20230724181 93

ÅRSREDOVISNING

för

VSD Sverige AB

Org.nr. 559336-2071

Styrelsen får härmed avlämna årsredovisning för räkenskapsåret 2022-01-01 - 2022-12-31

Innehåll **Sida**

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Undertecknad styrelseledamot i VSD Sverige AB intygar härmed, dels att denna kopia av årsredovisningen överensstämmer med originalet, dels att resultat- och balansräkning fastställts på årsstämma den 21. juni 2023.
Stämman beslöt tillika godkänna styrelsens förslag till vinstdisposition.

Malmö 2023-06-21

Daniel Bruzaeus

20230724181941

ÅRSREDOVISNING

för

VSD Sverige AB

Org.nr. 559336-2071

Styrelsen får härmed avlämna årsredovisning för räkenskapsåret 2022-01-01 - 2022-12-31

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VSD Sverige AB
Org.nr. 559336-2071

FÖRVALTNINGSBERÄTTELSE

Årsredovisningen är upprättad i KEUR.

Verksamheten
Företagets verksamhet är att, direkt och indirekt, äga och förvalta lös och fast egendom.

Bolaget äger Verisure Topholding AB. Topholding-koncernen är den ledande leverantören av professionellt övervakade larm, och en av de ledande leverantörerna av videokameraövervakningssystem för hushåll och småföretag i Europa. Vi är verksamma i 17 länder i Europa och Latinamerika.

Säte
Företagets säte är Malmö.

Flerårsjämförelse*

	2022	2021
Res. efter finansiella poster	0	0
Balansomslutning	7 176 989	7 175 974
Soliditet (%)	100.00	100.00

*Definitioner av nyckeltal, se noter

Ägarförhållanden
Bolaget är ett helägt dotterbolag till Aegis Lux 2 S.a.r.l, Org. nr B247839 med säte i Luxemburg.

Väsentliga händelser under räkenskapsåret
Inga väsentliga händelser har inträffat under räkenskapsåret.

Resultatdisposition (euro)

Förslag till disposition av bolagets vinst

Till årsstämmans förfogande står	
Fri överkursfond	6 095 917 667
Övrigt fritt eget kapital	722 031 450
	6 817 949 117
Styrelsen föreslår att	
i ny räkning överföres	6 817 949 117
	6 817 949 117

Beträffande bolagets resultat och ställning i övrigt hänvisas till efterföljande resultat- och balansräkningar med tillhörande noter.

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VSD Sverige AB

Org.nr. 559336-2071

RESULTATRÄKNING

	Not	22-01-01 22-12-31	21-09-22 21-12-31
Rörelseresultat		0	0
Resultat efter finansiella poster		0	0
Resultat före skatt		0	0
Årets resultat		**0**	**0**

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VSD Sverige AB
Org.nr. 559336-2071

BALANSRÄKNING

	Not	22-12-31	21-12-31
TILLGÅNGAR			
Anläggningstillgångar			
Finansiella anläggningstillgångar			
Andelar i koncernföretag	2	7 176 989	7 175 974
		7 176 989	7 175 974
Summa anläggningstillgångar		7 176 989	7 175 974
SUMMA TILLGÅNGAR		**7 176 989**	**7 175 974**

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EGET KAPITAL OCH SKULDER

Eget kapital

Bundet eget kapital		
Aktiekapital	359 040	359 040
	359 040	359 040
Fritt eget kapital		
Fri överkursfond	6 095 918	6 095 917
Övrigt fritt eget kapital	722 031	721 016
	6 817 949	6 816 934
Summa eget kapital	7 176 989	7 175 974
SUMMA EGET KAPITAL OCH SKULDER	**7 176 989**	**7 175 974**

20230724181 99

VSD Sverige AB

Org.nr. 559336-2071

Förändringar i eget kapital

	Aktiekapital	Fri överkursfond	Övrigt fritt eget kapital	Årets resultat	Summa eget kapital
Belopp vid årets ingång	359 040	6 095 917	721 016	0	7 175 974
Minskning av bunden överkursfond			1 016	0	1 016
Belopp vid årets utgång	359 040	6 095 917	722 032	0	7 176 989

Aktiekapitalet består av 70 000 000 aktier med ett kvotvärde om 5,13.

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VSD Sverige AB
Org.nr. 559336-2071

NOTER

Not 1 Redovisnings- och värderingsprinciper

Årsredovisningen är upprättad i enlighet med årsredovisningslagen och K3, BFNAR 2012:1.Årsredovisning och koncernredovisning.

Principerna är oförändrade jämfört med föregående år.

Fordringar
Fordringar har upptagits till de belopp varmed de beräknas inflyta.

Övriga tillgångar, avsättningar och skulder
Övriga tillgångar, avsättningar och skulder har värderats till anskaffningsvärden om inget annat anges nedan.

Aktier och andelar i koncernföretag
Aktier och andelar i dotterföretag redovisas till anskaffningsvärde efter avdrag för eventuella nedskrivningar. I anskaffningsvärdet ingår köpeskillingen som erlagts för aktierna samt förvärvskostnader. Eventuella kapitaltillskott och koncernbidrag läggs till anskaffningsvärdet när de uppkommer. Utdelning från dotterföretag redovisas som intäkt.

Finansiella instrument
Finansiella instrument värderas utifrån anskaffningsvärde.

Finansiella tillgångar och finansiella skulder redovisas när företaget blir part i det finansiella instrumentets avtalsmässiga villkor. Finansiella tillgångar tas bort från balansräkningen när den avtalsenliga rätten till kassaflödet från tillgången upphör eller regleras, eller när de risker och fördelar förknippade med tillgången överförs till annan part. Finansiella skulder tas bort från balansräkningen när den avtalade förpliktelsen fullgörs eller upphör.

Nedskrivning av finansiell anläggningstillgång
Per varje balansdag bedömer företaget om det finns indikationer på nedskrivningsbehov. Bedömningen görs individuellt post för post.

Fordringar och skulder i utländsk valuta
Monetära fordringar och skulder i utländsk valuta har räknats om till balansdagens kurs.
Valutakursdifferenser som uppkommer vid reglering eller omräkning av monetära poster redovisas i resultaträkningen det räkenskapsår de uppkommer, antingen som en rörelsepost eller som en finansiell post utifrån den underliggande affärshändelsen.

Inkomstskatt
Aktuell skatt är inkomstskatt för innevarande räkenskapsår som avser årets skattepliktiga resultat och den del av tidigare räkenskapsårs inkomstskatt som ännu inte har redovisats.
Aktuell skatt värderas till det sannolika beloppet enligt de skattesatser och skatteregler som gäller på balansdagen.

20230724182O1

UPPLYSNINGAR TILL ENSKILDA POSTER

Not 2 Andelar i koncernföretag

Företag Organisationsnummer	Säte	Antal/Kap. andel %	22-12-31 Redovisat värde	21-12-31 Redovisat värde
Verisure Topholding AB 559285-7626	Malmö	64 000 000/ 100%	7 176 989	7 175 974
			7 176 989	7 175 974

Verisure Topholding AB		
Ingående anskaffningsvärden	7 175 974	0
Inköp	0	7 174 958
Aktieägartillskott	1 016	1 016
Utgående ackumulerade anskaffningsvärden	7 176 989	7 175 974
Utgående redovisat värde	7 176 989	7 175 974

Not 3 Ställda säkerheter

Det finns inga ställda säkerheter i bolaget.

Not 4 Väsentliga händelser efter räkenskapsårets slut

Inga väsentliga händelser har inträffat efter räkenskapsårets slut.

Not 5 Koncernförhållanden

Bolaget är moderbolag, men med stöd av ÅRL 7 kap 2§ upprättas inte någon koncernredovisning.
Övergripande koncernredovisning upprättas av Aegis Lux 2 S.á.r.l., org.nr. B247839, med säte i Luxemburg.

Not 6 Definition av nyckeltal

Soliditet
Justerat eget kapital i procent av balansomslutning.

20230724182O2

Malmö 21 juni 2023

Cecilia Hultén

Daniel Bruzaeus

Elizabeth Henry

Vincent Litrico

Francois Cornelis

Vår revisionsberättelse har lämnats den 21 juni 2023.

