Verisure Midholding AB (publ)

Interim report January-March 2018

verisure SMART ALARMS

Management's discussion and analysis of financial condition and results of operations

Key operating highlights for the first quarter ending March 31, 2018 and 2017

Verisure Group is the leading provider of monitored alarm solutions for residential households and small businesses in Europe. We offer premium alarm services to our portfolio of over 2.6 million customers in 14 countries in Europe and Latin America. We have a strong track record of quality growth, primarily delivered organically by our differentiated business model with high share of recurring revenues and industry leading retention (>93%).

The group continued in the first quarter 2018 to experience strong growth in sales and profitability compared to 2017 with an increasing contribution from our growing customer portfolio and significant improvements in a number of key areas, ahead of our ambitous plans.

- Total reported revenues amounted to EUR 384.2 million for the first quarter 2018 which is an increase of 16.4% from EUR 330.2 million the same period last year. Adjusted for currency effects, total reported revenues grew by 18.9% in the quarter. Revenues, before SDI and IFRS 15 adjustment, amounted to EUR 391.2 million for the first quarter 2018, up from EUR 336.0 million in 2017, which also is an increase of 16.4% (and 18.9 % in constant currencies).
- Portfolio adjusted EBITDA improved to EUR 212.9 million from EUR 182.6 million in Q1 2017 corresponding to an increase of 16.6%. Adjusted for currency effects, portfolio adjusted EBITDA improved by 19.1% in the quarter. Portfolio services adjusted EBITDA margin further strenghtend to 66.9%, an increase of 1.7 percentage points compared to same period in 2017.
- Total reported adjusted EBITDA increased to EUR 136.0 million in Q1 2018 from EUR 124.5 million in Q1 2017. Adjusted for currency effects, reported EBITDA grew by 11.9%. Total adjusted EBITDA, before SDI and excluding IFRS 15 adjustment, improved to EUR 149.3 million from EUR 135.9 million in Q1 2017, which is an increase of 12.3% adjusted for currency effects.
- Net subscriber growth was 79,811 in the quarter which is an acceleration from last year's level of 62,406. At the end of the quarter the portfolio had grown to 2,665,934 customers, up 13.1% from 2,356,399 the same period last year. Excluding acquisitions the annual growth was 12.8% year-on-year. This organic growth is an acceleration of the growth rate compared to previous periods.

During the first quarter in 2018 the group reached its highest quarter ever with regard to new customer additions, 123,527, which is an increase of 20.0% from 102,901 in Q1 2017. Cancellations continued to be at a low level and the attrition was further reduced to 6.3%. Our performance on this metric is industry leading. Our customers are at the heart of our business and we aim to delight them.

Revenues increased by 16.4% in the quarter. ARPU improved to EUR 40.4 which is an increase of 2.7% adjusted for currency effects from last year. EPC accelerated further to EUR 27.1 for the quarter, corresponding to an increase of 5.4% adjusted for currency effects, driven by continued value improvements and good development in operational efficiency and cost control. Adjusted EBITDA from the portfolio segment improved to over two hundred million in a single quarter for the first time to EUR 212.9 million in Q1 2018, corresponding to an increase of 16.6%, with double digit growth in all key geographies. On an annualized basis our portfolio EBITDA is now well over EUR 800 million. Cash flow from operating activities amounted to EUR 138.2 million for the quarter compared to EUR 133.2 million last year.

We are further strengthening our sales organisation across our geographies and continue to have success with expansion. We are very pleased with our progress in newer countries e.g. Italy and UK and the strong growth rates experienced in Latin America of more than 30% compared to the same period last year.

In summary, we continue to have a very strong development for the company with high levels of new customer additions, continued good trend on attrition and solid improvements on EBITDA. The company has a resilient business model with strong profit and cash generation from our growing portfolio which has proven to work well under different macro environments. The market demand for our home security solutions and services is increasing and we are continuously innovating our product/service offerings, sales structure and portfolio management, to provide top quality service in every aspect of the customer experience in all markets where we operate to further expand our business.

Key figures

Key figures presents non-IFRS financial and operating information

EUR thousand (if not otherwise stated)	Jan-Mar 2018	Jan-Mar 2017
Portfolio services segment:		
Total subscribers (year-end), units	2,665,934	2,356,399
Cancellation, units	43,716	40,328
Attrition rate (LTM)	6.3%	6.7%
Net subscriber growth, units[1]	79,811	62,406
Subscriber growth rate, net	13.1%	14.0%
Average monthly revenue per user (ARPU), (in EUR)	40.4	40.2
Monthly adjusted EBITDA per subscriber (EPC), (in EUR)	27.1	26.2
Portfolio revenue	318,052	280,188
Portfolio adjusted EBITDA	212,921	182,608
Portfolio adjusted EBITDA margin	66.9%	65.2%
Customer acquisition segment:		
New subscribers added (gross)	123,527	102,901
Cash acquisition cost per new subscriber (CPA), (in EUR)	1,170	1,176
Customer acquisition revenue	68,253	55,300
Customer acquisition adjusted EBITDA	(62,196)	(46,780)
Capital expenditures	85,895	74,204
Adjacencies segment*:*		
Adjacencies revenue	4,904	554
Adjacencies adjusted EBITDA	(1,428)	113
Consolidated:		
Payback period (in years)	3.6	3.7
Revenue	391,209	336,042
Organic revenue growth	18.6%	16.9%
Adjusted EBITDA	149,297	135,942
Adjusted EBITDA margin	38.2%	40.5%
Capital expenditures	114,486	96,522
Reported (including SDI and IFRS 15 adjustment)		
Revenue	384,221	330,166
Adjusted EBITDA	136,013	124,456

1) Differences in reconciliation with end of period subscriber data are primarily due to acquisitions and disposals of contract portfolios.

All amounts are before IFRS 15 adjustment (if not otherwise stated). Comparatives have been restated. Refer to note 2 for reconciliation.

All negative amounts in this report are shown within parenthesis.

Analysis of operating results

The information presented and discussed in this report includes a number of measures that are not defined or recognised under IFRS including CPA, ARPU, EPC and adjusted EBITDA. These are considered to be key measures of the Group's financial performance and as such have been included here to enhance comparability and usefulness. CPA is the net investment to acquire a new customer. ARPU and EPC reflect the monthly revenues and adjusted EBITDA per customer in the portfolio segment. Adjusted EBITDA, being earnings before interest, tax, write offs, depreciation and amortisation, excluding separately disclosed items (SDI) and IFRS 15 adjustment, is considered by management to give fairer view of the year-on-year comparison of financial performance. Separately disclosed items are costs or income 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. These are further explained later in this section.

