDIs	Reported	Result excluding SDIs	SDIs	Reported
Revenue	2,102.3	-	2,102.3	1,856.2	-	1,856.2
Operating expenses	(1251.0)	(17.3)	(1268.3)	(1063.1)	(56.3)	(1119.4)
Other income	3.5	-	3.5	3.8	-	3.8
Adjusted EBITDA	854.9	(17.3)	837.5	796.9	(56.3)	740.6
Depreciation and amortization	(362.9)	(53.8)	(416.7)	(244.6)	(111.9)	(356.5)
Retirements of assets	(61.4)	-	(61.4)	(96.6)	-	(96.6)
Operating profit	430.6	(71.1)	359.5	455.7	(168.2)	287.5
Interest income and expenses	(225.9)	-	(225.9)	(209.9)	0.4	(209.5)
Other financial items	(4.3)	1.1	(3.3)	(4.4)	(37.2)	(41.5)
Result before tax	200.3	(70.0)	130.3	241.4	(205.0)	36.4
Income tax benefit and expense	-	-	(55.8)	-	-	(23.4)
Result for the period	-	-	74.6	-	-	13.1

Separately disclosed items (SDIs)

SDIs affecting operating expenses

SDIs affecting operating expenses typically include one-off costs related to various transition projects within the Group. For the first nine months of 2022, total SDIs affecting operating expenses reached EUR 17.3 million, compared to EUR 56.3 million in the same period last year. The first nine months of 2021 included a provision related to the appeal of the NCA decision. The fine was paid in December 2021.

SDIs affecting depreciation and amortization

The market value of the acquisition-related intangible assets is amortized over its expected useful life. Most of the EUR 53.8 million cost during the first nine months of 2022, and the EUR 111.9 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 in the third quarter of 2021.

SDIs affecting interest income and expenses and other financial items

SDIs affecting interest income and expenses and other financial items totalled an income of EUR 1.1 million for the first nine months of the year, compared to a cost of EUR 36.8 million during the same period last year. For the nine months ending September 30, 2022, other financial items include a positive non-cash FX revaluation of debt items and unrealised derivatives of EUR 16.7 million, partially offset by the amortization of prepaid financing fees of EUR 10.4 million, a negative impact from realised derivatives of EUR 2.7 million and a negative IFRS 9 adjustment regarding the modification of loan agreements of EUR 2.5 million. For the nine months ending September 30, 2021, other financial items consisted of a positive non-cash FX revaluation of debt items and unrealized hedges of EUR 21.6 million, offset by the write-off of prepaid financing fees of EUR 17.2 million, amortization of prepaid financing fees of EUR 11.5 million, a call premia expense of EUR 17.2 million related to the amortization of our Senior Unsecured debt during the refinancing conducted in January 2021, other bank charges of EUR 2.5 million, and an IFRS 9 adjustment regarding the modification of loan agreements of EUR 10.5 million.

Income tax benefit and expense

Total tax expense was EUR 55.8 million in the nine months ending September 30, 2022, compared to EUR 23.4 million in the same period last year. While current tax expense was EUR 52.8 million in the nine months ending September 30, 2022, compared to EUR 64.3 million in the same period last year, deferred tax totalled a cost of EUR 3.0 million in the nine months ending September 30, 2022 compared to a benefit of EUR 40.9 million in the same period last year.

Cash Flow

The following table shows a summary of our cash flow for the nine months ending September 30, 2022 and 2021.

EUR million	Jan-Sep 2022	Jan-Sep 2021
Cash flow from operating activities before change in working capital	810.0	753.4
Change in working capital	(93.9)	(111.2)
Cash flow from operating activities¹	716.1	642.2
Cash flow from investing activities	(606.4)	(544.0)
Cash flow from financing activities ²	(110.1)	(173.5)
Cash flow for the period	(0.4)	(75.3)
Cash and cash equivalents at beginning of period	24.3	97.9
Translation differences on cash and cash equivalents	0.1	6.5
Cash and cash equivalents at end of period	24.0	29.2

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 716.1 million and EUR 642.2 million for the nine months ending September 30, 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 606.4 million and EUR 544.0 million for the nine months ending September 30, 2022 and 2021, respectively. The increase is mainly driven by the higher number of new installations conducted during the period.