PricewaterhouseCoopers AB

Johan Rippe
Auktoriserad revisor

Fotokopians överensstämmelse med originalet intygas:

20230724182O3

Revisionsberättelse

Till bolagsstämman i VSD Sverige AB, org.nr 559336-2071

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för VSD Sverige AB för år 2022.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av VSD Sverige ABs finansiella ställning per den 31 december 2022 och av dess finansiella resultat för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen för VSD Sverige AB.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till VSD Sverige AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

En ytterligare beskrivning av vårt ansvar för revisionen av årsredovisningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens förvaltning för VSD Sverige AB för år 2022 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter ansvarsfrihet för räkenskapsåret.

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Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till VSD Sverige AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation, och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

En ytterligare beskrivning av vårt ansvar för revisionen av förvaltningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

Stockholm den 21 juni 2023

PricewaterhouseCoopers AB

Johan Rippe
Auktoriserad revisor

Fotokopians överensstämmelse
med originalet intygas:

verisure

ANNUAL REPORT 2022

Aegis Lux 2 S.à r.l

Proud to Protect

20231011101638

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Consolidated Directors' Report

Operations

The Group is the leading providers 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.

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.

Key figures

EUR thousand (if not otherwise stated)	2022	2021	2020
Consolidated			
Non-IFRS and IFRS financial data			
Revenue[1]	**2,827,022**	2,508,847	40,285
Adjusted EBITDA excl. SDIs	**1,149,793**	1,050,054	23,079
Adjusted EBITDA incl. SDIs	**1,114,305**	1,025,447	17,329
Operating profit/(loss)[1]	**131,833**	129,172	1,176
Net Debt per SFA	**7,373,048**	7,149,176	5,097,425
Portfolio services segment			
Non-IFRS and IFRS financial data			
Portfolio services revenue[1]	**2,358,158**	2,043,673	38,355
Portfolio services adjusted EBITDA excl. SDIs	**1,694,335**	1,477,423	31,183
Unaudited operating data			
Total subscribers (year-end), units	**4,752,097**	4,274,827	3,763,945
Net subscriber growth, units	**477,270**	510,882	-
Customer acquisition segment			
Non-IFRS and IFRS financial data			
Customer acquisition revenue[1]	**385,954**	373,492	401
Customer acquisition adjusted EBITDA excl. SDIs	**(544,949)**	(421,139)	(8,355)
Adjacencies segment			
Non-IFRS and IFRS financial data			
Adjacencies revenue[1]	**82,910**	91,682	1,529
Adjacencies adjusted EBITDA excl. SDIs	**2,424**	(8,448)	252

1) IFRS, financial data
2) The Verisure Topholding AB Group was created on December 23, 2020 hence the 2020 figures only cover the period from 23st of December until 31st of December.

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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 1,694.3 million (EUR 1,477.4 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 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 544.9 million (EUR 421.1 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.

Employees

The Group had an average of 22,691 (20,234 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.

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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.

Risks and uncertainties

A summary of the Group's risks are shown below. A detailed presentation of financial risks and a sensitivity analysis can be found in the Financial Risk Management section in note 20.

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

- 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.

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

- 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.

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- We are susceptible to economic downturns, particularly those impacting the housing market or consumer spending.
- Attrition of customer accounts or failure to continue to acquire new customers in a costeffective manner could materially adversely affect our operations.
- Our substantial concentration of sales in Iberia (Spain and Portugal) makes us more vulnerable to negative developments in the region.
- 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.
- 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.
- We have incurred and may continue to incur significant expenses in connection with developing our brands.
- 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 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).
- An increase in labour costs in the jurisdictions in which we operate, especially in Spain, 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.
- Any significant or prolonged disruption of our monitoring centres could constrain our ability to effectively respond to alarms and serve our customers.
- Any disruption to the communities in which we operate, or in which our suppliers operate, as a result of the impact of 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.
- 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.
- We may face liability or damage to our reputation or brand for our failure to respond adequately to alarm activations.
- 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.
- Increased adoption of false alarm ordinances by local governments or other similar regulatory developments could adversely affect our business.
- 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.
- We may incur unexpectedly high costs as a result of meeting our warranty obligations.
- Our insurance policies may not fully protect us from significant liabilities.
- Unauthorized use of or disputes involving our proprietary technology and processes may adversely affect our business.
- We may be unable to effectively manage our growth into new geographies or realize the intended benefits from our acquisitions.
- 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 may suffer future impairment losses, as a result of potential declines in the fair value of our assets.
- 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.
- We are dependent on our experienced senior management team, which may be difficult to replace.
- Market perceptions concerning the instability of the euro, the potential reintroduction 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 eurodenominated debt obligations.

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Group development

Since the onset of the COVID-19 pandemic, we have been focused on protecting our employees and their families, our customers and our business. While the pandemic has created and continues to create unique challenges for our business, we have adapted rapidly to the new operating environment and have continued to evolve our approach as the situation continues to develop. The Group's customer portfolio continued to grow and passed 4.7 million customers by December 31, 2022. Our attrition rates have not been materially impacted by the pandemic to date, and the performance of our portfolio services segment continues to be consistent with previous year's results.

Our business model has proved very resilient to date, and we believe the fundamental customer need for security and peace of mind remains unchanged. Group Management believes significant growth opportunities remain in our existing geographies, as evidenced by the low penetration rates compared to other jurisdictions. The Group will consistently strive to maintain the highest levels of customer satisfaction in the industry in order to reduce attrition.

Research and development

We use our in-house development team or contract with third parties to design our products. We operate two development centres located in Malmö, Sweden and Madrid, Spain. We actively drive development of next generation products and applications to meet the changing needs of our customers. We also seek to develop products and applications that allow us to up sell our existing customers and to attract new customers. We strive to develop products that can be brought to market quickly, with a focus on obtaining approvals from local governments and adhering to local regulatory requirements.

Financial instruments

To read about the Group's use of financial instruments, as well as the Group's exposure to credit risk, liquidity risk and foreign currency risk, see note 21 – Financial risk management.

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 in a ruling in June 2023 dismissed the appeal. The Alarm Customer Association class action is thereby finally dismissed.

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.

Own-shares

As at December 31, 2022, the Company has indirect holdings of its own shares with a book value of EUR 6,586.7 thousand (2021: 82.7 thousand). The movement during the year has been classified as a "treasury share transaction" in the consolidated statements of changes in equity.

Events after the reporting period

For events after the reporting period see disclosure included in note 30 to the consolidated financial statements.

19 September 2023, Luxembourg

Francois Cornelis
Authorized Signatory

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Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

EUR thousand	Note	Period from Jan 1, 2022 to Dec 31, 2022	Period from Jan 1, 2021 to Dec 31, 2021
Revenue	5	2,827,022	2,508,847
Cost of sales	5, 7, 9, 10, 11	(1,495,240)	(1,264,445)
Gross profit		**1,331,782**	**1,244,402**
Selling expenses	5, 7, 9, 10, 11	(346,729)	(299,821)
Administrative expenses	5, 6, 7, 10, 11	(857,979)	(820,685)
Other income	5	4,759	5,276
Operating profit		**131,833**	**129,172**
Financial income	12	950	564
Financial expenses	12	(337,788)	(318,188)
Result before tax		**(205,005)**	**(188,452)**
Income tax benefit	13	(34,652)	(4,733)
Net loss for the year		**(239,657)**	**(193,185)**
Whereof attributable to:			
– Parent company		(239,657)	(193,185)
– Non-controlling interest		-	-
Other comprehensive income			
Items that subsequently may not be reclassified to the income statement			
Re-measurement of defined benefit plan net of tax		1,633	1,623
Income tax related to these items		(120)	18
Items that subsequently may not be reclassified to the income statement		**1,513**	**1,641**
Items that subsequently may be reclassified to the income statement			
Hedging reserve		(8,583)	17,517
Currency translation differences on foreign operations		(220,904)	(17,161)
Income tax related to other comprehensive items		1,768	(3,671)
Items that subsequently may not be reclassified to the income statement		**(227,719)**	**(3,315)**
Total other comprehensive income for the period		**(226,206)**	**(1,674)**
Total comprehensive income for the period		**(465,863)**	**(194,859)**
Whereof attributable to:			
– Parent company		(465,863)	(194,859)
– Non-controlling interest		-	-

The accompanying notes are an integral part of these consolidated financial statements.