Three months ending March 31, 2018 and 2017

Results excluding SDI and IFRS 15 adjustment

EUR million	Jan-Mar 2018	Jan-Mar 2017	Percent change
Revenue	391.2	336.0	16.4%
Operating expenses	(243.7)	(202.0)	20.6%
Other income	1.8	1.9	(6.9)%
Adjusted EBITDA	**149.3**	**135.9**	9.8%
Adjusted EBITDA margin, %	*38.2%*	*40.5%*	-
Depreciation and amortisation	(41.4)	(34.3)	19.9%
Retirement of assets	(14.3)	(11.4)	27.7%
Operating profit	**93.6**	**90.2**	**3.7%**
Operating profit margin, %	*23.9%*	*26.9%*	**-**
Interest income and cost	(45.5)	(42.7)	6.5%
Other financial items	(0.8)	(0.9)	(6.2)%
Result before taxes and SDI	**47.3**	**46.6**	**1.4%**

Revenue

The following tables show the split of our revenue by market segment:

EUR million	Jan-Mar 2018	Jan-Mar 2017	Percentage change
Revenue by segment			
Portfolio services	318.1	280.2	13.5%
Customer acquisition	68.3	55.3	23.4%
Adjacencies	4.9	0.6	785.7%
TOTAL	**391.2**	**336.0**	**16.4%**

Revenue in the first quarter 2018 increased by 16.4%, or EUR 55.2 million, to EUR 391.2 million, up from EUR 336.0 million in the prior period. Organic revenue growth was 18.6%, primarily due to the increasing customer base and higher average monthly revenue per user. The customer base on March 31 2018 was 2,665,934, an increase from 2,356,399 on Match 31 2017, reflecting continued success in new customer acquisition and low attrition.

Revenue for portfolio services in the first quarter 2018 increased by 13.5%, or EUR 37.9 million, to EUR 318.1 million, up from EUR 280.2 million in the previous period. The increase was primarily due to the increased number of customers and higher average monthly revenue per user.

Revenue for customer acquisition in the three months ending March 31, 2018, increased by 23.4%, or EUR 13.0 million, to EUR 68.3 million, up from EUR 55.3 million in the previous period. The increase was mainly due to higher number of new installations as well as higher upfront revenue compared to the same period last year.

Operating expenses

Operating expenses in the first quarter 2018, increased by 20.6%, or EUR 41.7 million, to EUR 243.7 million, up from EUR 202.0 million in the prior period. The increase was mainly due to the growth in the portfolio and the increase in new installations.

Adjusted EBITDA

Adjusted EBITDA in the three months ending March 31, 2018, increased by 9.8% or EUR 13.4 million to EUR 149.3 million, up from EUR 135.9 million in the prior period. The increase in adjusted EBITDA was mainly driven by the increased customer base, higher average revenue per user and improved operational efficiency.

Depreciation and amortisation

Depreciation and amortisation increased to EUR 41.4 million in the three months ending March 31, 2018, up from EUR 34.3 million in the prior period. This is primarily related to the alarm equipment installed at our customers and the capitalised direct cost related to the acquisition of customer contracts. The depreciation and amortisation has increased mainly due to the increased number of customers and to some extent increased investments in R&D.

Retirement of assets

Retirements of assets increased to EUR 14.3 million in the first quarter of 2018, up from EUR 11.4 million in the prior period. The cost corresponds to the remaining balance for capitalised material and direct costs, when customers are leaving the portfolio or upgrading to our new platform.

Interest income and cost

Interest income in the three months ending March 31, 2018, amounted to EUR 0.1 million and 0.0 in the prior period. Interest cost amounted to EUR 45.6 million, up from EUR 42.7 million in the prior period. Despite EUR 1 billion of more indebtedness versus first quarter 2017 the interest cost was only EUR 2.8 million higher as the weighted annual cost of debt has been reduced to 4.3% from 5.6%.

Other financial items

Other financial items, mainly consisting of commitment fee for the Revolving Credit Facility, amounted to a cost of EUR 0.8 million and EUR 0.9 million for the three months ended March 31, 2018 and 2017 respectively.

Reported consolidated income statement for the three months ending March 31, 2018 and 2017

EUR million		**Jan-Mar 2018**			**Jan-Mar 2017**	
	Result excluding SDI	SDI and IFRS 15 adjustment	Reported	Result excluding SDI	SDI and IFRS 15 adjustment	Reported
Revenue	391.2	(7.0)	**384.2**	336.0	(5.9)	**330.2**
Operating expenses	(243.7)	(6.3)	**(250.0)**	(202.0)	(5.6)	**(207.6)**
Other income	1.8	-	**1.8**	1.9	-	**1.9**
Adjusted EBITDA	**149.3**	**(13.3)**	**136.0**	**135.9**	**(11.5)**	**124.5**
Depreciation and amortisation	(41.4)	(38.3)	**(79.7)**	(34.3)	(38.2)	**(72.5)**
Retirements of assets	(14.3)	-	**(14.3)**	(11.4)	-	**(11.4)**
Operating Profit	**93.6**	**(51.6)**	**42.0**	**90.2**	**(49.7)**	**40.5**
Interest income and cost	(45.5)	24.1	**(21.3)**	(42.7)	-	**(42.7)**
Other financial items	(0.8)	18.0	**17.2**	(0.9)	(9.0)	**(9.9)**
Result before tax	**47.3**	**(9.5)**	**37.8**	**46.6**	**(58.7)**	**(12.0)**
Income tax benefit and expense	-	-	**(7.8)**	-	-	**(4.7)**
Result for the period	**-**	**-**	**30.0**	**-**	**-**	**(16.7)**

Separately disclosed items (SDI)

IFRS 15 adjustment affecting revenue

IFRS 15's main effect on the Group is related to the allocation of standalone selling price to the performance obligations installation (recognized at point in time) and portfolio service (recognized over the contract period). Part of the installation revenue has been recognized at a later time than according to previous standards and has affected the revenue negative EUR 7.0 million and 5.9 in the prior period.

SDI affecting operating expenses

SDI affecting adjusted EBITDA includes costs related to various transition projects within the group. It also includes costs related to acquisitions of new businesses. For the first quarter 2018, the costs amounted to EUR 6.3 million and EUR 5.6 million in the same period last year.

SDI affecting depreciation and amortisation

The market value of the acquisition-related intangible assets are amortised over the expected life. The main part of the total cost of EUR 38.3 million and EUR 38.2 million for the first quarter 2018 and 2017 respectively relates to amortisation of contract portfolio resulting from the acquisition of the Securitas Direct Group in 2011.

SDI affecting interest income and cost

SDI affecting interest income and cost consists of interest income regarding a loan to related party totalling EUR 24.1 million.