Cash flow from financing activities

Cash flow from financing activities totalled an outflow of EUR 110.1 million and EUR 173.5 million for the nine months ending September 30, 2022 and 2021, respectively. Key components in the nine months ending September 30, 2022, include net interest payments of EUR 239.9 million and other financial items outflows of EUR 8.2 million, partially offset by positive changes in borrowings of EUR 138.2 million. Compared to the same period last year, net interest payments increased by EUR 26.4 million, from EUR 213.4 million, driven mainly by higher gross debt. Furthermore, cash flow from financing activities in the nine months ending September 30, 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 74.0 million related also to the refinancing in Q1 2021, and positive changes in borrowings of EUR 110.3 million.

Capital Expenditures

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

The following table shows a summary of our capital expenditures for the three months ending September 30, 2022 and 2021.

EUR million	Jul-Sep 2022	Jul-Sep 2021
Customer acquisition capital expenditures, material	86.3	74.1
Customer acquisition capital expenditures, direct costs	62.0	60.9
Portfolio services capital expenditures	24.3	16.0
Agencies capital expenditures	1.5	2.1
Capital expenditures other	32.9	28.2
Total	206.9	181.4

Capital expenditures were EUR 206.9 million in the three months ending September 30, 2022, compared to EUR 181.4 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 offering.

The following table shows a summary of our capital expenditures for the nine months ending September 30, 2022 and 2021.

EUR million	Jan-Sep 2022	Jan-Sep 2021
Customer acquisition capital expenditures, material	255.3	222.3
Customer acquisition capital expenditures, direct costs	187.0	183.8
Portfolio services capital expenditures	67.3	50.2
Adjacencies capital expenditures	4.5	8.4
Capital expenditures other	92.1	77.5
Total	606.3	542.3

Capital expenditures totalled EUR 606.3 million in the nine months ending September 30, 2022, compared to EUR 542.3 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 offering.

Liquidity, Liabilities and Financing agreements

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

As of September 30, 2022, the Group had a total of EUR 306.5 million of available funds.

EUR million	Sep 2022	Sep 2021	Dec 2021
Revolving Credit Facility	700.0	700.0	700.0
Cash and cash equivalents	24.0	29.2	24.3
Drawn facility amount	(407.9)	(138.6)	(234.7)
Utilised letter of credit	(9.6)	(9.5)	(9.4)
Total available funds	306.5	581.0	480.1

The following table summarises our total gross financial indebtedness as of September 30, 2022, September 30, 2021 and December 31, 2021.

EUR million	Sep 2022	Sep 2021	Dec 2021
Revolving Credit Facility	407.9	138.6	234.7
Term Loan B	2,800.0	2,800.0	2,800.0
Senior Secured Notes	2,650.0	2,650.0	2,650.0
Senior Unsecured Notes	1,312.6	1,322.5	1,321.3
Other Debt	41.6	43.2	39.9
Lease liability (IFRS 16)	156.8	144.4	150.2
Total	7,369.0	7,098.8	7,196.2

Risks and uncertainties

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

Events during the reporting period

In July 2021, a newly established Alarm Customer Association initiated a class action against Verisure Norway and its main competitor for claimed economic losses suffered by customers as a result of the alleged illegal collaboration that formed part of the NCA decision. Verisure Norway firmly contests the basis of the class action on both procedural and substantive grounds. The class action was dismissed on procedural grounds by the Oslo District Court in February 2022 and, upon appeal by the Alarm Customer Association, by the Court of Appeal in June the same year. In September 2022, the Alarm Customer Association filed an appeal to the Supreme Court, which will now, as an initial matter, determine whether to grant leave for the appeal. 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.

Events after the reporting period

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.

Key Operating Metrics

The Group management uses a number of key operating metrics, in addition to IFRS financial measures, to evaluate, monitor and manage our business. The non-IFRS operational and statistical information related to the Group's operations included in this section is unaudited and has been derived from internal reporting systems. Although none of these metrics are measures of financial performance under IFRS, management believes that these metrics provide important insight into the operations and strength of the Group's business. These metrics may not be comparable to similar terms used by competitors or other companies, and from time to time the Group may change our definitions of these metrics. These metrics include the following:

Adjusted EBITDA

Earnings before interests, taxes, depreciation and amortization, write offs and separately disclosed items.

Attrition rate

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

Average Revenue per user

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

Cancellations

Total number of cancelled subscriptions during the period including cancellations on acquired portfolios.

Cash acquisition cost per new subscriber

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

Monthly adjusted EBITDA per subscriber

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

Net Debt

The sum of financial indebtedness, defined as interest bearing debt from external counterparties, excluding accrued interest less the sum of available cash and financial receivables.