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Consolidated Statements of Financial Position

EUR thousand	Note	2022	2021
Assets			
Non-current assets			
Property, plant and equipment	15	1,316,626	1,169,952
Right of use assets	16	157,255	146,864
Goodwill	17	7,614,563	7,790,128
Customer portfolio	18	4,914,528	5,295,929
Other intangible assets	19	1,355,849	1,314,603
Deferred tax assets	13	28,778	27,860
Derivatives	21	1,363	-
Trade and other receivables	21, 23	70,478	79,637
Total non-current assets		**15,459,440**	**15,824,973**
Current assets			
Inventories	22	342,732	252,086
Trade receivables	21, 23	193,131	147,629
Current tax assets		12,434	16,204
Derivatives	21	6,244	9,651
Prepayments and accrued income	20	81,827	59,095
Other current receivables	21	42,499	35,448
Cash and cash equivalents	21	53,336	46,976
Total current assets		**732,203**	**567,089**
Total assets		**16,191,643**	**16,392,062**

The accompanying notes are an integral part of these consolidated financial statements.

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Consolidated Statements of Financial Position

EUR thousand	Note	2022	2021
Equity and liabilities			
Equity	14, 24		
Share capital		88,950	88,950
Other paid in capital		7,098,575	7,098,357
Legal reserves		8,894	8,894
Other reserves		(335,341)	(106,606)
Reserves for provisions for future MEP leavers		(20,000)	(30,000)
Retained earnings		(441,918)	(199,302)
Equity attributable to equity holders of the parent company		**6,399,160**	**6,860,293**
Non-controlling interest		-	-
Total equity		**6,399,160**	**6,860,293**
Non-current liabilities			
Long-term borrowings	21, 25	7,252,455	7,029,477
Derivatives	21	4,593	-
Other non-current liabilities	21	111,241	86,793
Deferred tax liabilities	13	1,249,486	1,306,694
Other provisions	26	16,815	22,468
Total non-current liabilities		**8,634,590**	**8,445,432**
Current liabilities			
Liability for potential future MEP leavers	28	50,000	60,000
Trade payables	21	188,998	191,082
Current tax liabilities		79,762	89,618
Short-term borrowings	21, 25	166,724	129,919
Derivatives	21	5,175	30,853
Accrued expenses and deferred income	27	606,707	545,839
Other current liabilities	21	60,527	39,026
Total current liabilities		**1,157,893**	**1,086,337**
Total equity and liabilities		**16,191,643**	**16,392,062**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the parent company and non-controlling interest								
EUR thousand	Share capital	Other paidin capital	Legal reserves	Other reserves	Reserves for provision for future MEP leavers	Retained earnings	Total	Non-controlling interest	Total equity
Balance at December 31, 2020	**87,542**	**8,657,959**	**8,753**	**-**	**(37,000)**	**(6,675)**	**8,710,579**	**21,414**	**8,731,993**
Net loss for the period	-	-	-	-	-	(193,185)	**(193,185)**	-	**(193,185)**
Total other comprehensive income for the period	-	-	-	(3,315)	-	1,641	**(1,674)**	-	**(1,674)**
Adjustment to provision for future potential MEP leavers	-	-	-		7,000	-	**7,000**	-	**7,000**
Transactions with owners									
Shareholders contribution - 11.01.2021	1,247	123,333	125	-	-	-	**124,705**	-	**124,705**
Decrease in share premium - 25.03.2021	-	(1,698,388)	-	-	-	-	**(1,698,388)**	-	**(1,698,388)**
Shareholders contribution - 21.04.2021	191	17,813	19	-	-	-	**18,023**	-	**18,023**
Increase in share capital and legal reserves- 11.11.2021	8	846	1	-	-	-	**855**	-	**855**
Decrease in share capital and legal reserves- 11.11.2021	(38)	(3,206)	(4)	-	-	-	**(3,248)**	-	**(3,248)**
Treasury share transaction	-	-	-	-	-	(83)	**(83)**	-	**(83)**
Transaction with NCI	-	-	-	-	-	(1,000)	**(1,000)**	-	**(1,000)**
Sale of remaining NCI	-	-	-	(103,291)	-	-	**(103,291)**	(21,414)	**(124,705)**
Total transactions with owners	*1,408*	*(1,559,602)*	*141*	*(103,291)*	-	*(1,083)*	***(1,662,427)***	*(21,414)*	***(1,683,841)***
Balance at December 31, 2021	**88,950**	**7,098,357**	**8,894**	**(106,606)**	**(30,000)**	**(199,302)**	**6,860,293**	**-**	**6,860,293**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the parent company and non-controlling interest								
EUR thousand	Share capital	Other paid in capital	Legal reserves	Other reserves	Reserves for provision for future MEP leavers	Retained earnings	Total	Non-controlling interest	Total equity
Balance at December 31, 2021	**88,950**	**7,098,357**	**8,894**	**(106,606)**	**(30,000)**	**(199,302)**	**6,860,293**	**-**	**6,860,293**
Net loss for the period	-	-	-	-	-	(239,657)	**(239,657)**	-	**(239,657)**
Total other comprehensive income for the period	-	-	-	(227,719)	-	1,513	**(226,206)**	-	**(226,206)**
Adjustment to provision for future potential MEP leavers	-	-	-	-	10,000	-	**10,000**	-	**10,000**
Transactions with owners									
Increase in share capital - 29.04.2022	8	926	1	-	-	-	**935**	-	**935**
Decrease in share capital - 29.04.2022	(1)	(104)	-	-	-	-	**(105)**	-	**(105)**
Increase in share capital - 25.10.2022	3	309	-	-	-	-	**312**	-	**312**
Decrease in share capital - 25.10.2022	(10)	(913)	(1)	-	-	-	**(924)**	-	**(924)**
Effect of subsidiary Treasury shares transaction	-	-	-	-	-	(6,504)	**(6,504)**	-	**(6,504)**
Reclassification of SBP of 2021 from other reserves	-	-	-	(1,016)	-	1,016	-	-	-
Share-based payment expense	-	-	-	-	-	1,016	**1,016**	-	**1,016**
Total transaction with owners	-	218	-	(1,016)	-	(4,472)	**(5,270)**	-	**(5,270)**
Balance at December 31, 2022	**88,950**	**7,098,575**	**8,894**	**(335,341)**	**(20,000)**	**(441,918)**	**6,399,160**	**-**	**6,399,160**

The accompanying notes are an integral part of these consolidated financial statements.

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Consolidated Statements of Cash Flows

EUR thousand	Note	Period from Jan 1, 2022 to Dec 31, 2022	Period from Jan 1, 2021 to Dec 31, 2021
Operating activities			
Operating profit		131,833	129,172
Reversal of depreciation and amortisation	11	895,369	822,127
Other non-cash items	9	87,081	70,232
Paid taxes		(80,982)	(61,345)
Cash flow from operating activities before change in working capital		**1,033,301**	**960,186**
Change in working capital			
Change in inventories		(86,977)	(89,186)
Change in trade receivables		(49,723)	21,662
Change in other receivables		(13,810)	(5,527)
Change in trade payables		(1,339)	673
Change in other payables		111,766	(79,804)
Cash flow from change in working capital		*(40,083)*	*(152,182)*
Cash flow from operating activities		**993,218**	**808,004**
Investing activities			
Purchase of intangible assets		(400,739)	(378,151)
Purchase of property, plant and equipment		(440,428)	(385,016)
Prepayments of intangible assets		157	(1,000)
Cash flow used in investing activities		**(841,010)**	**(764,167)**
Financing activities			
Shareholder contributions		1,247	143,583
Decrease in share capital and legal reserves		(1,029)	(1,701,636)
Treasury share transaction		(6,504)	-
Amounts paid to holders of non-controlling interest		-	(124,705)
Paid bank and advisory fee		(6,441)	(74,077)
New financing		500,000	4,472,783
Repayment of financing		(500,000)	(2,734,562)
Change in borrowings		181,964	190,620
Call cost old debt		-	(17,175)
Net interest paid		(303,864)	(263,047)
Other financial items		(11,105)	(7,655)
Cash flow used in financing activities		**(145,732)**	**(115,871)**
Cash flow for the year		**6,476**	**(72,034)**
Cash and cash equivalents at start of period		46,976	108,660
Exchange difference on translating cash and cash equivalents		(116)	10,350
Cash and cash equivalents at end of year		**53,336**	**46,976**

The accompanying notes are an integral part of these consolidated financial statements.

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Notes to the Consolidated Financial Statements

Note 1 General Company Information

The consolidated financial statements of Aegis Lux 2 S.à r.l. (the "Company") covers the period from January 1, 2022 to December 31, 2022 and comprises the Company and its subsidiaries (herein after "the Group").