SDI affecting other financial items

SDI affecting other financial items was an income of EUR 18.0 million and a cost of EUR 9.0 million for the first quarter 2018, and 2017, respectively. For the first three months ending March 31, 2018 the other financial items consist of a positive non cash FX valuation of debt items and hedges amounting to EUR 21.8 million and a cost related to amortization of prepaid bank fees of EUR 3.8 million. For the first three months ending March 31, 2017 the corresponding amounts were a cost of EUR 3.8 million and a cost of EUR 2.5 million.

Income tax benefit and expense

Total tax cost was EUR 7.8 million in the quarter compared to EUR 4.7 million last year. Current tax cost was EUR 9.5 million in Q1 2018 compared to EUR 8.6 million in 2017. The difference between the years is due to higher profit in 2018 partly offset by lower tax rate in some countries.
The corresponding amounts for deferred tax were a benefit of EUR 1.6 million in Q1 2018 and EUR 3.9 million in 2017.

Cash flow

EUR million	**Jan-Mar** 2018	**Jan-Mar** 2017
Cash flow from operating activities before change in working capital	130.2	121.6
Change in working capital	8.0	11.6
Cash flow from operating activities[1]	**138.2**	**133.2**
Cash flow from investing activities	(114.5)	(98.8)
Cash flow from financing activities[2]	(24.6)	14.4
Cash flow for the period	**(0.9)**	**48.9**
Cash and cash equivalents at beginning of period	14.2	6.0
Translation differences on cash and cash equivalents	(0.1)	-
Cash and cash equivalents at end of period	**13.3**	**54.9**

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

Cash flow from operating activities
Cash flow from operating activities amounted to EUR 138.2 million and EUR 133.2 million for the three months ending March 31, 2018 and 2017 respectively. The increase compared to corresponding period previous year is primarily due to the increase in profitability.

Cash flow from investing activities
Cash flow from investing activities amounted to an outflow of EUR 114.5 million and EUR 98.8 million for the three months ending March 31, 2018 and 2017 respectively. The increase in capital expenditure is mainly due to the growth in acquisition of new customers and development cost.

Cash flow from financing activities
Cash flow from financing activities totalled a an outflow of EUR 24.6 million and a inflow of EUR 14.4 million for the three months ending March 31, 2018 and 2017 respectively. The main elements included net paid interest of EUR 21.5 million, and EUR 50.4 million in the same period last year, paid debt related fees and other financial items totalling EUR 4.2 million, and EUR 5.1 million in the same period last year, and an increase in borrowings of EUR 1.1 million. The first quarter 2017 was impacted by a net increase in borrowings amounting to EUR 70.0 million.

Capital Expenditures

Our capital expenditures primarily consist of (i) customer acquisition capital expenditures, which include purchases of equipment for new customers, direct costs related to the acquisition of customer contracts and (ii) portfolio services capital expenditures which relates to new equipment for existing customers and investments in R&D and IT. In accordance with IFRS, the costs of the alarm equipment installed in connection with newly acquired subscribers are capitalised as tangible fixed assets to the extent we retain ownership of the equipment. We also capitalise direct costs related to the acquisition of customer contracts as intangible fixed assets.

The following table shows a summary of our capital expenditures for the three months ending March 31, 2018 and 2017:

EUR million	Jan-Mar 2018	Jan-Mar 2017
Customer Acquisition capital expenditures, material	47.4	41.1
Customer Acquisition capital expenditures, direct costs	38.5	33.1
Portfolio capital expenditures	11.6	10.0
Capital expenditures other	17.0	12.3
TOTAL	**114.5**	**96.5**

Capital expenditures were EUR 114.5 million for the three months ending March 31, 2018 and EUR 96.5 million in the prior period. The increase in capital expenditure is mainly due to the growth in acquisition of new customers and development cost.

Liquidity, liabilities and financing agreements

The primary source of liquidity for our business is cash flow from operations, while our significant uses of cash and capital funding needs are purchases of new equipment, funding our customer acquisition operations, operating expenses, capital expenditures, taxes and amounts due on our debt obligations.

As of March 31, 2018, the group had a total of EUR 288.2 million of available funds, and EUR 332.9 million in the prior period, consisting of the following.

EUR million	Mar 2018	Mar 2017	Dec 2017
Revolver Credit Facility	300.0	300.0	300.0
Cash and cash equivalents	13.3	54.9	14.2
Drawn facility amount	(17.9)	(17.0)	(13.4)
Utilised letter of credit	(7.2)	(4.9)	(7.8)
Total available funds	**288.2**	**332.9**	**293.0**

The following table summarizes our total financial indebtedness on March 31, 2018 and 2017 and on December 31, 2017.

EUR million	Mar 2018	Mar 2017	Dec 2017
Senior Secured Notes	630.0	630.0	630.0
Term Loan B	2,380.0	1,690.0	2,380.0
Revolver Credit Facility	17.9	17.0	13.4
Private Unsecured Notes	-	695.5	-
Senior Unsecured Notes	1,140.4	-	1,147.6
Other liabilities	39.0	39.9	42.1
Finance leases liability	1.4	2.1	1.7
TOTAL	**4,208.7**	**3,074.5**	**4,214.8**

Risks and uncertainties

A detailed presentation of risks and a sensitivity analysis can be found in the Financial Risk Management section (note 20) and the Risk Factors section of the Verisure Midholding AB's annual report 2017.

Events during and after the reporting period

No events with a significant effect on the Group have incured during or after the reporting period.

Key operating metrics

Our management uses a number of key operating metrics, in addition to our 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, we believe that these metrics provide important insight into the operations and strength of our 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 and IFRS 15 adjustment.

Attrition rate

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

Average Revenue per user

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

Cancellations

Cancellation is the total number of cancelled subscriptions during the period including cancellations on acquired portfolios.

Cash acquisition cost per new subscriber

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

Monthly adjusted EBITDA per subscriber

Monthly adjusted EBITDA per subscriber ("EPC") is calculated by dividing the total monthly adjusted EBITDA from managing our existing subscriber portfolio (which is our adjusted EBITDA from portfolio services) by the 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 is not affected by acquisitions or the impact of foreign exchange.

Payback period

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

Retirement of assets

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

Subscriber growth rate

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

CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statements

EUR thousand	Note	Jan-Mar 2018	Jan-Mar 2017
Revenue[2]	2	384,221	330,166
Cost of sales	3	(206,664)	(176,582)
Gross profit[2]		**177,557**	**153,584**
Selling expenses	3	(52,536)	(40,026)
Administrative expenses[1]	3	(84,794)	(74,914)
Other income[2]	3	1,767	1,898
Operating profit[2]		**41,994**	**40,542**
Finance income		24,222	43
Finance costs[2]		(28,391)	(52,582)
Result before tax[2]		**37,825**	**(11,997)**
Income tax expense[2]		(7,846)	(4,677)
Result for the period[2]		**29,979**	**(16,674)**
Whereof attributable to:			
- Parent company[2]		29,982	(16,415)
- Non-controlling interest[2]		(3)	(259)

1) Whereof EUR 38.3 (38.2) relates to amortisation expense resulting from the amortisation of intangible assets acquired in acquisitions.