New subscriber added (gross)

Total number of new subscribers added.

Organic revenue growth

Revenue growth not affected by acquisitions or the impact of foreign exchange.

Payback period

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

Retirement of assets

The residual values of an asset that will no longer be used in the operations are recognized as a cost in the income statement.

Subscriber growth rate

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

Unaudited Consolidated Financial Statements

Consolidated income statements

EUR thousand	Note	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021
Revenue	3	721,979	633,777	2,102,332	1,856,232
Cost of sales		(408,288)	(342,224)	(1,210,453)	(992,350)
Gross profit		313,691	291,552	891,879	863,882
Selling expenses		(84,878)	(74,765)	(256,620)	(221,574)
Administrative expenses		(93,221)	(141,462)	(279,272)	(358,602)
Other income		1,076	1,143	3,504	3,753
Operating profit		136,668	76,468	359,491	287,458
Financial income		279	164	646	839
Financial expenses		(83,291)	(84,022)	(229,792)	(251,859)
Result before tax		53,656	(7,389)	130,345	36,438
Income tax expense and benefit		(8,278)	2,725	(55,772)	(23,354)
Result for the period		45,378	(4,665)	74,573	13,083
Whereof attributable to:					
- Parent company		45,378	(4,665)	74,573	13,083
- Non-controlling interest		-	-	-	-

Consolidated statements of comprehensive income

EUR thousand	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021
Result for the period	45,378	(4,665)	74,573	13,083
Other comprehensive income				
Items that may be reclassified to the income statement				
Hedging reserve	10,675	5,892	23,622	13,952
Currency translation differences on foreign operations	9,873	(4,251)	24,908	(11,351)
Income tax related to other comprehensive items	(2,199)	(1,216)	(4,866)	(2,937)
Other comprehensive income	18,349	425	43,664	(336)
Total comprehensive income for the period	63,727	(4,240)	118,237	12,747
Whereof attributable to:				
- Parent company	63,727	(4,240)	118,237	12,747
- Non-controlling interest	-	-	-	-

Consolidated statements of financial position

EUR thousand	Note	Sep 2022	Sep 2021	Dec 2021
Assets				
Non-current assets				
Property, plant and equipment		1,282,297	1,120,261	1,169,952
Right of use assets		153,341	140,847	146,864
Goodwill		868,850	867,498	867,680
Customer portfolio		1,040,517	999,248	1,011,677
Other intangible assets		295,165	265,075	282,831
Deferred tax assets		27,832	26,271	27,860
Trade and other receivables	4	339,829	309,020	311,653
Total non-current assets		4,007,831	3,728,220	3,818,516
Current assets				
Inventories		366,637	222,451	252,086
Trade receivables	4	199,905	155,507	147,629
Current tax assets		20,086	19,401	15,896
Derivatives	4	33,630	6,828	9,651
Prepayments and accrued income		58,336	70,783	59,097
Other current receivables	4	37,892	34,187	35,288
Cash and cash equivalents	4	23,998	29,185	24,283
Total current assets		740,483	538,342	543,930
Total assets		4,748,314	4,266,562	4,362,446

EUR thousand	Note	Sep 2022	Sep 2021	Dec 2021
Equity and liabilities				
Equity				
Share capital		56	56	56
Other paid in capital		624,686	624,686	624,686
Translation reserve		47,703	29,092	22,795
Hedging reserve		26,420	4,833	7,664
Retained earnings		(4,553,110)	(4,632,953)	(4,628,446)
Equity attributable to equity holders of the parent company		(3,854,245)	(3,974,286)	(3,973,245)
Non-controlling interest		-	-	-
Total equity		(3,854,245)	(3,974,286)	(3,973,245)
Non-current liabilities				
Long-term borrowings	4,5	7,219,140	6,930,173	7,029,477
Derivatives	4	-	32,980	-
Other non-current liabilities	4	108,836	88,825	86,792
Deferred tax liabilities		179,185	184,343	175,474
Other provisions		17,646	90,564	22,437
Total non-current liabilities		7,524,806	7,326,886	7,314,180
Current liabilities				
Trade payables	4	173,608	129,629	190,682
Current tax liabilities		114,771	89,483	85,203
Short-term borrowings	4,5	116,118	99,777	129,919
Derivatives	4	265	43	30,853
Accrued expenses and deferred income		611,200	547,980	545,839
Other current liabilities	4	61,791	47,051	39,015
Total current liabilities		1,077,753	913,963	1,021,511
Total equity and liabilities		4,748,314	4,266,562	4,362,446