The Company is controlled by Hellman & Friedman LLC ("H&F"), other global private equity investment firms and management of the company.

The ultimate controlling entity in Europe is Aegis Lux 1A S.à r.l. (the "Parent"). The Parent opted for the Luxembourg Private Equity Exemption and discloses the fair market value of the Group in its standalone accounts, pursuant to the legal provisions of the Article 1711-8 (3) 3° of the amended law of August 10, 1915. Therefore, the Parent does not prepare consolidated financial statements. The consolidated financial statements for the broadest scope of companies are prepared by Aegis Lux 2 S.à r.l. These consolidated financial statements and the standalone accounts of Aegis Lux 1A S.à r.l are available at the Luxembourg Business Register.

Nature of operations

The Group is the leading provider of professionally monitored alarms for residential households and small businesses in Europe. We are also, through Arlo Europe, the leading provider of camera video surveillance systems in Europe. We offer premium monitored alarm services to our portfolio of over 4.7 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 and, starting in 2020, the sale of connected cameras under the Arlo brand in Europe. However, no segment reporting is included in this consolidated financial statement.

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 31 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.

Compliance with IFRS

This consolidated financial information comprises the consolidated statements of comprehensive income, the consolidated statements of financial position, consolidated statements of changes in equity and the consolidated statements of cash flows.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Historical cost basis

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).

Going Concern

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future. Management believes that the going concern assumption is appropriate for the Group due to adequate liquidity, capital position, and continued improvement in operating results. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

The Company was incorporated on October 6, 2020 and forms a new holding company within the group controlled by its parent Aegis Lux 1A S.à r.l. On December 23, 2020 the interests held by H&F Fund VII in Shield Luxco 1 S.à r.l. have been contributed at fair market value to the Company, which is controlled by other H&F Funds. This fund to fund transaction is considered as a new business combination under IFRS 3 and generated a change of control from an IFRS perspective. The first set of financial statements prepared by the Group was for the period from December 23, 2020 to December 31, 2020.

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Note 2 Accounting Policies

Basis of consolidation

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 unrealised gains and losses attributable to inter-company transactions are eliminated in the preparation of the consolidated financial statements.

Foreign currency translation

Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial information 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 recognised in the income statement when they arise. Exchange differences from operating items are recognised as either cost of sales or selling or administrative expenses, while exchange differences from financial items are recognised as financial income or financial expenses. When preparing the financial information 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 translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet item presented are translated at the closing rate on the closing date of that balance sheet.
- Income and expenses for each income statement are translated at average exchange rates.
- All resulting translation differences are recognised in other comprehensive income.
- When a foreign operation is sold or partially disposed of, translation differences that were recorded in equity are reclassified and recognised 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 translated 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.

Revenue recognition

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 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.

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Financing

To enhance the payment plan flexibility for 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 well 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

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 transfered, 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 recognised 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

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 payment

Equity plan

A limited number of top management of the Company 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 fair market value and with participants' out-of-pocket resources, there is no benefit for the employees when they enter the plan. Participants who already had interest in Shield Luxco 2 S.à r.l. and/or Dream Luxco SCA under the previous plan received corresponding interests in the Company under the new plan. The previous plan has been terminated. The plan is considered as equity settled, except for the specific provision described hereafter.

Aegis Lux 2 S.à r.l. has a call option to acquire shares from the leavers under specific conditions. The shares are bought back at fair value or at cost depending on the nature of the leaver. The

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difference between the fair market value and the acquisition cost paid by a leaver constitute an expense for Aegis Lux 2 S.à r.l. However, the vast majority of the participants are not expected to leave the Group before the exit event. The exit event represents the situation when H&F would no longer be controlling the Group.

In the years ended 2022 and 2021, the Group determined an estimate of the liability pertaining to those participants leaving the group before an exit as the plan is considered cash-settled for those participants. A liability for the amounts payable to such potential leavers was booked against Reserves for Provision for Future MEP Leavers directly in Equity, in relation to MEP liability. There is no impact on the profit and loss account in 2022 and 2021, respectively.

Share option plan

Certain employees of the Group are granted share options in the Comapny. The Share Option Plan is settled through equity and disclosed accordingly. Hence, the options are recognised as an employee benefits expenses, 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

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

Property, plant and equipment are recognised 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 recognised as a separate asset, as appropriate, 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 based on the asset's cost and is allocated using the straight-line method over the asset's estimated useful life, 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 lives are based primarily on historical experience with regards to the lifecycle of customers, as well as anticipation of future events that may impact useful life, such as changes in technology and macro- economic factors. Alarm equipment is primarily equipment installed on customers' premises. Other machinery and equipment is primarily IT-equipment and furniture.

An asset's residual value and value-in-use are reviewed, and adjusted if appropriate, annually on the 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 recognised in the income statement as cost of sales.

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Intangible assets

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 identifiable acquired net assets on that date, the difference is recognised 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 amortisation 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 whichthe 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
Development costs	3 – 5 years
Other intangible assets	3 – 18 years

Starting in January 2022, treatment of direct costs related to the acquisition of customer contracts were simplified, 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

Impairment of non-financial assets

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.

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Financial instruments

Initial recognition

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 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 longterm 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.

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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 24. 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 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 include cash in hand, deposits held at call with banks and other short-term 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. 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

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

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.

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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.

Leases

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 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 variates 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 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.

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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 recognised during the accounting period. Such assumptions and estimates are based on factors such as historical experience, the observance of trends in the industries in which the Group operates and information available from the Group's customers and other outside sources. 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 carryingamounts of the Group's assets and liabilities within the next financial year is discussed below.

- Revenue recognition.
- Testing for impairment of goodwill and other assets (note 17).
- Measurement of deferred income tax assets and deferred income tax liabilities (note 13).
- Measurement of provisions and allocation for accrued expenses (note 26 and 27).
- Depreciation period for alarm equipment and amortisation period for customer portfolio (note 15 and 18).
- Estimates regarding leases (note 10).

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 recognised 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 is dependent of 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 of indefinite-life assets and, for 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 involving management 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 has performed a sensitivity analysis with the conclusion that the Group would not have any impairment issues if the Weighted Average Cost of Capital (WACC) used was 1 percentage unit higher or if the compound annual growth rate was 1 percentage unit 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

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 which we operate.

Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items.

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As a result, 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 utilisation.

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 itis probable that sufficient and suitable taxable profits will be available in the future against which the reversal of deductible temporary differences can be realised. 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 recognised.

The amounts recognised 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 itemsmeans any resolution could differ from the accounting esti- mates 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 staff-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 amortisation 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.

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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 (SDI), depreciation and amortization, retirement of assets, financial items and taxes are not reported per segment. SDIs affecting adjusted EBITDA typically include one-off costs related to various projects within the Group. 2021 figures included a provision related to the appeal of the NCA decision. The fine was paid in December 2021.

	2022					
EUR thousand	Customer acquisition	Portfolio services	Adjacencies	Total Group - Excl SDI	SDI	Total Group
Revenue	**385,954**	**2,358,158**	**82,910**	**2,827,022**	**-**	**2,827,022**
Adjusted EBITDA	**(544,949)**	**1,694,335**	**2,424**	**1,151,810**	**(35,488)**	**1,116,322**
Depreciation and amortization	-	-	-	(326,437)	(568,933)	(895,370)
Retirement of assets	-	-	-	(87,102)	-	(87,102)
Financial items	-	-	-	(322,438)	(14,338)	(336,776)
Result before tax	**-**	**-**	**-**	**415,833**	**(618,759)**	**(202,926)**

	2021					
EUR thousand	Customer acquisition	Portfolio services	Adjacencies	Total Group - Excl SDI	SDI	Total Group
Revenue	**373,492**	**2,043,673**	**91,682**	**2,508,847**	**-**	**2,508,847**
Adjusted EBITDA	**(421,139)**	**1,477,423**	**(8,448)**	**1,047,836**	**(24,607)**	**1,023,229**
Depreciation and amortization	-	-	-	(252,165)	(569,960)	(822,126)
Retirement of assets	-	-	-	(70,234)	-	(70,234)
Financial items	-	-	-	(290,413)	(26,691)	(317,104)
Result before tax	**-**	**-**	**-**	**435,024**	**(621,258)**	**(186,234)**

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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	Period from Jan 1, 2022 to Dec 31, 2022	Period from Jan 1, 2021 to Dec 31, 2021
Revenue	2,827,022	2,508,847
Other income	4,759	5,276
Total operating income	**2,831,781**	**2,514,123**
Employee benefit expense	(1,067,448)	(940,519)
Depreciation and amortisation expense	(895,369)	(822,126)
Retirement of assets	(87,102)	(70,234)
Cost of materials	(91,440)	(86,050)
Marketing-related costs	(213,554)	(198,189)
Other cost	(345,035)	(267,833)
Total operating cost	**(2,699,948)**	**(2,384,951)**
Operating profit	**131,833**	**129,172**

EUR thousand	Period from Jan 1, 2022 to Dec 31, 2022	Period from Jan 1, 2021 to Dec 31, 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 12.