2) The comparatives have been changed due to change in accounting policy. Refer to note 7 for more information.

Consolidated statements of comprehensive income

EUR thousand	Jan-Mar 2018	Jan-Mar 2017
Result for the period	**29,979**	**(16,674)**
Other comprehensive income		
Items that subsequently may be reclassified to the income statement		
Currency translation differences on foreign operations	(56,056)	2,412
Other comprehensive income	**(56,056)**	**2,412**
Total comprehensive income for the period	**(26,077)**	**(14,262)**
Whereof attributable to:		
- Parent company	(26,074)	(14,003)
- Non-controlling interest	(3)	(259)

Consolidated statements of financial position

EUR thousand	Note	Mar 2018	Mar 2017	Dec 2017
ASSETS				
Non-current assets				
Property, plant and equipment		632,298	528,292	608,223
Goodwill		869,748	872,094	869,598
Customer portfolio		1,063,698	1,121,962	1,077,129
Other intangible assets		146,841	126,766	146,230
Deferred tax assets		24,032	7,819	24,420
Derivatives	4	18,696	-	6,062
Trade and other receivables	4	1,282,305	263,761	1,309,739
Total non-current assets		**4,037,618**	**2,920,694**	**4,041,401**
Current assets				
Inventories		77,669	72,583	74,911
Trade receivables	4	113,150	99,253	123,255
Current tax assets		16,489	16,527	13,561
Prepayments and accrued income		34,358	14,463	31,405
Other current receivables	4	42,038	21,020	28,286
Cash and cash equivalents	4	13,316	54,854	14,245
Total current assets		**297,020**	**278,700**	**285,663**
TOTAL ASSETS		**4,334,638**	**3,199,394**	**4,327,064**

Consolidated statements of financial position

EUR thousand	Note	Mar 2018	Mar 2017	Dec 2017
EQUITY AND LIABILITIES				
Equity				
Share capital		56	56	56
Other paid in capital		569,168	569,168	569,168
Other reserves		(8,130)	37,178	47,926
Retained earnings[2]		(1,036,180)	(1,104,111)	(1,185,982)
Equity attributable to equity holders of the parent company		**(475,086)**	**(497,709)**	**(568,832)**
Non-controlling interest[2]		(2,430)	(2,105)	(2,427)
Total equity		**(477,516)**	**(499,814)**	**(571,259)**
Non-current liabilities				
Long-term borrowings[2]	4,5	3,955,147	2,969,139	4,112,790
Derivatives	4	-	3,430	-
Other non-current liabilities	4	41,294	15,328	41,795
Deferred tax liabilities[1, 2]		289,662	279,249	257,526
Other provisions		2,295	1,536	2,316
Total non-current liabilities		**4,288,397**	**3,268,682**	**4,414,427**
Current liabilities				
Trade payables	4	96,793	84,415	115,846
Current tax liabilities		23,410	23,215	16,747
Short-term borrowings	4,5	73,693	53,606	53,072
Derivatives	4	2,171	2,948	222
Accrued expenses and deferred income[2]		294,740	231,255	265,712
Other current liabilities	4	32,950	35,087	32,297
Total current liabilities		**523,757**	**430,526**	**483,896**
TOTAL EQUITY AND LIABILITIES		**4,334,638**	**3,199,394**	**4,327,064**

1) The majority of the deferred tax liabilities relates to the acquisition of Securitas Direct AB in 2011.

2) The comparatives have been changed due to change in accounting policy. Refer to note 7 for more information.

Consolidated statement of changes in equity

EUR thousand	Attributable to equity holders of the parent company Share capital	Other paid in capital	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January 1, 2018 – As reported	**56**	**569,168**	**47,926**	**(1,169,176)**	**(552,026)**	**(1,802)**	**(553,828)**
Change in accounting principles, IFRS 15 [1]	-	-	-	(16,806)	**(16,806)**	(625)	**(17,431)**
Balance at January 1, 2018 – As updated comparatives	**56**	**569,168**	**47,926**	**(1,185,982)**	**(568,832)**	**(2,427)**	**(571,259)**
Change in accounting principles, IFRS 9 [1]	-	-	-	119,819	**119,819**	-	**119,819**
Balance at January 1, 2018 – Adjusted	**56**	**569,168**	**47,926**	**(1,066,163)**	**(449,013)**	**(2,427)**	**(451,440)**
Result for the period	-	-	-	29,982	**29,982**	(3)	**29,979**
Other comprehensive income	-	-	(56,056)	-	**(56,056)**	-	**(56,056)**
Total comprehensive income for the period	-	-	*(56,056)*	*29,982*	***(26,074)***	*(3)*	***(26,077)***
Balance at March 31, 2018	**56**	**569,168**	**(8,130)**	**(1,036,180)**	**(475,086)**	**(2,430)**	**(477,516)**

1) For more information regarding change in accounting principles, refer to note 7.

EUR thousand	Attributable to equity holders of the parent company Share capital	Other paid in capital	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January 1, 2017 – As reported	**56**	**569,168**	**34,766**	**(1,090,386)**	**(486,396)**	**(1,846)**	**(488,242)**
Change in accounting principles, Interest floors [1]	-	-	-	1,373	**1,373**	-	**1,373**
Balance at January 1, 2017 – As updated comparatives	**56**	**569,168**	**34,766**	**(1,089,013)**	**(485,023)**	**(1,846)**	**(486,869)**
Result for the period	-	-	-	(16,415)	**(16,415)**	(259)	**(16,674)**
Other comprehensive income	-	-	2,412	-	**2,412**	-	**2,412**
Total comprehensive income for the period	-	-	*2,412*	*(16,415)*	***(14,003)***	*(259)*	***(14,262)***
Group contribution	-	-	-	1,317	**1,317**	-	**1,317**
Balance at March 31, 2017	**56**	**569,168**	**37,178**	**(1,104,111)**	**(497,709)**	**(2,105)**	**(499,814)**

1) For more information regarding change in accounting principles, refer to note 7.

Consolidated statement of changes in equity

EUR thousand	Share capital	Other paid in capital	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to equity holders of the parent company						
Balance at January 1, 2017 – As reported	**56**	**569,168**	**34,766**	**(1,090,386)**	**(486,396)**	**(1,846)**	**(488,242)**
Change in accounting principles, Interest floors[1]	-	-	-	1,373	**1,373**	-	**1,373**
Balance at January 1, 2017 – As updated comparatives	**56**	**569,168**	**34,766**	**(1,089,013)**	**(485,023)**	**(1,846)**	**(486,869)**
Result for the period[1]	-	-	-	(99,475)	**(99,475)**	(581)	**(100,057)**
Other comprehensive income	-	-	13,160	-	**13,160**	-	**13,160**
Total comprehensive income for the period	-	-	*13,160*	*(99,475)*	***(86,315)***	*(581)*	***(86,897)***
Group contribution	-	-	-	2,506	**2,506**	-	**2,506**
Balance at December 31, 2017	**56**	**569,168**	**47,926**	**(1,185,982)**	**(568,832)**	**(2,427)**	**(571,259)**

1) For more information regarding change in accounting principles, refer to note 7.