Consolidated statement of changes in equity

EUR thousand	Attributable to equity holders of the parent company and non-controlling interest							Total equity
	Share capital	Other paid in capital	Translation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	
Balance at January 1, 2022	56	624,686	22,795	7,664	(4,628,446)	(3,973,245)	-	(3,973,245)
Result for the period	-	-	-	-	74,573	74,573	-	74,573
Other comprehensive income	-	-	24,908	18,756	-	43,664	-	43,664
<i>Total comprehensive income</i>	-	-	24,908	18,756	74,573	118,237	-	118,237
Transactions with owners								
Shareholder's contribution	-	-	-	-	763	763	-	763
<i>Total transactions with owners</i>	-	-	-	-	763	763	-	763
Balance at September 30, 2022	56	624,686	47,703	26,420	(4,553,100)	(3,854,245)	-	(3,854,245)

EUR thousand	Attributable to equity holders of the parent company and non-controlling interest							Total equity
	Share capital	Other paid in capital	Translation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	
Balance at January 1, 2021	56	624,686	40,443	(6,182)	(2,915,240)	(2,256,237)	-	(2,256,237)
Result for the period	-	-	-	-	13,083	13,083	-	13,083
Other comprehensive income	-	-	(11,351)	11,015	-	(336)	-	(336)
<i>Total comprehensive income</i>	-	-	(11,351)	11,015	13,083	12,747	-	12,747
Transactions with owners								
Dividend	-	-	-	-	(1,729,796)	(1,729,796)	-	(1,729,796)
Transaction with non-controlling interest	-	-	-	-	(1,000)	(1,000)	-	(1,000)
<i>Total transactions with owners</i>	-	-	-	-	(1,730,796)	(1,730,796)	-	(1,730,796)
Balance at September 30, 2021	56	624,686	29,092	4,833	(4,632,953)	(3,974,286)	-	(3,974,286)

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

Consolidated statements of cash flows

EUR thousand	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021
Operating activities				
Operating profit	136,668	76,468	359,491	287,458
Reversal of depreciation and amortization	137,793	119,552	416,692	356,515
Other non-cash items	22,655	68,648	61,363	135,590
Paid taxes	(4,534)	(10,422)	(27,508)	(26,195)
Cash flow from operating activities before change in working capital	292,582	254,247	810,038	753,367
Change in working capital				
Change in inventories	(37,637)	(1,707)	(109,267)	(60,369)
Change in trade receivables	(20,442)	19,824	(90,502)	9,607
Change in other receivables	(339)	10,131	11,891	(12,310)
Change in trade payables	(3,137)	(10,735)	(17,268)	(53,186)
Change in other payables	20,201	(5,964)	111,238	5,065
<i>Cash flow from change in working capital</i>	<i>(41,354)</i>	<i>11,548</i>	<i>(93,909)</i>	<i>(111,193)</i>
Cash flow from operating activities	251,228	265,795	716,130	642,174
Investing activities				
Purchase of intangible assets	(96,399)	(91,290)	(285,187)	(273,347)
Purchase of property, plant and equipment	(110,536)	(90,099)	(321,200)	(269,655)
Acquisition of non-controlling interest	-	-	-	(1,000)
Cash flow from investing activities	(206,935)	(181,389)	(606,387)	(544,002)
Financing activities				
Change in borrowings	28,877	7,104	138,175	110,330
Paid bank and advisory fees	(249)	(94)	(249)	(74,077)
New financing	-	-	-	4,472,783
Repayment of financing	-	-	-	(2,734,562)
Net interest paid	(95,751)	(108,742)	(239,852)	(213,434)
Call cost old debt	-	-	-	(17,175)
Other financial items	1,242	(9,925)	(8,190)	(13,557)
Paid distribution	-	-	-	(1,703,787) ¹
Cash flow from financing activities	(65,881)	(111,657)	(110,117)	(173,477)
Cash flow for the period	(21,588)	(27,251)	(375)	(75,305)
Cash and cash equivalents at start of period	45,595	56,884	24,283	97,941
Exchange difference on translating cash and cash equivalents	(9)	(448)	90	6,549
Cash and cash equivalents at end of period	23,998	29,185	23,998	29,185