Note 6 Audit Fees

EUR thousand	Period from Jan 1, 2022 to Dec 31, 2022	Period from Jan 1, 2021 to Dec 31, 2021
PwC		
Audit assignments	2,006	1,849
Audit work apart from the audit assignment	88	219
Tax consultancy	126	128
Other services[1]	726	421
Total PwC	**2,946**	**2,617**
Other auditors		
Audit assignments	15	16
Total other auditors	**15**	**16**
Total for the Group	**2,961**	**2,633**

[1] *The main part of the work is related to refinancing events.*

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Note 7 Employee Remuneration of Directors and Executive Management

Employee Benefit Expenses

EUR thousand	Period from Jan 1, 2022 to Dec 31, 2022	Period from Jan 1, 2021 to Dec 31, 2021
Wages and salaries (including restructuring costs and other termination benefits)	795,121	725,141
Social security costs	229,278	174,934
Pension costs	*43,208*	*40,445*
Total	**1,067,607**	**940,520**

Remuneration of directors and executive management

Included in the table above are the remuneration of directors and executve management summarized below:

EUR thousand	Period from Jan 1, 2022 to Dec 31, 2022	Period from Jan 1, 2021 to Dec 31, 2021
Short-term employee benefits	*3,496*	*3,158*
Post-employment benefit	38	20
Total	**3,534**	**3,178**

The executive management has a 12 months' notice period corresponding to an amount of 10,539 thousand in 2022, compared to EUR 9,992 thousand in 2021.

Employee information

The Group has 22,691 and 20,234 average number of full-time equivalent employees ("FTEs") as at December 31, 2022 and 2021, respectively

Note 8 Employee Option Plan

Certain employees of the Group participate in a management option plan and are granted options in the Company 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:

EUR thousand	Period from Jan 1, 2022 to Dec 31, 2022	Period from Jan 1, 2021 to Dec 31, 2021
As of beginning of the period	1,309,166	-
Granted during the year	227,301	1,309,166
Forfeited during the year	(45,816)	-
Exercised during the period	(11,662)	-
As of end of the period	**1,478,989**	**1,309,166**

No options are exercisable at December 31, 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 recognised during the period was EUR 1,110 thousand (1,110 in 2021).

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Note 9 Non-Cash Items

EUR thousand	Period from Jan 1, 2022 to Dec 31, 2022	Period from Jan 1, 2021 to Dec 31, 2021
Retirement of assets[1]	87,102	70,234
Other	(21)	(2)
Total	**87,081**	**70,232**

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

Note 10 Leases

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

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

EUR thousand	Period from Jan 1, 2022 to Dec 31, 2022	Period from Jan 1, 2021 to Dec 31, 2021
Amortization charge of right of use assets	51,152	48,401
Interest expense[1]	5,496	4,915
Expense relating to short-term leases[2]	2,688	606
Expenses relating to leases of low-value assets that are not shown above as short-term leases[2]	281	1,114
Total	**59,617**	**55,036**

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	305
Total	**51,152**	**44,341**

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
Total	**57,619**	**48,689**

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Note 11 Depreciation and Amortisation

EUR thousand	Period from Jan 1, 2022 to Dec 31, 2022	Period from Jan 1, 2021 to Dec 31, 2021
Property, plant and equipment	190,081	148,673
Right of use assets	51,152	48,401
Customer portfolio	571,259	543,603
Other intangible assets	82,877	81,449
Total	**895,369**	**822,126**

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

EUR thousand	Period from Jan 1, 2022 to Dec 31, 2022	Period from Jan 1, 2021 to Dec 31, 2021
Cost of sales	243,689	179,754
Selling and administrative expenses	651,680	642,372
Total	**895,369**	**822,126**

Note 12 Financial Income and Expenses

EUR thousand	Period from Jan 1, 2022 to Dec 31, 2022	Period from Jan 1, 2021 to Dec 31, 2021
Interest income, other	950	564
Finance income	**950**	**564**
Interest cost on borrowings	(282,134)	(251,905)
Interest cost, leasing	(5,496)	(4,915)
Interest cost, other	(22,519)	(16,783)
Interest cost on interest rate swaps	-	(11,588)
Fair value changes in currency derivatives	20,011	3,662
Fair value changes in interest rate derivatives	-	9,406
Net currency translation differences	(24,665)	23,109
Bank charges	(18,594)	(40,271)
Other items	(4,391)	(28,903)
Financial expenses	**(337,788)**	**(318,188)**
Financial income and expenses	**(336,838)**	**(317,624)**

Details of borrowings are presented in note 25.

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Note 13 Taxes

EUR thousand	2022		2021	
Current tax	(74,623)	36.4%	(79,024)	41.93%
Deferred tax	39,971	(19.5%)	74,291	(39.42%)
Total income tax benefit	**(34,652)**	**16.9%**	**(4,733)**	**2.51%**

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	42,231	(20.6%)	38,821	(20.60%)
Difference between tax rate in Sweden and weighted tax rates applicable to foreign subsidiaries	20,093	(9.8%)	10,502	(5.57%)
Non-recognised deferred tax assets on losses carried forward, new losses as well as utilised losses[1]	(50,973)	24.9%	24,181	(12.83%)
Non-taxable/non-deductible income statement items, net	(42,022)	20.5%	(45,042)	23.90%
Effect of tax rates changed	(1,303)	0.6%	23,723	(12.59%)
Taxes with basis other than income	(116)	0.06%	(3,100)	1.64%
Other	(2,562)	1.3%	(53,818)	28.56%
Total	**(34,652)**	**16.9%**	**(4,733)**	**2.51%**

Other comprehensive income

Tax on other comprehensive income

EUR thousand	Period from Jan 1, 2022 to Dec 31, 2022	Period from Jan 1, 2021 to Dec 31, 2021
Deferred tax on remeasurements of defined benefit pension plans	(120)	18
Deferred tax on hedging reserve	1,768	(3,671)
Total	**1,648**	**(3,653)**

Balance sheet

Deferred tax assets attributable to:

EUR thousands	2022	2021
Temporary differences arising between the tax bases and carrying amounts	11,761	12,692
Pensions provisions & employee related liabilities	2,079	1,808
Risk reserves	2,122	1,992
Tax loss carry-forwards	75,614	113,082
Acquisition-related intangible assets	1,442	905
IFRS 15	26,074	25,716
Other temporary differences	45,121	19,486
Total deferred tax assets	**164,213**	**175,681**
Netting[1]	(135,435)	(147,821)
Total	**28,778**	**27,860**

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Deferred tax liabilities attributable to:

EUR thousands	2022	2021
Temporary differences arising between the tax bases and carrying amounts	42,671	43,432
Acquisition-related intangible assets[2]	1,084,536	1,304,985
Pension provisions and employee related liabilities	169	-
Customer acquisition costs	186,100	62,046
IFRS 15	15,993	14,090
Other temporary differences	55,452	29,962
Total deferred tax liabilities	**1,384,921**	**1,454,515**
Netting[1]	(135,435)	(147,821)
Total	**1,249,486**	**1,306,694**
Net deferred tax liabilities	**(1,220,708)**	**(1,278,834)**

1) The Group has offset deferred tax assets and liabilities on the consolidated statement of financial position where a right to offset existed.
2) Deferred tax has decreased due to amortisation of the acquisition-related intangible assets.

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 746.3 million (768.7 in 2021). As of 31st December, 2022, tax loss carry-forwards for which deferred tax assets had been recognized amounted to EUR 354.5 million (EUR 510.8 million in 2021) and deferred tax assets related to the tax loss amounted to EUR 75.6 million (EUR 113.1 million 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 14 Transaction 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.

During the period from January 1 to December 31, 2022. There are no transactions between the Group and other related parties except for the transactions with owners disclosed in the consolidated statements of changes in equity.