Consolidated statements of cash flows

EUR thousand	Jan-Mar 2018	Jan-Mar 2017
Operating activities		
Operating profit	41,994	40,542
Reversal of depreciation and amortisation	79,734	72,493
Other non-cash items	14,284	11,439
Paid taxes	(5,847)	(2,915)
Cash flow from operating activities before change in working capital	**130,165**	**121,559**
Change in working capital		
Change in inventories	(3,493)	(9,951)
Change in trade receivables	11,593	(2,705)
Change in other receivables	(14,511)	(1,695)
Change in trade payables	(17,551)	(1,629)
Change in other payables	31,955	27,615
Cash flow from change in working capital	*7,993*	*11,635*
Cash flow from operating activities	**138,158**	**133,194**
Investing activities		
Purchase of intangible assets	(56,046)	(42,370)
Purchase of property, plant and equipment	(58,405)	(53,912)
Settlement of deferred consideration	-	(2,500)
Acquisition of non-controlling interest	-	-
Cash flow from investing activities	**(114,451)**	**(98,782)**
Financing activities		
Change in revolver credit facility	1,148	(10,010)
Paid bank and advisory fees	(3,668)	(2,165)
New financing	-	80,000
Call cost redemption	-	(2,100)
Interest received	653	42
Interest paid	(22,146)	(50,470)
Other financial items	(573)	(858)
Cash flow from financing activities	**(24,586)**	**14,439**
Cash flow for the period	**(879)**	**48,851**
Cash and cash equivalents at start of period	14,245	5,985
Exchange difference on translating cash and cash equivalents	(50)	18
Cash and cash equivalents at end of period	**13,316**	**54,854**

Notes to the consolidated financial statements

Basis of presentation and accounting periods

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

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. The most important accounting principles under IFRS, which is the basis for the preparation of this interim report, can be found in note 1 in the annual report for 2017. The accounting policies are unchanged compared with those applied in 2017, except for changes stated in note 7 as well as the following:

Other than the segments Customer acquisition and Portfolio services stated in the accounting policy in the annual report 2017, one new segment has been identified as an operation segment. This segment is referred to as “Adjacencies” and includes revenue streams which is not part of the Group’s core business.

These consolidated financial statements should be read in conjunction with the annual report 2017.

These financial statements have not been audited by the Group auditor.

New standards and interpretations not yet adopted

IFRS 16 was issued in January 2016. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognised on the balance sheet. The adoption of IFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date. The Group is currently performing the analysis of the effect of IFRS 16.

Note 1 Critical accounting estimates and judgments

When applying the group’s accounting policies, management must make assumptions and estimates concerning the future that affect the carrying amounts of assets and liabilities at the balance sheet date, the disclosure of contingencies that existed at the balance sheet date and the amounts of revenue and expenses 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.

Due to the inherent uncertainty involved in making assumptions and estimates, actual outcomes could differ from those assumptions and estimates. An analysis of key areas of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of the group’s assets and liabilities within the next financial year is discussed below.

Testing for impairment of goodwill and other assets

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived 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 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 expenditures
- change in working capital
- the selection of discount rates to reflect the risks involved.

The group prepares and approves long-term financial plans, which are used in value-in-use calculations. For the purposes of the calculation, a long-term growth rate into perpetuity has been determined as:

- an assumed 3% growth rate for the mature markets
- a projected long-term compound annual growth rate for adjusted EBITDA in 5-10 years, estimated by management for developing countries.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect our impairment evaluation and hence results. The yearly impairment test of goodwill is normally performed in the third or fourth quarter.

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 judgment in respect of certain tax positions, the resolution for 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 our structure following our geographic expansion makes the degree of estimation and judgment more challenging. The resolution of issues is not always within the control of the company 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. As a result, there can be substantial differences between the tax charge in the consolidated income statement and tax payments. We also have exercised significant accounting judgment regarding net operating loss utilisation.

The group also has exercised significant accounting judgment regarding the recognition of deferred tax assets. The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future against which the reversal of deductible temporary differences can be 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 judgment 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 company's best estimation and judgment as described above. However, the inherent uncertainty regarding the outcome of these items means eventual resolution could differ from the accounting estimates and therefore impact the company's results and cash flow.

Measurement of provisions and allocation for accrued expenses

The group exercises judgment 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. Judgment 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

The charge in respect of periodic depreciation for alarm equipment is derived after determining an estimate of expected useful life of alarm equipment and the expected residual value at the end of its life. Increasing expected life of an asset or its residual value results in a reduced depreciation charge recording in the consolidated income statement.

The useful lives and residual values of our assets are determined by management at the time of acquisition and reviewed annually for appropriateness. The lives are based primarily on historical experience in regards to the lifecycle of subscribers as well as anticipation of future events which may impact their life, such as changes in technology and macroeconomic factors.

Note 2 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 executive management group as its CODM and the group uses adjusted EBITDA to measure the profitability of each segment. As a result, adjusted EBITDA is the measure of segment profit or loss presented in the group's segment disclosures. In 2018 the Group added the segment adjacencies for non-core businesses to the previously reported segments: Customer acquisition and Portfolio services segments. The comparatives have been adjusted accordingly.

	Jan-Mar 2018						
EUR thousand	**Customer acquisition**	**Portfolio services**	**Adjacencies**	**Total Group – Excl SDI and IFRS 15 adj**	**SDI**	**IFRS 15 Adjustment**	**Group Total**
Revenue	**68,253**	**318,052**	**4,904**	**391,209**	**-**	**(6,988)**	**384,221**
Adjusted EBITDA	**(62,196)**	**212,921**	**(1,428)**	**149,297**	**(6,296)**	**(6,988)**	**136,013**
Depreciation and amortisation	-	-	-	(41,394)	(38,341)	-	(79,735)
Retirements of assets	-	-	-	(14,284)	-	-	(14,284)
Financial items	-	-	-	(46,304)	42,136	-	(4,168)
Profit before tax	**-**	**-**	**-**	**47,315**	**(2,501)**	**(6,988)**	**37,826**