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

Notes to the Unaudited Consolidated Financial Statements

Note 1 Accounting Policies

Basis of presentation and accounting periods

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

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

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

Note 2 Critical Accounting Estimates and Judgments

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

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

Note 3 Segment Reporting

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

Jul-Sep 2022						
EUR thousands	Customer Acquisition	Portfolio Services	Adjacencies	Total Group – Excl SDIs	SDIs	Group Total
Revenue	103,362	597,992	20,625	721,979	-	721,979
Adjusted EBITDA	(129,917)	430,453	1,623	302,159	(5,040)	297,119
Depreciation and amortization	-	-	-	(120,371)	(17,425)	(137,796)
Retirements of assets	-	-	-	(22,656)	-	(22,656)
Financial items	-	-	-	(77,706)	(5,306)	(83,012)
Result before tax	-	-	-	81,426	(27,770)	53,656

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

Jan-Sep 2022						
EUR thousands	Customer Acquisition	Portfolio Services	Adjacencies	Total Group – Excl SDIs	SDIs	Group Total
Revenue	293,153	1,746,902	62,277	2,102,332	-	2,102,332
Adjusted EBITDA	(407,508)	1,259,805	2,553	854,850	(17,303)	837,547
Depreciation and amortization	-	-	-	(362,924)	(53,769)	(416,693)
Retirements of assets	-	-	-	(61,363)	-	(61,363)
Financial items	-	-	-	(230,250)	1,103	(229,146)
Result before tax	-	-	-	200,313	(69,969)	130,344

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

Note 4 Financial Risk Management

Financial instruments by category and valuation level

EUR thousand	Sep 2022		Sep 2021		Dec 2021	
	Financial Asset	Financial Liability	Financial Asset	Financial Liability	Financial Asset	Financial Liability
Hedge accounting						
FX Forwards ¹	33,273	-	6,828	-	9,651	-
Fair value through profit or loss						
FX Swaps ¹	-	-	-	698	-	3,479
Cross currency swaps ¹	-	265	-	21,601	-	18,630
Interest rate swaps ¹	357	-	-	10,725	-	8,744
Amortized cost						
Trade and other receivables	339,829	-	309,020	-	311,653	-
Trade receivables, current ³	199,905	-	155,507	-	147,629	-
Other current receivables ³	37,892	-	34,187	-	35,288	-
Cash and cash equivalent	23,998	-	29,185	-	24,283	-
Long-term borrowings ²	-	7,219,140	-	6,930,173	-	7,029,477
Other non-current liabilities ²	-	108,836	-	88,825	-	86,792
Trade payables ^{2, 3}	-	173,608	-	129,629	-	190,682
Short-term borrowings ^{2, 3}	-	116,118	-	99,777	-	129,919
Other current liabilities ^{2, 3}	-	61,791	-	47,051	-	39,015

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

2) Details of borrowings are presented in note 5.

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

Note 5 Borrowings

EUR thousand	Sep 2022			Sep 2021			Dec 2021		
	Principal amount	Adjustment amortized costs	Carrying amount	Principal amount	Adjustment amortized costs	Carrying amount	Principal amount	Adjustment amortized costs	Carrying amount
Non-current liabilities									
Secured									
Senior Secured Notes	2,650,000	(18,027)	2,631,973	2,650,000	(22,597)	2,627,403	2,650,000	(21,472)	2,628,528
Term Loan B ¹	2,800,000	(44,729)	2,755,271	2,800,000	(53,640)	2,746,360	2,800,000	(51,445)	2,748,555
Revolver Credit Facility	407,905	(10,340)	397,565	138,649	(12,211)	126,438	234,715	(11,749)	222,966
Unsecured									
Senior Unsecured Notes	1,312,624	(13,663)	1,298,961	1,322,517	(15,397)	1,307,120	1,321,337	(14,972)	1,306,365
Liabilities to other creditors	23,014	-	23,014	18,551	-	18,551	14,014	-	14,014
Lease liability	112,356	-	112,356	104,301	-	104,301	109,049	-	109,049
Long-term borrowings	7,305,899	(86,759)	7,219,140	7,034,018	(103,845)	6,930,173	7,129,115	(99,638)	7,029,477
Current liabilities									
Accrued interest expenses	53,037	-	53,037	34,969	-	34,969	62,882	-	62,882
Other liabilities	18,614	-	18,614	24,695	-	24,695	25,935	-	25,935
Lease liability	44,466	-	44,466	40,113	-	40,113	41,102	-	41,102
Short-term borrowings	116,118	-	116,118	99,777	-	99,777	129,919	-	129,919
Total	7,422,017	(86,759)	7,335,257	7,133,795	(103,845)	7,029,950	7,259,034	(99,638)	7,159,397

1) Of the total amount regarding adjustment amortized costs EUR (13,962) thousand in September 30, 2022 (17,303) in September 30, 2021 and (16,482) in December 2021 relates to a non-cash adjustment derived from the modification of loan terms during the loans contract period calculated according to IFRS 9.

Net Debt and Leverage (per SFA)

EUR thousand	Sep 2022	Sep 2021	Dec 2021
Total principal amount (as above)	7,422,017	7,133,795	7,259,034
Less accrued interest	(53,037)	(34,969)	(62,882)
Total indebtedness	7,368,979	7,098,826	7,196,153
Less cash and cash equivalents	(23,998)	(29,185)	(24,283)
Total net debt	7,344,981	7,069,641	7,171,870
Secured net debt	5,833,907	5,559,464	5,660,432
L2QA EBITDA	1,191,734	1,102,404	1,078,723
Total net leverage	6.2x	6.4x	6.6x
Total Secured net leverage	4.9x	5.0x	5.2x

Note 6 Pledged Assets and Contingent Liabilities

Pledged Assets

EUR thousand	Sep 2022	Sep 2021	Dec 2021
Shares in subsidiaries	2,682,811	2,221,929	2,393,895
Bank accounts	9,742	6,616	15,126
Accounts receivables	206,056	128,817	124,264
Inventories	765	522	729
Other operating assets	64,140	67,444	67,822
Trademark	58,885	69,622	66,925
Endowment insurance	603	661	622

Contingent Liabilities

EUR thousand	Sep 2022	Sep 2021	Dec 2021
Guarantees	36,391	37,140	36,769

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

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

Unaudited Parent Company Financial Statements

Parent company income statement

EUR thousand	Note	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021
Administrative expenses		(2)	(39,002)	(7)	(39,143)
Operating result		(2)	(39,002)	(7)	(39,143)
Financial income	2	12,204	12,291	36,074	36,471
Financial expenses	2	(19,789)	(18,771)	(59,174)	(79,985)
Dividend		-	-	-	295,868
Result before tax		(7,587)	(45,482)	(23,107)	213,210
Income tax expense and benefit		(385)	-	(385)	-
Result for the period		(7,972)	(45,482)	(23,492)	213,210

Parent Company Statement of Financial Position

EUR thousand	Note	Sep 2022	Sep 2021	Dec 2021
Assets				
Non-current assets				
Long-term investments				
Investments in subsidiaries		1,191,730	1,191,365	1,190,969
Receivables from Group companies		692,294	705,824	704,210
Total non-current assets		1,884,024	1,897,189	1,895,178
Current assets				
Current receivables		6,117	14,191	20,766
Cash and cash equivalents		795	3,207	1,061
Total current assets		6,912	17,398	21,827
Total assets		1,890,936	1,914,587	1,917,005
Equity and liabilities				
Equity				
Share capital		56	56	56
Other paid in capital		569,170	569,170	569,170
Retained earnings		(84,607)	(124,077)	(61,877)
Total equity		484,619	445,149	507,349
Provisions				
Other provisions	3	-	75,000	-
Total provisions		-	75,000	-
Non-current liabilities				
Long-term borrowings	4	1,298,961	1,307,121	1,306,365
Liabilities to Group companies		94,887	77,387	77,387
Total non-current liabilities		1,393,848	1,384,508	1,383,752
Current liabilities				
Accounts payable		51	-	9
Accrued expenses and prepaid income	4	12,414	9,930	25,893
Other current liabilities		4	-	2
Total current liabilities		12,469	9,930	25,904
Total equity and liabilities		1,890,936	1,914,587	1,917,005

Parent Company Statements of Changes in Equity

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
Balance at January 1, 2022	56	569,170	(61,878)	507,349
Result for the period	-	-	(23,492)	(23,492)
Shareholders contribution	-	-	763	763
Balance at September 30, 2022	56	569,170	(84,607)	484,619