During the period from January 1 to December 31, 2021. There are no transactions between the Group and other related parties except for the transactions with owners disclosed in the consolidated statements of changes in equity.

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Note 15 Property, Plant and Equipment

	2021		
EUR thousand	**Alarm equipment**	**Other**	**Total**
Cost at January 1	954,817	53,588	**1,008,405**
Additions	358,958	26,058	**385,016**
Disposals/retirement of assets	(109,906)	(1,976)	**(111,882)**
Translation differences	627	93	**720**
Cost at end of year	**1,204,496**	**77,763**	**1,282,259**
Amortisation at January 1	(2,123)	(358)	**(2,481)**
Disposals/retirement of assets	37,221	1,814	**39,035**
Amortisation charge for the period	(131,402)	(17,271)	**(148,673)**
Translation differences	(188)	-	**(188)**
Accumulated amortisation at end of year	**(96,492)**	**(15,815)**	**(112,307)**
Net book value at end of year	**1,108,004**	**61,948**	**1,169,952**

	2022		
EUR thousand	**Alarm equipment**	**Other**	**Total**
Cost at January 1	1,204,496	77,764	**1,282,260**
Additions	410,078	30,349	**440,427**
Disposals/retirement of assets	(137,082)	(13)	**(137,095)**
Translation differences	(15,816)	(931)	**(16,747)**
Cost at end of year	**1,461,676**	**107,169**	**1,568,845**
Amortisation at January 1	(96,492)	(15,815)	**(112,307)**
Disposals/retirement of assets	43,865	(1,229)	**42,636**
Amortisation charge for the period	(168,123)	(21,957)	**(190,080)**
Translation differences	5,784	1,748	**7,532**
Accumulated amortisation at end of year	**(214,966)**	**(37,253)**	**(252,219)**
Net book value at end of year	**1,246,710**	**69,916**	**1,316,626**

Refer to Note 2 Accounting Policies for more information.

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Note 16 Right of Use Assets

	2021			
EUR thousand	**Buildings**	**Vehicles**	**Other assets**	**Total**
Cost at January 1	88,460	40,385	1,255	**130,100**
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	**305**
Cost at end of year	**114,310**	**53,946**	**1,503**	**169,759**
Depreciation at January 1	(434)	(548)	(6)	**(988)**
Depreciation charge for the period	(21,149)	(26,939)	(313)	**(48,401)**
Terminations of lease contracts	7,416	19,026	11	**26,453**
Translation differences	102	(75)	14	**41**
Accumulated depreciation at end of year	**(14,065)**	**(8,536)**	**(294)**	**(22,895)**
Net book value at end of year	**100,245**	**45,410**	**1,209**	**146,864**

	2022			
EUR thousand	**Buildings**	**Vehicles**	**Other assets**	**Total**
Cost at January 1	114,310	53,946	1,503	**169,759**
New lease contracts	29,673	35,373	51	**65,097**
Terminations of lease contracts	(11,777)	(32,750)	(138)	**(44,665)**
Translation differences	(1,794)	(470)	20	**(2,244)**
Cost at end of year	**130,412**	**56,099**	**1,436**	**187,947**
Depreciation at January 1	(14,065)	(8,536)	(294)	**(22,895)**
Terminations of lease contracts	10,599	31,672	134	**42,405**
Depreciation charge for the period	(22,973)	(27,799)	(380)	**(51,152)**
Translation differences	623	320	7	**950**
Accumulated depreciation at end of year	**(25,816)**	**(4,343)**	**(533)**	**(30,692)**
Net book value at end of year	**104,596**	**51,756**	**903**	**157 255**

Refer to Note 2 Accounting Policies for more information.

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Note 17 Goodwill

EUR thousand	2022	2021
Cost at beginning of the period	7,790,128	7,790,128
Adjustment of purchase price allocation	(175,565)	-
Cost at end of the period	**7,614,563**	**7,790,128**

The Goodwill is related to the acquisition of Shield 1. Accounting policies related to Goodwill are described in Note 2. The adjustment of purchase price allocation amounting to EUR 175.6 million reduction is the result of a change in exchange rate methodology applied to the goodwill for certain jurisdictions and has a corresponding impact in translation difference in equity.

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

EUR thousand	2022	2021
Northern Europe	4,379,025	4,549,815
Southern Europe	3,143,345	3,144,087
Latin America	92,193	96,226
Total	**7,614,563**	**7,790,128**

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 percentage unit higher or if the compound annual growth rate was 1 percentage unit lower."

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Note 18 Customer Portfolio

EUR thousand	2022	2021
Cost at beginning of the period	5,831,038	5,580,810
Additions	276,329	266,704
Disposals/retirement of assets	(2,027)	(17,292)
Translation differences	(91,567)	816
Cost at end of period	**6,013,773**	**5,831,038**
Amortisation at beginning of the period	(535,109)	(8,011)
Disposals/retirements of assets	1,870	17,379
Amortisation charge for the period	(571,259)	(543,603)
Translation differences	5,253	(874)
Accumulated amortisation at end of the period	**(1,099,245)**	**(535,109)**
Net book value at end of period	**4,914,528**	**5,295,929**

Intangible assets arising on acquisitions are principally represented by aquired 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 17. Out of total net book value 481,049 thousands (251,119 in 2021) relates to cost to obtain a contract. Refer to note 2 Accounting Policies for more information.

Note 19 Other Intangible Assets

EUR thousand	2022	2021
Cost at beginning of the period	1,397,609	1,287,461
Additions	124,410	111,447
Disposals/retirements of assets	(1,711)	(1,079)
Translation differences	99	(220)
Cost at end of the period	**1,520,407**	**1,397,609**
Amortisation at beginning of the period	(83,006)	(2,545)
Disposals/retirements of assets	1,231	880
Amortisation charge for the period	(82,877)	(81,451)
Translation differences	94	110
Accumulated amortisation at end of the period	**(164,558)**	**(83,006)**
Net book value at end of the period	**1,355,849**	**1,314,603**

Out of the total book value, EUR 217,793 thousand (134,833 in 2021) relates to internally developed intangible assets. Refer to Note 2 Accounting Policies for more information.

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Note 20 Prepayments and deferred income

EUR thousands	2022	2021
Accrued sales income	1,260	1,017
Prepaid expenses	76,179	57,951
Other accrued income	4,388	127
Total	**81,827**	**59,095**

Note 21 Financial Risk Management

Financial instruments by category and valuation level

EUR thousand	2022 Financial asset	2022 Financial Liability	2021 Financial Asset	2021 Financial Liability
Hedge accounting				
FX forwards[1]	6,244	5,175	9,651	-
Fair value through profit or loss				
FX Swaps[1]	-	-	-	3,479
Cross currency forwards[1]	1 ,363	-	-	18,630
Interest rate swaps[1]	-	4,593	-	8,744
Amortised cost				
Trade and other receivables, non-current	70,478	-	79,637	-
Trade receivables, current[2,4]	193,131	-	147,629	-
Other current receivables[2,4]	42,499	-	35,448	-
Cash and cash equivalents	53,336	-	46,976	-
Long-term borrowings[2,3]	-	7,252,455	-	7,029,477
Other non-current liabilities[2]	-	111,241	-	86,793
Trade payables[2,4]	-	188,998	-	191,082
Accured expenses, current[2,4]	-	206,518	-	-
Short-term borrowings[2,4]	-	166,724	-	129,919
Other current liabilities[2,4]	-	60,527	-	39,026

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 25.
3) Fair value for the bond (includes both Senior Secured Notes and Senior Unsecured Notes) amounts EUR 3,507 million (4,010 million in 2021), fair value for the Term Loan B is EUR 2,605 million (2,780 million 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.

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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:

EUR thousand	2022	2021
Current liabilities		
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
Total	**9,768**	**30,853**
Current receivables		
FX forward – cash flow hedges	6,244	9,651
Cross currency swaps – held for trading	1,363	-
Total	**7,607**	**9,651**

Change in hedging reserve

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

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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 ineffectivness	5,175
Weighted average for outstanding hedging instruments in USD (including forward points)	SEK 10.74 : 1 USD EUR 1.02 : 1 USD

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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 ineffectivness	(6,244)	(9,651)
Weighted average for outstanding hedging instruments in USD (including forward points)	SEK 9.73 : 1 USD EUR 1.13 : 1 USD	SEK 8.59 : 1 USD EUR 1.19 : 1 USD

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 23."