	Jan-Mar 2017						
EUR thousand	**Customer acquisition**	**Portfolio services**	**Adjacencies**	**Total Group – Excl SDI and IFRS 15 adj**	**SDI**	**IFRS 15 Adjustment**	**Group Total**
Revenue	**55,300**	**280,189**	**554**	**336,043**	**-**	**(5,876)**	**330,167**
Adjusted EBITDA	**(46,780)**	**182,608**	**113**	**135,941**	**(5,609)**	**(5,876)**	**124,456**
Depreciation and amortisation	-	-	-	(34,281)	(38,212)	-	(72,493)
Retirements of assets	-	-	-	(11,421)	-	-	(11,421)
Financial items	-	-	-	(43,551)	(8,988)	-	(52,539)
Profit before tax	**-**	**-**	**-**	**46,688**	**(52,809)**	**(5,876)**	**(11,997)**

Note 3 Depreciation and amortisation

EUR thousand	**Jan-Mar 2018**	**Jan-Mar 2017**
Property, plant and equipment	21,630	19,633
Acquisition-related intangible assets	38,349	38,212
Other intangible assets	19,755	14,648
Total depreciation and amortisation	**79,735**	**72,493**

Note 4 Financial risk management

Financial instruments by category and valuation level

EUR thousand	Mar 2018	Mar 2017	Dec 2017
Financial assets at fair value through profit or loss[1]			
Derivatives			
Currency	18,696	-	6,062
Total	**18,696**	**-**	**6,062**
Financial liabilities at fair value through profit or loss[1]			
Derivatives			
Currency	2,171	6,377	222
Total	**2,171**	**6,377**	**222**
Loans and receivables			
Trade and other receivables	1,282,305	263,761	1,309,739
Trade receivables[2]	113,150	99,253	123,255
Other current receivables[2]	42,038	21,020	28,286
Cash and cash equivalent	13,316	54,854	14,245
Other financial liabilities			
Long-term borrowings[3]	3,955,147	2,969,139	4,112,790
Other non-current liabilities	41,294	15,328	41,795
Trade payables[2]	96,793	84,415	115,846
Short-term borrowings[2]	73,693	53,606	53,072
Other current liabilities[2]	32,950	35,087	32,297

1) Part of the group's valuation techniques using observable market data.

2) 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.

3) Details of borrowings are presented in note 5.

Note 5 Borrowings

EUR thousand	Mar 2018 Principal amount	Mar 2018 Adjustment amortized costs	Mar 2018 Carrying amount	Mar 2017 Principal amount	Mar 2017 Adjustment amortized costs	Mar 2017 Carrying amount	Dec 2017 Principal amount	Dec 2017 Adjustment amortised costs	Dec 2017 Carrying amount
Secured									
Senior Secured Notes	630,000	(12,600)	**617,400**	630,000	(15,818)	**614,182**	630,000	(13,186)	**616,814**
Term Loan B[1, 2]	2,380,000	(194,701)	**2,185,299**	1,690,000	(39,833)	**1,650,167**	2,380,000	(40,413)	**2,339,587**
Revolver Credit Facility	17,908	(5,245)	**12,663**	17,044	(6,271)	**10,773**	13,437	(5,855)	**7,582**
Unsecured									
Private Unsecured Notes [2]	-	-	**-**	695,462	(22,505)	**672,957**	-	-	**-**
Senior Unsecured Notes	1,140,438	(14,022)	**1,126,416**	-	-	**-**	1,147,618	(12,639)	**1,134,979**
Liabilities to other creditors	12,296	-	**12,296**	19,488	-	**19,488**	12,630	-	**12,630**
Finance lease liability	1,073	-	**1,073**	1,572	-	**1,572**	1,198	-	**1,198**
Long-term borrowings	**4,181,715**	**(226,568)**	**3,955,147**	**3,053,566**	**(84,427)**	**2,969,139**	**4,184,883**	**(72,093)**	**4,112,790**
Accrued interest expenses	46,690	-	46,690	32,693	-	**32,693**	23,195	-	23,195
Other liabilities	26,662	-	26,662	20,386	-	**20,386**	29,420	-	29,420
Finance leases liability	342	-	342	527	-	**527**	457	-	457
Short-term borrowings	**73,693**	**-**	**73,693**	**53,606**	**-**	**53,606**	**53,072**	**-**	**53,072**
Total borrowings	**4,255,408**	**(226,568)**	**4,028,840**	**3,107,172**	**(84,427)**	**3,022,745**	**4,237,955**	**(72,093)**	**4,165,862**

1) Of the total amount regarding adjustment amortized costs 2018, (154,565) relates to an adjustment derived from the modification of loan terms during the loans contract period calculated according to IFRS 9. This was booked as of 1 January 2018, at the time of adoption of IFRS 9. Refer to note 7 for more information.

2) The comparatives have been changed due to change in accounting policy. Refer to note 7 for more information.

Net Debt Bridge

EUR thousand	Mar 2018	Mar 2017	Dec 2017
Total principal amount (as above)	4,255,408	3,107,172	4,237,955
Less accrued interest	(46,690)	(32,693)	(23,195)
Indebtness	**4,208,718**	**3,074,479**	**4,214,760**
Less financial receivable, non-current	(668)	(693)	(691)
Less cash and cash equivalents	(13,316)	(54,854)	(14,245)
Net debt	**4,194,734**	**3,018,931**	**4,199,824**

Note 6 Pledged assets and contingent liabilities

EUR thousand	Mar 2018	Mar 2017	Dec 2017
Pledge assets			
Endowment insurance	417	417	417
Shares in subsidiaries	1,750,040	1,812,652	1,734,614
Bank accounts	1,899	49,089	3,074
Trademark	57,083	62,083	58,333
Accounts receivables	72,339	55,332	72,589
Inventories	45,575	42,805	44,390
Motor vehicles	15	24	21
Contingent liabilities			
Guarantees	18,110	16,157	19,068

The group has pledged shares in subsidiaries, certain bank accounts, trade receivables, IP-rights, inventory assets, intra-group loans, intra-group equity certificates, rights under certain insurances, certain rights under the acquisition agreements regarding the purchase of the Securitas Direct group and certain rights under reports in relation to the acquisition of the Securitas Direct group as collateral for bank borrowings.

Note 7 Changes in accounting policy

Interest floors

During the fourth quarter 2017 the Group changed the view of interest floors as closely related embedded derivatives, following a clarification from IASB. For more information please refer to the Full year and quarterly report 2017, page 18 under the caption "Changes in accounting policy". The reporting has been change retrospectively, and the comparatives in this report have been adjusted. The effects of this adjustment is summarized below.

IFRS 15

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

IFRS 15's main effect on the Group is related to the timing of the allocation of standalone selling price to the performance obligations installation (recognized at point in time) and portfolio service (recognized over the contract period). Part of the installation revenue will be recognized at a later time than according to previous standard IAS 18.

During the implementation of IFRS 15, in order to better present the core business, we introduced a new segment "Adjacencies". In addition to the new segment, revenue not related to our core business was separated and reported as Other Income. This is part of the adjustment stated below.

IFRS 15 have been adopted with start 1 January 2018 using the retrospective approach which means that the comparatives regarding 2017 have been restated. The effects of these adjustments are summarized below.

IFRS 9

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets. The new standard have been adopted as of 1 January 2018 with the following effects on the Group:

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. The adoption of IFRS 9 have resulted in a small increase in the loss allowance for trade creditors by approximately EUR 0.7 million after deduction of deferred tax.

IFRS 9 also impacts the Group with new rules regarding modifications of financial liabilities measures at amortized cost. According to IFRS 9 a modification should result in a gain or a loss in the income statement, based on the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. All previous modifications of financial liabilities still in the Group's Balance sheet as of 1 January 2018 have been calculated as if IFRS 9 had always been applied and resulted in a positive effect in equity of EUR 121 million after deduction of deferred tax.

The Group has chosen to apply the reliefs in the standard and not restate prior periods. Instead the cumulative impact of the adoption have been recognized in retained earnings as of 1 January 2018 and comparatives have not be restated. The effects are summarized below.

Adjustment of comparatives

As stated above, the comparatives in this report have been changed compared to the Q1 report 2017 regarding interest floors and IFRS 15. These adjustments are summarized below.

Income statement:

EUR thousand	Q1 2017 – As reported	Adjustment - interest floors	Adjustment – Timing of revenue recognition	Adjustment – Classification of revenue	Q1 2017 – Adjusted
Revenue	337,940	-	(5,876)	(1,898)	330,166
Cost of sales	(176,582)	-	-	-	(176,582)
Gross profit	**161,358**	**-**	**(5,876)**	**(1,898)**	**153,584**
Selling expenses	(40,026)	-	-	-	(40,026)
Administrative expenses	(74,914)	-	-	-	(74,914)
Other income	-	-	-	1,898	1,898
Operating profit	**46,418**	**-**	**(5,876)**	**-**	**40,542**
Finance income	43	-	-	-	43
Finance costs	(35,405)	(17,177)	-	-	(52,582)
Result before tax	**11,056**	**(17,177)**	**(5,876)**	**-**	**(11,997)**
Income tax expense	(5,970)	-	1,293	-	(4,677)
Result for the period	**5,086**	**(17,177)**	**(4,583)**	**-**	**(16,674)**

Balance sheet (showing only affected lines):

EUR thousand	31 mar 2017 – As reported	Adjustment – interest floors	Adjustment – IFRS 15	31 mar 2017 – Adjusted
Total non-current assets	**2,920,694**	**-**	**-**	**2,920,694**
Total current assets	**278,700**	**-**	**-**	**278,700**
Total assets	**3,199,394**	**-**	**-**	**3,199,394**
Retained earnings	(1,083,891)	(15,804)	(4,416)	(1,104,111)
Equity attributable to equity holders of the parent company	**(477,489)**	**(15,804)**	**(4,416)**	**(497,709)**
Non-controlling interest	(1,938)	-	(167)	(2,105)
Total equity	**(479,427)**	**(15,804)**	**(4,583)**	**(499,814)**
Liabilities to credit insitutions	2,860,230	108,909	-	2,969,139
Derivatives	96,535	(93,105)	-	3,430
Deferred tax liabilities[1]	280,542	-	(1,293)	279,249
Total non-current liabilities	**3,254,171**	**15,804**	**(1,293)**	**3,268,682**
Accrued expenses and deferred income	225,379	-	5,876	231,255
Total current liabilities	**424,650**	**-**	**5,876**	**430,526**
Total equity and liabilities	**3,199,349**	**-**	**-**	**3,199,349**

EUR thousand	31 Dec 2017 – As reported	Adjustment – IFRS 15	31 Dec 2017 – As new comparatives	Adjustment – IFRS 9 – As of 1 Jan 2018	1 Jan 2018 – Adjusted
Total non-current assets	**4,041,401**	**-**	**4,041,401**	**-**	**4,041,401**
Trade receivables	123,255	-	123,255	(1,034)	122,221
Total current assets	**285,663**	**-**	**285,663**	**(1,034)**	**284,629**
Total assets	**4,327,064**	**-**	**4,327,064**	**(1,034)**	**4,326,030**
Retained earnings	(1,169,176)	(16,806)	(1,185,982)	119,819	(1,066,163)
Equity attributable to equity holders of the parent company	**(552,026)**	**(16,806)**	**(568,832)**	**119,819**	**(449,013)**
Non-controlling interest	(1,802)	(625)	(2,427)	-	(2,427)
Total equity	**(553,828)**	**(17,431)**	**(571,259)**	**119,819**	**(451,440)**
Liabilities to credit insitutions	4,112,790	-	4,112,790	(154,565)	3,958,225
Deferred tax liabilities[1]	262,443	(4,917)	257,526	33,712	291,238
Total non-current liabilities	**4,419,344**	**(4,917)**	**4,414,427**	**(120,853)**	**4,293,574**
Accrued expenses and deferred income	243,364	22,348	265,712	-	265,712
Total current liabilities	**461,548**	**22,348**	**483,896**	**-**	**483,896**
Total equity and liabilities	**4,327,064**	**-**	**4,327,064**	**(1,034)**	**4,326,030**

1) Deferred tax asset regarding IFRS 15 and IFRS 9 Bad debt provision netted against deferred tax liabilities

PARENT COMPANY FINANCIAL STATEMENTS

Parent company income statements

EUR thousand	Note	Jan-Mar 2018	Jan-Mar 2017
Selling and administrative expenses		(7)	-
Operating profit		**(7)**	**-**
Interest income from group companies		10,640	14,386
Interest expense		(16,477)	(14,386)
Interest expense to group companies		(16)	-
Finance cost		(203)	-
Result before tax		**(6,063)**	**-**
Income tax expense and benefit		-	-
Result for the period		**(6,063)**	**-**

Parent company statements of financial position

EUR thousand	Note	Mar 2018	Mar 2017	Dec 2017
ASSETS				
Non-current assets				
Long-term investments				
Investments in subsidiaries		1,134,604	594,410	1,134,604
Receivables from group companies		569,740	695,462	576,919
Total non-current assets		**1,704,344**	**1,289,872**	**1,711,523**
Current assets				
Other receivables from group companies		1,095,492	-	1,095,492
Accrued income interest from group companies		14,427	9,244	8,656
Cash and cash equivalents		1,551	100	3,257
Total current assets		**1,111,470**	**9,344**	**1,107,405**
TOTAL ASSETS		**2,815,814**	**1,299,216**	**2,818,928**
EQUITY AND LIABILITIES				
Equity				
Share capital		56	56	56
Other paid in capital		569,170	569,170	569,170
Retained earnings		1,069,601	(869)	1,075,664
Total equity		**1,638,827**	**568,357**	**1,644,890**
Non-current liabilities				
Long-term borrowings	1	1,129,329	695,462	1,137,262
Liabilities to group companies		27,153	26,153	26,153
Total non-current liabilities		**1,156,482**	**721,615**	**1,163,415**
Current liabilities				
Trade payables		-	-	3,992
Accrued interest expenses	1	20,505	9,244	6,626
Other current liabilities		-	-	5
Total current liabilities		**20,505**	**9,244**	**10,623**
TOTAL EQUITY AND LIABILITIES		**2,815,814**	**1,299,216**	**2,818,928**

Parent company statements of changes in equity

	Attributable to equity holders of the parent company			
EUR thousand	**Share capital**	**Other paid in capital**	**Retained earnings**	**Total**
Balance at January 1, 2018	**56**	**569,170**	**1,075,664**	**1,644,890**
Result for the period	-	-	(6,063)	(6,063)
Balance at March 31, 2018	**56**	**569,170**	**1,069,601**	**1,638,827**

	Attributable to equity holders of the parent company			
EUR thousand	**Share capital**	**Other paid in capital**	**Retained earnings**	**Total**
Balance at January 1, 2017	**56**	**569,170**	**(869)**	**568,357**
Result for the period	-	-	-	-
Balance at March 31, 2017	**56**	**569,170**	**(869)**	**568,357**

	Attributable to equity holders of the parent company			
EUR thousand	**Share capital**	**Other paid in capital**	**Retained earnings**	**Total**
Balance at January 1, 2017	**56**	**569,170**	**869**	**568,357**
Result for the period	-	-	1,076,533	1,076,533
Balance at December 31, 2017	**56**	**569,170**	**1,075,664**	**1,644,890**

Parent company statements of cash flows

EUR thousand	Jan-Mar 2018	Jan-Mar 2017
Operating activities		
Operating profit	(7)	-
Cash flow from operating activities before change in working capital	**(7)**	**-**
Change in working capital		
Cash flow from change in working capital	*(3,901)*	-
Cash flow from operating activities	**(3,908)**	**-**
Investing activities		
Cash flow from investing activities	**-**	**-**
Financing activities		
New loans from Goup companies	1,000	-
Paid bank and advisory fees	(1,053)	
Interest received	2,255	
Cash flow from financing activities	**2,202**	
Cash flow for the period	**(1,706)**	**-**
Cash and cash equivalents at start of period	3,257	100
Exchange difference on translating cash and cash equivalents	-	-
Cash and cash equivalents at end of period	**1,551**	**100**

Note to the parent company financial statements

The parent company Verisure Midholding AB applies the Swedish Financial Reporting Board's recommendation "RFR 2".

The parent company basically applies the same accounting policies for recognition and measurement as the Group. The accounting policies applied by the parent company deviate from the accounting policies set out in not 1 to the consolidated financial statements in the annual report. The accounting policies are unchanged compared with those applied in 2017, except for the implementation of the sections regarding IFRS 15 and IFRS 9 in RFR 2. The implementation has not had an effect on the financial position of the parent company.

These financial statements should be read in conjunction with the annual report 2017.

Note 1 Borrowings

EUR thousand	Mar 2018 Current liabilities	Mar 2018 Non-current liabilities	Mar 2018 Total	Mar 2017 Current liabilities	Mar 2017 Non-current liabilities	Mar 2017 Total
Unsecured						
Private Unsecured Notes	-	-	**-**	9,244	695,462	704,706
Senior Unsecured Notes	20,505	1,129,329	1,149,834	-	-	-
Total borrowings (carrying amount)	**20,505**	**1,129,329**	**1,149,834**	**9,244**	**695,462**	**704,706**

EUR thousand	Dec 2017 Current liabilities	Dec 2017 Non-current liabilities	Dec 2017 Total
Private Unsecured Notes	-	-	**-**
Senior Unsecured Notes	6,626	1,137,262	1,143,888
Total borrowings (carrying amount)	**6,626**	**1,137,262**	**1,143,888**

Quarterly summary

Quarterly summary presents non-IFRS financial and operating information

EUR thousand (if not otherwise stated)	Jan-Mar 2018	Oct-Dec 2017	Jul-Sep 2017	Apr-Jun 2017	Jan-Mar 2017
Portfolio services segment:					
Total subscribers (end of period), units	2,665,934	2,586,123	2,502,806	2,432,256	2,356,399
Cancellation, units	43,716	39,887	36,036	37,118	40,328
Attrition rate (LTM)	6.3%	6.3%	6.4%	6.6%	6.7%
Net subscriber growth, units[1]	79,811	83,317	70,550	75,857	62,406
Subscriber growth rate, net	13.1%	12.7%	14.5%	14.7%	14.0%
Average monthly revenue per user (ARPU), (in EUR)	40.4	39.6	39.5	39.4	40.2
Monthly adjusted EBITDA per subscriber (EPC), (in EUR)	27.1	25.7	26.3	26.0	26.2
Portfolio Revenue	318,052	300,932	292,953	284,022	280,946
Portfolio Adjusted EBITDA	212,921	196,005	194,685	186,602	182,608
Portfolio Adjusted EBITDA margin	66.9%	65.1%	66.5%	65.7%	65.2%
Customer acquisition segment:					
New subscribers added (gross)	123,527	115,885	108,910	111,991	102,901
Cash acquisition cost per new subscriber (CPA), (in EUR)	1,170	1,184	1,162	1,147	1,176
Customer acquisition Revenue	68,253	64,784	56,126	58,269	55,300
Customer acquisition Adjusted EBITDA	(62,196)	(55,779)	(49,847)	(50,414)	(46,780)
Customer acquisition Capital expenditures	85,895	81,435	76,754	78,013	74,204
Adjacencies segment:					
Adjacencies revenue	4,904	493	588	548	554
Adjacencies adjusted EBITDA	(1,428)	77	144	130	113
Consolidated:					
Excluding SDI and IFRS 15 adjustment					
Payback period (in years)	3.6	3.8	3.7	3.7	3.7
Revenue	391,221	366,209	349,667	342,839	336,042
Adjusted EBITDA	149,297	140,305	144,966	136,341	135,941
Adjusted EBITDA margin	38.2%	38.1%	41.3%	39.6%	40.2%
Capital expenditures	114,486	130,294	101,078	101,426	96,253
Reported					
Revenue	384,221	360,191	345,759	336,293	330,166
Adjusted EBITDA	136,013	124,243	132,851	118,863	124,456

All amounts are before IFRS adjustments. Also comparatives have been restated. Refer to note 2 for reconciliation.

1) Differences in reconciliation with end of period subscriber data are primarily due to acquisitions of contract portfolios.

Malmö, May 15, 2018

Austin Lally
CEO

Stefan Götz

Adrien Motte

Cecilia Hultén
Chairman

Fredrik Östman