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

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

Parent Company Statements of Cash Flows

EUR thousand	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021
Operating activities				
Operating result	(2)	(39,002)	(7)	(39,143)
Other non-cash items	-	39,000	-	39,000
Paid taxes	(385)	-	(385)	-
Cash flow from operating activities before change in working capital	(387)	(2)	(392)	(143)
Change in working capital				
Change in trade payables	58	3	40	(4)
Change in other receivables	(17)	-	(53)	2
<i>Cash flow from change in working capital</i>	<i>41</i>	<i>3</i>	<i>(13)</i>	<i>(2)</i>
Cash flow from operating activities	(346)	1	(405)	(145)
Investing activities				
Cash flow from investing activities	-	-	-	-
Financing activities				
New financing	-	-	-	1,322,783
Repayment of loan	-	-	-	(1,242,576)
Dividend received	-	-	-	1,703,787
Dividend paid	-	-	-	(1,703,787) ¹
New loans from Group companies	11,500	34,000	17,500	39,810
Repayment of loan from Group companies	-	(18,000)	-	(60,402)
Other financial items	(46)	-	(52)	-
Paid bank and advisory fees	-	(45)	-	(16,732)
Call cost old debt	-	-	-	(17,175)
Net interest received or paid	(11,335)	(34,076)	(17,309)	(22,752)
Cash flow from financing activities	119	(18,121)	139	2,956
Cash flow for the period	(227)	(18,120)	(266)	2,811
Cash and cash equivalents at start of period	1,022	21,327	1,061	396
Exchange difference on translating cash and cash equivalents	-	-	-	-
Cash and cash equivalents at end of period	795	3,207	795	3,207

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

Note to the Unaudited Parent Company Financial Statements

Note 1 Accounting Policies

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

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

Note 2 Financial income and expenses

EUR thousand	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021
Interest income from Group companies	12,204	12,291	36,074	36,471
Other financial income	-	-	-	-
Financial income	12,204	12,291	36,074	36,471
Interest expense	(17,854)	(17,620)	(52,840)	(52,794)
Interest expense to Group companies	(649)	(381)	(1,773)	(1,147)
Other financial expenses	(1,286)	(770)	(4,561)	(26,043)
Financial expenses	(19,789)	(18,771)	(59,174)	(79,985)

Note 3 Provisions

The parent company reports a provision in 2021 related to the Norwegian Competition Authority (the "NCA") case. The fine was paid in December 2021 and the provision thereby reversed.

Note 4 Borrowings

EUR thousand	Sep 2022			Sep 2021		
	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
Unsecured						
Senior Unsecured Notes	8,961	1,298,961	1,307,922	8,771	1,307,121	1,315,892
Total (carrying amount)	8,961	1,298,961	1,307,922	8,771	1,307,121	1,315,892

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

Quarterly summary

Key Figures

EUR thousand (unless otherwise stated)	Jul-Sep 2022	Apr-Jun 2022	Jan-Mar 2022	Oct-Dec 2021	Jul-Sep 2021
Consolidated					
Non-IFRS and IFRS financial data					
Revenue ¹	721,979	698,337	682,016	652,615	633,777
Organic revenue growth	13.8%	11.4%	14.0%	11.7%	13.1%
Adjusted EBITDA excl. SDIs	302,159	276,209	276,482	251,104	270,758
Adjusted EBITDA margin excl. SDIs	41.9%	39.6%	40.5%	38.5%	42.7%
Adjusted EBITDA incl. SDIs	297,119	267,459	272,969	243,826	225,668
Adjusted EBITDA Margin incl. SDIs	41.2%	38.3%	40.0%	37.4%	35.6%
Operating profit	136,668	110,133	112,691	91,406	76,468
Capital expenditures	206,935	213,037	186,290	220,117	181,389
Net Debt per SFA	7,344,981	7,286,736	7,215,951	7,171,870	7,069,641
Unaudited operating data					
Payback period, years	3.8	3.8	3.6	3.8	3.4
Portfolio services segment					
Non-IFRS and IFRS financial data					
Portfolio services revenue ¹	597,992	582,048	566,861	536,468	518,442
Portfolio services adjusted EBITDA excl. SDIs	430,453	420,357	408,995	380,347	376,864
Portfolio services adjusted EBITDA margin excl. SDIs	72.0%	72.2%	72.2%	70.9%	72.7%
Unaudited operating data					
Total subscribers (end of period), units	4,644,898	4,529,330	4,401,991	4,274,827	4,146,370
Cancellation, units	82,413	78,273	75,737	66,764	63,463
Attrition rate (LTM)	6.9%	6.6%	6.5%	6.4%	6.4%
Net subscriber growth, units	115,568	127,339	127,164	128,457	126,406
Subscriber growth rate, net	12.0%	12.7%	13.3%	13.6%	14.4%
Average number of subscribers during the period, units	4,596,196	4,458,203	4,332,495	4,214,867	4,092,049
Average monthly revenue per user (ARPU), EUR	43.4	43.5	43.6	42.4	42.2
Monthly adjusted EBITDA per subscriber (EPC), EUR	31.2	31.4	31.5	30.1	30.7
Customer acquisition segment					
Non-IFRS and IFRS financial data					
Customer acquisition revenue ¹	103,362	94,440	95,351	92,339	90,732
Customer acquisition adjusted EBITDA excl. SDIs	(129,917)	(144,409)	(133,183)	(125,641)	(103,975)
Customer acquisition capital expenditures	148,275	148,278	145,725	140,277	135,064
Unaudited operating data					
New subscribers added (gross)	197,981	205,612	202,901	195,221	189,869
Cash acquisition cost per new subscriber (CPA), EUR	1,405	1,423	1,375	1,362	1,259
Adjacencies segment					
Non-IFRS and IFRS financial data					
Adjacencies revenue ¹	20,625	21,848	19,803	23,808	24,603
Adjacencies adjusted EBITDA excl. SDIs	1,623	260	670	(3,601)	(2,131)

1) IFRS financial data

Non-IFRS measures

The Group uses some financial measures to assess the business which are not defined by IFRS. These measures are included in this report and are not to be considered a substitute of the Group's financial statements but instead important complementary measures of the operating performance of the Group.

Adjusted EBITDA

Earnings before interests, taxes, depreciation and amortization, write offs and SDIs.

EUR thousands	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021
Operating profit according to consolidated income statement	136,668	76,468	359,491	287,458
Less depreciation and amortization	137,796	119,552	416,693	356,514
Less retirement of assets	22,656	29,646	61,363	96,589
Less separately disclosed items	5,040	45,091	17,303	56,329
Adjusted EBITDA	302,159	270,758	854,850	796,891
Whereof adjusted EBITDA customer acquisition	(129,917)	(103,975)	(407,508)	(295,395)
Whereof adjusted EBITDA portfolio services	430,453	376,864	1,259,805	1,097,132
Whereof adjusted EBITDA adjacencies	1,623	(2,131)	2,553	(4,846)

Average Revenue per user

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

Calculation of ARPU

EUR thousands	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021
Portfolio services segment revenue	597,992	518,442	1,746,902	1,507,205
Monthly average portfolio services segment revenue	199,331	172,814	194,100	167,467
Monthly average number of subscribers during the period, units	4,596,196	4,092,049	4,462,298	3,952,006
Monthly average portfolio services segment revenue (in EUR) divided by average monthly number of subscribers during the period – ARPU (In EUR)	43.4	42.2	43.5	42.4

Monthly adjusted EBITDA per subscriber

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

Calculation of EPC

EUR thousands	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021
Portfolio services segment adjusted EBITDA excl. SDIs	430,453	376,864	1,259,805	1,097,132
Monthly average portfolio services segment adjusted EBITDA excl. SDIs	143,484	125,621	139,978	121,904
Monthly average number of subscribers during the period, units	4,596,196	4,092,049	4,462,298	3,952,006
Monthly average portfolio services segment adjusted EBITDA (in EUR) divided by monthly average number of subscribers during the period – EPC (In EUR)	31.2	30.7	31.4	30.8

Cash acquisition cost per new subscriber

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

Calculation of CPA

EUR thousands	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021
Customer acquisition Adjusted EBITDA excl. SDIs	(129,917)	(103,975)	(407,508)	(295,395)
Customer acquisition capital expenditure	(148,275)	(135,064)	(442,278)	(406,163)
Customer acquisition cost	(278,192)	(239,038)	(849,785)	(701,558)
New subscribers added (gross)	197,981	189,869	606,494	574,362
Customer acquisition cost (in EUR) divided by new subscribers added (gross) - CPA (In EUR)	1,405	1,259	1,401	1,221

Payback period

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

Calculation of Payback period

EUR thousands	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021
Cash acquisition cost per new subscriber ("CPA")	1,405	1,259	1,401	1,221
Monthly adjusted EBITDA per customer ("EPC")	31.2	30.7	31.4	30.8
CPA divided by EPC divided by 12	3.8	3.4	3.7	3.3

Malmö, Nov 3, 2022

Austin Lally
CEO

Daniel Bruzaeus

Vincent Litrico

Cecilia Hultén
Chairman

Elizabeth Henry