"

Financial credit risk

Verisure's objective is to minimize 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.

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Interest bearing liabilities per currency

EUR thousand	2022	2021
Long-term borrowings (principal amount)		
EUR liabilities	7,175,277	6,959,911
SEK liabilities	142,175	152,979
Other currencies	23,528	16,226
Total	**7,340,980**	**7,129,116**
Short-term borrowings		
EUR liabilities	154,071	119,982
SEK liabilities	4,182	3,769
Other currencies	8,471	6,168
Total	**166,724**	**129,919**

Credit facilities as per December 31, 2022

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

Credit facilities as per December 31, 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

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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 minimized 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 as per December 31, 2022

	2022			
EUR thousand	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)	**(7,265,652)**
Interest payments borrowings	(376,625)	(1,309,258)	(108,269)	**(1,794,152)**
Interest payments derivatives[2]	(30,684)	(109,116)	-	**(139,800)**
Other non-current liabilities	-	(1,267)	(2,048)	**(3,315)**
Lease liabilities	(46,439)	(89,272)	(24,925)	**(160,636)**
Trade payables	(188,998)	-	-	**(188,998)**
Derivatives, currency forwards	(18,573)	(33,584)	-	**(52,157)**
Liability for potential future MEP leavers	(50,000)	-	-	**(50,000)**
Other current liabilities	(60,527)	-	-	**(60,527)**
Total outflow	**(825,274)**	**(7,445,192)**	**(1,444,771)**	**(9,715,237)**
Other non-current receivables	-	50,580	3,159	**53,739**
Trade receivables	193,131	-	-	**193,131**
Derivatives, currency forwards	10,475	18,941	-	**29,416**
Interest derivatives	21,840	77,667	-	**99,507**
Other current receivables	42,499	-	-	**42,499**
Total inflow	**267,945**	**147 ,188**	**3,159**	**418,292**
Net cash flow, total	**(557,329)**	**(7,298,004)**	**(1,441,612)**	**(9,296,945)**

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Liquidity report as per December 31, 2021

	2021			
EUR thousand	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)	**(7,031,987)**
Interest payments borrowings	(264,030)	(947,137)	(239,761)	**(1,450,928)**
Interest payments derivatives[2]	(7,870)	-	-	**(7,870)**
Other non-current liabilities	-	(86,794)	-	**(86,794)**
Lease liabilities	(41,102)	(77,693)	(28,064)	**(146,859)**
Trade payables	(191,082)	-	-	**(191,082)**
Derivatives, currency forwards	(8,641)	-	-	**(8,641)**
Liability for potential future MEP leavers	(60,000)	-	-	**(60,000)**
Other current liabilities	(39,026)	-	-	**(39,026)**
Total outflow	**(640,480)**	**(3,236,219)**	**(5,146,488)**	**(9,023,187)**
Other non-current receivables	-	79,014	623	**79,637**
Trade receivables	147,629	-	-	**147,629**
Derivatives, currency forwards	6,645	-	-	**6,645**
Interest derivatives	125	-	-	**125**
Other current receivables	35,448	-	-	**35,448**
Total inflow	**189,847**	**79,014**	**623**	**269,484**
Net cash flow, total[1]	**(450,633)**	**(3,157,205)**	**(5,145,865)**	**(8,753,703)**

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

2) Including interest rate swaps.

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 interest rate swap contracts to economically hedge cash flows arising from the Groups' long-term debt contracts. The Group seek 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 25 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.

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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."

	2022		2021	
	Effect		Effect	
EUR million	Impact on post-tax profit	Impact on other componentes of equity	Impact on post-tax profit	Impact on other componentes of equity
Interest rate risk				
Interest rate +1 percentage point	(24)	(24)	2	2
Interest rate -1 percentage point	(8)	(8)	(15)	(15)
Transaction risk				
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 annualized) 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 25."

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Note 22 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 23 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)
Total	**46,742**	**50,566**

Current

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

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)
Balance at end of year	**116,191**	**110,790**

Customer credit losses recognised in the income statement is EUR 34.2 million during the period (2021: 31.3 million).

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
Total	**145,371**	**134,115**

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Note 24 Share Capital

As at December 31, 2022 the Company's share capital totalled EUR 88,950,432.25 (2021:EUR 88,950,087.04) distributed among 8,895,043,225 (2021: 8,895,008,704) shares divided into different classes with a nominal value of EUR 0.01 each, fully paid.

Change in number of shares

	Number of Shares 2022	%	Number of Shares 2021	%
Preference	8,669,051,936	97.46%	8,669,186,227	97.46%
Class A	213,173,416	2.40%	213,176,719	2.40%
Class B	12,817,873	0.14%	12,645,758	0.14%
Number of shares at end of year	**8,895,043,225**	**100.00%**	**8,895,008,704**	**100.00%**

Note 25 Borrowings

EUR thousand	2022 Principal amount	2022 Adjustment amortised costs	2022 Carrying amount	2021 Principal amount	2021 Adjustment amortised costs	2021 Carrying amount
Non-current liabilities						
Secured						
Senior Secured Notes	2,650,000	(22,999)	**2,627,001**	2,650,000	(21,472)	**2,628,528**
Term Loan B[1]	2,800,000	(42,447)	**2,757,553**	2,800,000	(51,445)	**2,748,555**
Revolving Credit Facility	454,499	(9,863)	**444,636**	234,715	(11,749)	**222,966**
Unsecured						
Senior Unsecured Notes	1,309,870	(13,216)	**1,296,655**	1,321,337	(14,972)	**1,306,365**
Liabilities to other creditors	12,354	-	**12,354**	14,014	-	**14,014**
Lease Liability	114,257	-	**114,257**	109,049	-	**109,049**
Long-term borrowings	**7,340,980**	**(88,525)**	**7,252,455**	**7,129,115**	**(99,638)**	**7,029,477**
Current liabilities						
Accrued interest expenses	81,416	-	81,416	62,882	-	**62,882**
Other liabilities	38,929	-	38,929	25,935	-	**25,935**
Lease liability	46,379	-	46,378	41,102	-	**41,102**
Short-term borrowings	**166,724**	**-**	**166,724**	**129,919**	**-**	**129,919**
Total	**7,507,704**	**(88,525)**	**7,419,179**	**7,259,034**	**(99,638)**	**7,159,397**

1) Of the total amount regarding adjustment amortised costs, EUR 13,103 thousand in 2022 (EUR 16,482 thousand in 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, irrevocably and fully and unconditionally guaranteed by certain 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.

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

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

The majority of all borrowings with floating interest include a floor of 0% which means the 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

			Non-Cash changes					
EUR thousands	Carrying amount Jan 1, 2022	Cash flows	Change in adjustment amortised cost	New Lease contracts	Lease contracts terminated in advance	Foreign exchange movement	New accrued interest	Carrying amount Dec 31, 2022
Long-term borrowings	**6,920,428**	218,124	11,113	-	-	(11,467)	-	**7,138,198**
Short-term borrowings	**25,935**	12,994	-	-	-	-	-	**38,929**
Accrued interest	**62,882**	(62,882)	-	-	-	-	81,416	**81,416**
Lease liabilities	**150,151**	(49,154)	-	63,943	(2,705)	(1,600)	-	**160,635**
Total liabilities	**7,159,396**	**119,082**	**11,113**	**63,943**	**(2,705)**	**(13,067)**	**81,416**	**7,419,178**
Cash and cash equivalents	**(46,976)**	(6,476)	–	–	–	116	–	**(53,336)**
Total cash	**(46,976)**	**(6,476)**	**–**	**–**	**–**	**116**	**–**	**(53,336)**
Total	**7,112,420**	**112,606**	**11,113**	**63,943**	**(2,705)**	**(12,951)**	**81,416**	**7,365,842**

			Non-Cash changes					
EUR thousands	Carrying amount Jan 1, 2021	Cash flows	Change in adjustment amortised cost	New Lease contracts	Lease contracts terminated in advance	Foreign exchange movement	New accrued Interest	Carrying amount Dec 31, 2021
Long-term borrowings	**4,980,128**	1,976,576	(32,957)	-	-	(3,319)	-	**6,920,428**
Short-term borrowings	**27,694**	(1,759)	-	-	-	-	-	**25,935**
Accrued interest	**36,390**	(36,390)	-	-	-	-	62,882	**62,882**
Lease liabilities	**131,582**	(45,976)	-	69,670	(5,216)	91	-	**150,151**
Total liabilities	**5,175,794**	**1,892,451**	**(32,957)**	**69,670**	**(5,216)**	**(3,228)**	**62,882**	**7,159,396**
Cash and cash equivalents	**(108,660)**	**72,034**	–	–	–	**(10,350)**	–	**(46,976)**
Total cash	**(108,660)**	**72,034**	**–**	**–**	**–**	**(10,350)**	**–**	**(46,976)**
Total	**5,067,134**	**1,964,485**	**(32,957)**	**69,670**	**(5,216)**	**(13,578)**	**62,882**	**7,112,420**

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Note 26 Other Provisions

EUR thousand	2022	2021
Balance at beginning of year	22,468	92,923
Additional provisions	5,977	9,059
Utilised provisions	(11,630)	(79,514)
Balance at end of year	**16,815**	**22,468**

Breakdown

EUR thousand	2022	2021
Provision for staff related costs	1,303	2,818
Provision for service related costs	1,825	4,226
Provisions for litigations	-	31
Other items	13,687	15,393
Total	**16,815**	**22,468**

Note 27 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	117,516	95,131
Total	**606,707**	**545,839**

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 December 31, 2022, amounts to EUR 752,489 thousand, compared to EUR 637,208 thousand as of December 31, 2021. As of December 31, 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 December 31, 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 primarily cancellable subscriptions, the amount of the outstanding unsatisfied performance obligation does not amount to expected revenue for future periods.

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Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers:

EUR thousand	2022	2021
Opening balance	296,445	293,667
Prepayments taken as income	(236,927)	(225,820)
New prepayments	308,967	228,811
Translation effect	690	(214)
Closing balance	**369,175**	**296,444**

Closing balance consists of:		
Non-current liabilities	106,516	74,480
Current liabilities	262,659	221,964
Total liabilities	**369,175**	**296,444**

Note 28 Liability for Potential Future Equity Plan Leavers

As at December 31, 2022 and 2021, the liability for potential future leavers amounts to EUR 50 million and EUR 60 million, respectively. This estimate has been calculated based on various parameters considering the previous rounds of leavers in the previous years, the assumptions of time until exit and of the number of potential future leavers as provided by the Group's Human Resources department. The changes in the amount of the liability in subsequent years were recognised as an adjustment to 'Reserves for provisions for future MEP leavers' in equity.

The fair value of the shares is prepared and reviewed on a quarterly basis by external independent advisors and approved by the valuation committee of the Group.

Note 29 Pledged Assets and Contingent Liabilities

Pledged assets

EUR thousand	2022	2021
Endowment insurance	567	622
Shares in subsidiaries	2,054,531	2,054,531
Bank accounts	29,867	15,126
Other operating assets	65,434	67,822
Trademark	56,206	66,925
Accounts receivables	189,245	124,264
Inventories	645	729

Contingent liabilities

EUR thousand	2022	2021
Guarantees	37,431	36,769

The Group has pledged shares in subsidiaries, certain bank accounts, certain trade receivables, certain IP rights, certain inventory assets, certain intra-group loans, intra-group equity certificates, rights under certain insurances, certain rights under the acquisition agreements regarding the purchase of the Group and certain rights under reports in relation to the acquisition of the Group as collateral for bank borrowings, as disclosed in note 25. 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 in a ruling in June 2023 dismissed the appeal. The Alarm Customer Association class action is thereby finally dismissed

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Note 30 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, Alex Froment-Curtil joined Verisure as Managing Director of France and a member of the Group Management Team. Prior to joining Verisure, Alex was the Chief Commercial Officer of the Vodafone Group and member of the Executive Committee. Over 18 years, he has held many senior commercial roles across Europe and Africa, such as CEO for Vodafone Turkey, Vodafone Egypt and Vodafone Hungary. Prior to working at Vodafone, Alex worked for the strategy consulting firm Booz Allen Hamilton.

Anthony Loizeau, General Manager for the Nordics Cluster, left 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 has 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.

Note 31 Shares in Subsidiaries

Subsidiary name	Country	Share of share capital and voting rights
VSD Sverige AB	Malmö, Sweden	100.00%
Verisure Topholding AB	Malmö, Sweden	100.00%
Verisure Midholding AB (publ)	Malmö, Sweden	100.00%
Verisure Holding AB (publ)	Malmö, Sweden	100.00%
Securitas Direct AB (publ)	Malmö, Sweden	100.00%
Verisure Sales Sverige AB	Linköping, Sweden	100.00%
Verisure Sverige AB	Linköping, Sweden	100.00%
Alert Alarm AB	Solna, Sweden	100.00%
Securitas Direct Sverige AB	Linköping, Sweden	100.00%
Verisure Logistics AB	Malmö, Sweden	100.00%
Verisure Innovation AB	Malmö, Sweden	100.00%
Verisure International AB	Malmö, Sweden	100.00%
ESML SD Iberia Holding S.A.U.	Madrid, Spain	100.00%
Securitas Direct España S.A.U	Madrid, Spain	100.00%
Verisure Perú S.A.C	Santiago de Surco, Peru	100.00%
Verisure Italy S.R.L.	Rome, Italy	100.00%
Verisure Brazil Monitoramento de Alarmes LTDA	São Paulo, Brazil	100.00%
Securitas Direct Portugal Unip. LDA	Lisbon, Portugal	100.00%
Verisure Chile SPA	Santiago, Chile	100.00%
Verisure Argentina Monitoreo de Alarmas S.A	Buenos Aires, Argentina	100.00%
Verisure SAS	Antony, France	100.00%
Verisure Sàrl	Versoix, Switzerland	100.00%
Verisure Services Portugal Unip. LDA	Lisbon, Portugal	100.00%
OPSEC International BV	Amsterdam, The Netherlands	100.00%
Securitas Direct BV	Amsterdam, The Netherlands	100.00%
Verisure Installation and Monitoring B.V.	Amsterdam, The Netherlands	100.00%
Verisure NV	Brussels, Belgium	100.00%
Verisure Academy BV	Brussels, Belgium	100.00%
Verisure Security BV	Brussels, Belgium	100.00%

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Subsidiary name	Country	Share of share capital and voting rights
Verisure Holding AS	Oslo, Norway	100.00%
Verisure AS	Oslo, Norway	100.00%
Verisure A/S	Glostrup, Denmark	100.00%
Falck Alarm by Verisure A/S	Glostrup, Denmark	100.00%
Verisure Oy	Helsinki, Finland	100.00%
Verisure Services (UK) Limited	Brentford, United Kingdom	100.00%
Verisure Arlo Europe DAC	Cork, Ireland	100.00%
Verisure Deutschland GmbH	Düsseldorf, Germany	100.00%
Verisure Ireland DAC	Cork, Ireland	100.00%

The following German domestic, fully consolidated subsidiary made use of the exempting provisions for the financial year 2022 according to the exempting provisions in Section 264 (3) of the German Commercial Code HGB: Verisure Deutschland GmbH, Ratingen (AG Düsseldorf, HRB 85120).

19 September 2023, Luxembourg

Francois Cornelis
Authorised Signatory

Fotokopians överensstämmelse
med originalet intygas:

Definitions

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Key operating metrics

Management uses several 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 our 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 we may change our definitions of these metrics. These metrics include the following:

Adjusted EBITDA
Earnings before interests, taxes, depreciation and amortisation, write-offs and separately disclosed items (SDIs).

Attrition rate
The attrition rate is the number of terminated subscriptions toour 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 monthly 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 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 value of an asset which will no longer be used inthe operations are recognised as a cost in the income statement.

Separately Disclosed Items (SDI)
Separately disclosed items (SDIs) are income and costs that have been recognised 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.

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Audit report

To the Shareholders of
Aegis Lux 2 S.à r.l.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Aegis Lux 2 S.à r.l. (the "Company") and its subsidiaries (the "Group") as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the Consolidated Statements of Financial Position as at 31 December 2022;
- the Consolidated Statements of Comprehensive Income for the year then ended;
- the Consolidated Statements of Changes in Equity for the year then ended;
- the Consolidated Statements of Cash Flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the Consolidated Directors' Report but does not include the consolidated financial statements and our audit report thereon.

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Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit 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 the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

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- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers;

- conclude on the appropriateness of the Board of Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

The Consolidated Directors' Report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 20 September 2023

Electronically signed by:
François Mousel

François Mousel

Fotokopians överensstämmelse
med originalet intygas: