



VERISURE MIDHOLDING AB (PUBL)

INTERIM REPORT
JANUARY–MARCH 2019

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

Key operating highlights for the first quarter ending March 31, 2019 and 2018

Verisure Group is the leading provider of monitored smart alarms for residential households and small businesses in Europe. We offer premium alarm services to our portfolio of over 3.0 million customers in 15 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 2019 to experience strong growth in sales and profitability compared to 2018 with an increasing contribution from our growing customer portfolio and significant improvements in a number of key areas, ahead of our ambitious plans.

- Total reported revenues amounted to EUR 458.6 million for the first quarter 2019 which is an increase of 19.3% from EUR 384.2 million the same period last year. Adjusted for currency effects, total reported revenues grew by 20.3% in the quarter.
- Portfolio adjusted EBITDA¹ improved to EUR 253.7 million from EUR 212.9 million in Q1 2018 corresponding to an increase of 19.2%. Adjusted for currency effects, portfolio adjusted EBITDA¹ improved by 20.1% in the quarter. Excluding impact from IFRS 16, portfolio adjusted EBITDA increased by 17.8% in actual currencies and 18.8% in constant currencies. Portfolio services adjusted EBITDA margin further strengthened to 68.5% from 66.9% in Q1 2018, an increase of 1.6 percentage points compared to same period in 2018. Excluding impact of IFRS 16, portfolio services EBITDA margin improved to 67.8% in Q1 2019.
- Total reported adjusted EBITDA¹ increased to EUR 179.7 million in Q1 2019 from EUR 136.0 million in Q1 2018. Total adjusted EBITDA¹, before SDI, improved to EUR 185.6 million from EUR 142.3 million in Q1 2018, which is an increase of 31.7% adjusted for currency effects. Excluding impact from IFRS 16 and SDI, total adjusted EBITDA improved by 23.9% in actual currencies and 25.1% in constant currencies.
- Net subscriber growth was 96,921 in the quarter which is an acceleration from last year's level of 79,811. In the quarter the Group surpassed its milestone of 3 million customers in the portfolio. At the end of the quarter the portfolio had grown to 3,027,674 customers, up 13.6% from 2,665,934 the same period last year. This portfolio growth of 13.6% is an acceleration of the growth rate compared to previous periods.

During the first quarter in 2019 the Group reached again its highest quarter ever with regard to new customer additions, 145,201 which is an increase of 17.5% from 123,527 in Q1 2018. Cancellations continued to be at a low level and the attrition was further reduced to 6.2%. 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 19.3% in the quarter. ARPU improved to EUR 41.5 which is an increase of 3.4% adjusted for currency effects from last year. EPC accelerated further to EUR 28.4 for the quarter, corresponding to an increase of 5.9% adjusted for currency effects, driven by continued value improvements and good development in operational efficiency and cost control. Adjusted EBITDA¹ from the portfolio segment improved to EUR 253.7 million in Q1 2019, corresponding to an increase of 19.2% year-on-year (20.1% in constant currencies), with double digit growth in all key geographies. On an annualized basis our portfolio EBITDA is now over EUR 1 billion. Cash flow from operating activities amounted to EUR 167.5 million for the quarter compared to EUR 138.2 million last year, which is an increase of 21% year-on-year.

We are further strengthening our sales organization across our geographies and continue to have success with expansion. We have just recently entered Germany and we are very pleased with our progress in newer countries such as Italy and UK. Our growth rates in Latin America is also very strong, 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.

1) All amounts are including IFRS 15 with restatements of 2018 comparatives. 2019 includes effects from adoption of IFRS 16 with no restatement of 2018 comparatives.

Key figures

EUR thousand (if not otherwise stated)	Jan-Mar 2019	Jan-Mar 2018
Portfolio services segment:		
<i>Unaudited operating data</i>		
Total subscribers (year-end), units	3,027,674	2,665,934
Cancellation, units	48,280	43,716
Attrition rate (LTM)	6.2%	6.3%
Net subscriber growth, units ¹	96,921	79,811
Subscriber growth rate, net	13.6%	13.1%
Average monthly revenue per user (ARPU), (in EUR)	41.5	40.4
Monthly adjusted EBITDA per subscriber (EPC), (in EUR)	28.4 ²	27.1
<i>Non-IFRS and IFRS financial data</i>		
Portfolio services revenue	370,176	318,052
Portfolio services adjusted EBITDA	253,727 ³	212,921
Portfolio services adjusted EBITDA margin	68.5%	66.9%
Customer acquisition segment:		
<i>Unaudited operating data</i>		
New subscribers added (gross)	145,201	123,527
Cash acquisition cost per new subscriber (CPA), (in EUR)	1,169 ⁴	1,226
<i>Non-IFRS and IFRS financial data</i>		
Customer acquisition revenue	83,261	61,265
Customer acquisition adjusted EBITDA	(68,515) ⁵	(69,184)
Customer acquisition capital expenditures	101,155	82,271
Adjacencies segment:		
<i>Non-IFRS and IFRS financial data</i>		
Adjacencies revenue	5,130	4,904
Adjacencies adjusted EBITDA	436	(1,428)
Consolidated:		
<i>Unaudited operating data</i>		
Payback period (in years)	3.4 ⁶	3.8
<i>Non-IFRS and IFRS financial data</i>		
Revenue	458,567	384,221
Organic revenue growth	20.3%	18.6%
Adjusted EBITDA	185,648 ⁷	142,309
Adjusted EBITDA margin	40.5%	37.0%
Capital expenditures	135,733	114,486
Reported (including SDI)		
Revenue	458,567	384,221
Adjusted EBITDA	179,733 ⁷	136,013

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

2) Includes the effect from IFRS 16 of EUR 0.3.

3) Includes the effect from IFRS 16 of EUR 2,821 thousand.

4) Includes the effect from IFRS 16 of EUR 44.

5) Includes the effect from IFRS 16 of EUR 6,448 thousand.

6) Includes the effect from IFRS 16 of 0.2 years.

7) Includes the effect from IFRS 16 of EUR 9,269 thousand.

All negative amounts in this report are shown within parenthesis.

All amounts are including IFRS 15 with adjustments of 2018 comparatives. For further details see note 2. 2019 includes effects from adoption of IFRS 16 with no restatement of 2018 comparatives.

Analysis of Operating Results

The information presented and discussed in this report includes a number of measures that are not defined or recognized under IFRS including CPA, ARPU, EPC and adjusted EBITDA. These are considered to be key measures of the Group's financial performance and as such have been included here to enhance comparability and usefulness. 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 amortization, excluding separately disclosed items (SDI), 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 recognized in the income statement which management believes, due to their nature or size, should be disclosed separately to give a more comparable view of the year-on-year financial performance. All SDIs are further explained later in this section.

All amounts are including IFRS 15 with adjustments of 2018 comparatives. 2019 includes effects from adoption of IFRS 16 with no restatement of 2018 comparatives.

Three months ending March 31, 2019 and 2018

Results excluding SDI

EUR million	Jan-Mar 2019	Jan-Mar 2018	Percentage change
Revenue	458.6	384.2	19.3%
Operating expenses	(274.7)	(243.7)	12.7%
Other income	1.7	1.8	(1.8%)
Adjusted EBITDA	185.6	142.3	30.5%
Adjusted EBITDA margin, %	41.0%	36.4%	-
Depreciation and amortization	(53.0)	(41.4)	28.0%
Retirement of assets	(18.0)	(14.3)	26.1%
Operating profit	114.7	86.6	32.4%
Operating profit margin, %	25.0%	22.5%	-
Interest income and cost	(51.9)	(45.5)	(6.4%)
Other financial items	(0.7)	(0.8)	11.9%
Result before taxes and SDI	62.1	40.3	54.1%

Revenue

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

EUR million	Jan-Mar 2019	Jan-Mar 2018	Percentage change
Revenue by segment			
Portfolio services	370.2	318.1	16.4%
Customer acquisition	83.3	61.3	35.9%
Adjacencies	5.1	4.9	4.6%
Total	458.6	384.2	19.3%

Total revenue in the first quarter 2019 increased by 19.3%, or EUR 74.4 million, to EUR 458.6 million, up from EUR 384.2 million in the prior period. Organic revenue growth was 20.3%, primarily due to the increasing customer base and higher average monthly revenue per user. The customer base on March 31, 2019 was 3,027,674, an increase from 2,665,934 on March 31, 2018, reflecting continued success in new customer acquisition and low attrition.

Revenue for portfolio services in the first quarter 2018 increased by 16.4%, or EUR 52.1 million, to EUR 370.2 million, up from EUR 318.1 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 35.9%, or EUR 22.0 million, to EUR 83.3 million, up from EUR 61.3 million in the previous period. The increase was mainly due to higher number of new installations, higher upfront revenue compared to the same period last year, reflecting also the impact of IFRS 15 which has been folded into our segment reporting (from SDI's previously).

Operating expenses

Operating expenses in the first quarter 2019, increased by 12.7%, or EUR 31.0 million, to EUR 274.7 million, up from EUR 243.7 million in the prior period. The increase was mainly due to the growth in the portfolio and the increase in new installations. The increase was partly offset by the positive effect from IFRS 16 amounting to EUR 9.3 million.

Adjusted EBITDA

Adjusted EBITDA in the three months ending March 31, 2019, increased by 30.5% or EUR 43.3 million to EUR 185.6 million, up from EUR 142.3 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, as well as the effect of EUR 9,3 million from IFRS 16.

Depreciation and amortization

Depreciation and amortization increased to EUR 53.0 million in the three months ending March 31, 2019, up from EUR 41.4 million in the prior period. This is primarily related to the alarm equipment installed at our customers and the capitalized direct cost related to the acquisition of customer contracts. The depreciation and amortization have increased mainly due to the increased number of customers and also affected by EUR 8.6 million related to IFRS 16.

Retirement of assets

Retirements of assets increased to EUR 18.0 million in the first quarter of 2018, up from EUR 14.3 million in the prior period. The cost corresponds to the remaining balance for capitalized 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, 2019 amounted to EUR 0.1 million which was the same as in the same period prior year. Interest cost amounted to EUR 52.0 million, up from EUR 45.5 million in the prior period mainly driven by higher indebtedness. The adoption of IFRS 16 had a negative impact of EUR 1.1 million.

Other financial items

Other financial items, mainly consisting of commitment fee for the Revolving Credit Facility, amounted to a cost of EUR 0.7 million compared to EUR 0.8 million for the three months ended March 31, 2018.

Reported consolidated income statement for the three months ending March 31, 2019 and 2018

EUR million	Jan-Mar 2019			Jan-Mar 2018		
	Result excluding SDI	Separately disclosed items	Reported	Result excluding SDI	Separately disclosed items	Reported
Revenue	458.6	-	458.6	384.2	-	384.2
Operating expenses	(274.7)	(5.9)	(280.6)	(243.7)	(6.3)	(250.0)
Other income	1.7	-	1.7	1.8	-	1.8
Adjusted EBITDA	185.6	(5.9)	179.7	142.3	(6.3)	136.0
Depreciation and amortization	(53.0)	(38.3)	(91.3)	(41.4)	(38.3)	(79.7)
Retirements of assets	(18.0)	-	(18.0)	(14.3)	-	(14.3)
Operating Profit	114.7	(44.2)	70.5	86.6	(44.6)	42.0
Interest income and cost	(51.9)	-	(51.9)	(45.5)	24.1	(21.3)
Other financial items	(0.7)	0.7	0.0	(0.8)	18.0	17.2
Result before tax	62.1	(43.5)	18.6	40.3	(2.5)	37.8
Income tax benefit and expense	-	-	(16.0)	-	-	(7.8)
Result for the period	-	-	2.5	-	-	30.0

Separately Disclosed Items (SDIs)

SDI affecting operating expenses

SDI affecting operating expenses includes costs related to various transition projects within the Group. It also includes costs related to acquisitions of new businesses. For the first quarter 2019, the costs amounted to EUR 5.9 million and EUR 6.3 million in the same period last year.

SDI affecting depreciation and amortization

The market value of the acquisition-related intangible assets is amortized over the expected life. The main part of the total cost of EUR 38.3 million in both periods relates to amortization of contract portfolio resulting from the acquisition of the Securitas Direct Group in 2011.

SDI affecting other financial items

SDI affecting other financial items for the first quarter was an income of EUR 0.7 million compared to an income EUR 18.0 million for the same quarter 2018. Other financial items consist of a positive non-cash FX valuation of debt items plus a negative market revaluation of hedges in total amounting to a positive EUR 11.6 million, a cost related to amortization of prepaid financing fees including an IFRS 9 adjustment regarding modification of loan agreement of EUR 10.9 million. For the three months ending March 31, 2018, the corresponding respective amounts were an income of EUR 23.7 million for non-cash revaluations of debt and hedges, a cost of EUR 5.7 million of prepaid funding fee charges and IFRS 9 adjustment.

Income tax benefit and expense

Total tax cost was EUR 16.0 million in the quarter compared to EUR 7.8 million last year. Current tax cost was EUR 12.7 million in Q1 2019 compared to EUR 9.5 million in 2018. The difference between the years is due to higher taxable profit in 2019. The corresponding amounts for deferred tax were a cost of EUR 3.4 million in Q1 2019 and a benefit of EUR 1.6 million in 2018.

Cash Flow

The following table shows a summary of our cash flow on a historical basis for the three months ending March 31, 2019 and 2018.

EUR million	Jan-Mar 2019	Jan-Mar 2018
Cash flow from operating activities before change in working capital	175.2	130.2
Change in working capital	(7.7)	8.0
Cash flow from operating activities¹	167.5	138.2
Cash flow from investing activities	(180.7)	(114.5)
Cash flow from financing activities ²	15.9	(24.6)
Cash flow for the period	2.6	(0.9)
Cash and cash equivalents at beginning of period	8.6	14.2
Translation differences on cash and cash equivalents	0.1	(0.1)
Cash and cash equivalents at end of period	11.4	13.3

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 167.5 million and EUR 138.2 million for the three months ending March 31, 2019 and 2018 respectively. The increase compared to corresponding period previous year is primarily due to the increase in profitability but also the IFRS 16 impact.

Cash flow from investing activities

Cash flow from investing activities amounted to an outflow of EUR 180.7 million and EUR 114.5 million for the three months ending March 31, 2019 and 2018 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 totaled an inflow of EUR 15.9 million and an outflow of EUR 24.6 million for the three months ending March 31, 2019 and 2018 respectively. The main elements included net paid interest of EUR 33.0 million, and EUR 21.5 million in the same period last year, paid debt related fees and other financial items totaling EUR 2.7 million, and EUR 3.7 million in the same period last year, and an increase in borrowings of EUR 63.1 million offset by the effect from IFRS 16 of EUR 7.6 million. The first quarter 2018 was impacted by a net increase in borrowings amounting to EUR 1.1 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 (iii) adjacencies capital expenditures which includes direct costs related to the acquisition of a new customer contract, and (iv) capital expenditures relating to investments in R&D, IT and premises. In accordance with IFRS, the costs of the alarm equipment installed in connection with newly acquired subscribers are capitalized as tangible fixed assets to the extent we retain ownership of the equipment. We also capitalize 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, 2019 and 2018:

EUR million	Jan-Mar 2019	Jan-Mar 2018
Customer acquisition capital expenditures, material	53.7	43.8
Customer acquisition capital expenditures, direct costs	47.5	38.5
Portfolio capital expenditures	12.2	11.6
Adjacencies capital expenditures	2.1	3.6
Capital expenditures other	20.1	17.0
Total	135.7	114.5

Capital expenditures were EUR 135.7 million for the three months ending March 31, 2019 and EUR 114.5 million in the prior period. The increase in capital expenditure is mainly due to the growth in acquisition of new customers. The right of use assets amounted to EUR 129.9 million as of March 31, 2019.

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, 2019, the Group had a total of EUR 167.3 million of available funds.

EUR million	Mar 2019	Mar 2018	Dec 2018
Revolver Credit Facility	300.0	300.0	300.0
Cash and cash equivalents	11.4	13.3	8.6
Drawn facility amount	(136.2)	(17.9)	(73.0)
Utilized letter of credit	(7.9)	(7.2)	(7.7)
Total available funds	167.3	288.2	227.9

The following table summarizes our total financial indebtedness on March 31, 2019 and 2018 and on December 31, 2018.

EUR million	Mar 2019	Mar 2018	Dec 2018
Senior Secured Notes	300.0	630.0	300.0
Term Loan B	3,092.0	2,380.0	3,092.0
Revolver Credit Facility	136.2	17.9	73.0
Senior Unsecured Notes	1,238.7	1,140.4	1,240.9
Other liabilities	51.3	39.0	51.4
Lease liability	128.6	-	-
Finance leases liability	-	1.4	1.1
Total	4,946.8	4,208.7	4,758.3

Risks and uncertainties

A detailed presentation of risks and a sensitivity analysis can be found in the Financial Risk Management section (note 19) and the Risk Factors section of the Verisure Midholding AB's annual report 2018.

Events during the reporting period

In March 2019, the Group acquired the remaining 15% minority stake in Verisure Italy S.r.l. Following the completion of the transaction, Verisure Italy is a wholly owned subsidiary.

Events after the reporting period

During April 2019, the owners of the Company sold ~7.5% minority interest in the Group to Corporación Financiera Alba (Alba). Alba is a part of the March Group, one of the leading Spanish private business and financial groups and is listed on the Madrid stock exchange.

On May 13, 2019, the Group raised EUR 200 million of Senior Secured Notes debt to repay outstanding amounts under the Revolver Credit Facility.

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 amortization, write offs and separately disclosed items.

Attrition rate

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

Average Revenue per user

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

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 recognized as a cost in the income statement.

Subscriber growth rate

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

Unaudited Consolidated Financial Statements

Consolidated income statements

EUR thousand	Note	Jan-Mar 2019	Jan-Mar 2018
Revenue		458,567	384,221
Cost of sales		(236,927)	(206,664)
Gross profit		221,640	177,557
Selling expenses		(62,622)	(52,536)
Administrative expenses ¹		(90,299)	(84,794)
Other income		1,735	1,767
Operating profit		70,454	41,994
Finance income		63	24,222
Finance costs		(51,934)	(28,391)
Result before tax		18,583	37,825
Income tax expense		(16,034)	(7,846)
Result for the period		2,549	29,979
Whereof attributable to:			
- Parent company		2,549	29,982
- Non-controlling interest		-	(3)

1) Whereof EUR 38.3 thousand (38.3) relates to amortization resulting from amortization of intangible assets acquired in acquisitions.

Consolidated statements of comprehensive income

EUR thousand	Jan-Mar 2019	Jan-Mar 2018
Result for the period	2,549	29,979
Other comprehensive income		
Items that subsequently may be reclassified to the income statement		
Currency translation differences on foreign operations	(8,642)	(56,056)
Other comprehensive income	(8,642)	(56,056)
Total comprehensive income for the period	(6,093)	(26,077)
Whereof attributable to:		
- Parent company	(6,093)	(26,074)
- Non-controlling interest	-	(3)

Consolidated statements of financial position

EUR thousand	Note	Mar 2019	Mar 2018	Dec 2018
Assets				
Non-current assets				
Property, plant and equipment		757,318	632,298	720,960
Right of use assets		129,890	-	-
Goodwill		869,276	869,748	868,557
Customer portfolio		1,030,481	1,063,698	1,034,280
Other intangible assets		172,072	146,841	167,573
Deferred tax assets		33,086	24,032	28,867
Derivatives	3	22,075	18,696	17,603
Trade and other receivables	3	317,397	1,282,305	307,341
Total non-current assets		3,331,595	4,037,618	3,145,181
Current assets				
Inventories		112,448	77,669	102,488
Trade receivables	3	146,303	113,150	133,620
Current tax assets		15,105	16,489	15,101
Derivatives		3,965	-	-
Prepayments and accrued income		34,789	34,358	34,553
Other current receivables	3	12,489	42,038	10,938
Cash and cash equivalents	3	11,350	13,316	8,613
Total current assets		336,449	297,020	305,313
Total assets		3,668,044	4,334,638	3,450,494

Consolidated statements of financial position

EUR thousand	Note	Mar 2019	Mar 2018	Dec 2018
Equity and liabilities				
Equity				
Share capital		56	56	56
Other paid in capital		624,517	569,168	624,517
Other reserves		34,289	(8,130)	43,640
Retained earnings		(2,757,659)	(1,036,180)	(2,714,251)
Equity attributable to equity holders of the parent company		(2,098,797)	(475,086)	(2,046,038)
Non-controlling interest		-	(2,430)	(2,745)
Total equity		(2,098,797)	(477,516)	(2,048,783)
Non-current liabilities				
Long-term borrowings	3,4	4,735,829	3,955,147	4,573,202
Derivatives	3	14,352	-	6,398
Other non-current liabilities	3	71,154	41,294	120,310
Deferred tax liabilities ¹		261,620	289,662	254,451
Other provisions		3,409	2,295	3,278
Total non-current liabilities		5,086,364	4,288,397	4,957,640
Current liabilities				
Trade payables	3	106,825	96,793	125,237
Current tax liabilities		27,212	23,410	19,034
Short-term borrowings	3,4	101,014	73,693	47,913
Derivatives	3	-	2,171	3,746
Accrued expenses and deferred income		409,697	294,740	316,135
Other current liabilities	3	35,729	32,950	29,572
Total current liabilities		680,477	523,757	541,637
Total equity and liabilities		3,668,044	4,334,638	3,450,494

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

Consolidated statement of changes in equity

Attributable to equity holders of the parent company and non-controlling interest

EUR thousand	Share capital	Other paid in capital	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January 1, 2019	56	624,517	43,640	(2,714,251)	(2,046,038)	(2,745)	(2,048,783)
Result for the period	-	-	-	2,549	2,549	-	2,549
Other comprehensive income	-	-	(8,642)	-	(8,642)	-	(8,642)
<i>Total comprehensive income for the period</i>	-	-	(8,642)	2,549	(6,093)	-	(6,093)
Transaction with non-controlling interest	-	-	-	(46,666)	(46,666)	2,745	(43,921)
Balance at March 31, 2019	56	624,517	34,998	(2,758,368)	(2,098,797)	-	(2,098,797)

Attributable to equity holders of the parent company and non-controlling interest

EUR thousand	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	-	-	-	(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	-	-	-	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)
<i>Total comprehensive income for the period</i>	-	-	(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)

Attributable to equity holders of the parent company and non-controlling interest

EUR thousand	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	-	-	-	(65,956)	(65,956)	(1,632)	(67,588)
Balance at January 1, 2018 – As updated comparatives	56	569,168	47,926	(1,235,132)	(617,982)	(3,434)	(621,416)
Change in accounting principles, IFRS 9	-	-	-	99,226	99,226	-	99,226
Balance at January 1, 2018 – Adjusted	56	569,168	47,926	(1,135,906)	(518,756)	(3,434)	(522,190)
Result for the period	-	-	-	(130,017)	(130,017)	689	(129,328)
Other comprehensive income	-	-	(4,286)	(348)	(4,634)	-	(4,634)
<i>Total comprehensive income for the period</i>	-	-	(4,286)	(130,365)	(134,651)	689	(133,962)
Shareholders contribution	-	55,349	-	-	55,349	-	55,349
Group contribution	-	-	-	1,066	1,066	-	1,066
Dividend	-	-	-	(1,448,025)	(1,448,025)	-	(1,448,025)
Transaction with non-controlling interest	-	-	-	(1,021)	(1,021)	-	(1,021)
Balance at December 31, 2018	56	624,517	43,640	(2,714,251)	(2,046,038)	(2,745)	(2,048,783)

Consolidated statements of cash flows

EUR thousand	Jan-Mar 2019	Jan-Mar 2018
Operating activities		
Operating profit	70,454	41,994
Reversal of depreciation and amortization	91,263	79,734
Other non-cash items	18,210	14,284
Paid taxes	(4,753)	(5,847)
Cash flow from operating activities before change in working capital	175,174	130,165
Change in working capital		
Change in inventories	(9,841)	(3,493)
Change in trade receivables	(15,457)	11,593
Change in other receivables	(10,777)	(14,511)
Change in trade payables	(18,317)	(17,551)
Change in other payables	46,743	31,955
Cash flow from change in working capital	(7,649)	7,993
Cash flow from operating activities	167,525	138,158
Investing activities		
Purchase of intangible assets	(68,014)	(56,046)
Purchase of property, plant and equipment	(67,720)	(58,405)
Acquisition of non-controlling interest	(45,000)	-
Cash flow from investing activities	(180,733)	(114,451)
Financing activities		
Change in borrowings	55,493	1,148
Paid bank and advisory fees	(2,726)	(3,668)
Net interest paid	(33,001)	(21,493)
Other financial items	(3,909)	(573)
Cash flow from financing activities	15,857	(24,586)
Cash flow for the period	2,649	(879)
Cash and cash equivalents at start of period	8,613	14,245
Exchange difference on translating cash and cash equivalents	88	(50)
Cash and cash equivalents at end of period	11,350	13,316

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 2018. The accounting policies are unchanged compared with those applied in 2018, except for changes stated in note 6.

These consolidated financial statements should be read in conjunction with the annual report 2018. These financial statements have not been audited by the Group auditor.

New standards and interpretations adopted

IFRS 16 came into force on January 1, 2019 and has been adopted by the Group as of that date.

The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet. The Group has decided to apply the simplified transition approach and thus not restated the comparative amounts for the year prior to first adoption. For further information regarding the adoption of IFRS 16 we refer to note 6 in this interim report.

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 recognized during the accounting period. Such assumptions and estimates are based on factors such as historical experience, the observance of trends in the industries in which the group operates and information available from the group's customers and other outside sources. These assumptions and estimates are continuously evaluated by management.

Due to the inherent uncertainty involved in making assumptions and estimates, actual outcomes could differ from those assumptions and estimates. An analysis of key areas of 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.

Revenue recognition

Revenue recognition in the Group requires management to make judgments and estimates, mainly to determine fair values of the revenue. Determining whether revenues should be recognized immediately or be deferred require management to make judgments on the fair value of each deliverable.

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 formal long-term management plans for operations, 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 utilization.

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 realized. 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 recognized.

The amounts recognized 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 recognizing 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 with 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 management team as its CODM. The segments identified based on the Group's operating activities are customer acquisition, portfolio services and adjacencies

EUR thousand	2019					
	Customer acquisition	Portfolio services	Adjacencies	Total Group – Excl SDI	SDI	Group Total
Revenue	83,261	370,176	5,130	458,567	-	458,567
Adjusted EBITDA	(68,515)	253,727	436	185,648	(5,915)	179,733
Depreciation and amortization	-	-	-	(52,970)	(38,293)	(91,263)
Retirements of assets	-	-	-	(18,017)	-	(18,017)
Financial items	-	-	-	(52,607)	735	(51,872)
Profit before tax	-	-	-	62,055	(43,473)	18,583

The IFRS 15 related revenue recognition adjustment was reported under SDI during fiscal year 2018. Effective January 1, 2019, the company has decided to remove this impact from SDI and fold it under its Customer Acquisition segment. 2018 comparatives have been adjusted accordingly.

EUR thousand	2018					
	Customer acquisition	Portfolio services	Adjacencies	Total Group – Excl SDI	SDI	Group Total
Revenue as reported	68,253	318,052	4,904	391,209	(6,988)	384,221
IFRS 15	(6,988)	-	-	(6,988)	6,988	-
Revenue as adjusted	61,265	318,052	4,904	384,221	-	384,221
Adjusted EBITDA as reported	(62,196)	212,921	(1,428)	149,297	(13,284)	136,013
IFRS 15	(6,988)	-	-	(6,988)	6,988	-
Adjusted EBITDA as adjusted	(69,184)	212,921	(1,428)	142,309	(6,296)	136,013
Depreciation and amortization	-	-	-	(41,394)	(38,341)	(79,735)
Retirements of assets	-	-	-	(14,284)	-	(14,284)
Financial items	-	-	-	(46,304)	42,136	(4,168)
Profit before tax	-	-	-	40,327	(2,501)	37,826

Note 3 Financial Risk Management

Financial instruments by category and valuation level

EUR thousand	Mar 2019	Mar 2018	Dec 2018
Financial assets at fair value through profit or loss¹			
<i>Derivatives</i>			
Currency	26,040	18,696	17,603
Total	26,040	18,696	17,603
Financial liabilities at fair value through profit or loss¹			
<i>Derivatives</i>			
Currency	14,352	2,171	10,144
Total	14,352	2,171	10,144
Loans and receivables at amortized cost			
Trade and other receivables	317,397	1,282,305	307,341
Trade receivables ²	146,303	113,150	133,620
Other current receivables ²	12,489	42,038	10,938
Cash and cash equivalent	11,350	13,316	8,613
Other financial liabilities at amortized cost			
Long-term borrowings ³	4,735,829	3,955,147	4,573,202
Other non-current liabilities	71,154	41,294	120,310
Trade payables ²	106,825	96,793	125,237
Short-term borrowings ^{2,3}	101,014	73,693	47,913
Other current liabilities ²	35,729	32,950	29,572

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 4.

Note 4 Borrowings

EUR thousand	Mar 2019			Mar 2018			Dec 2018		
	Principal amount	Adjustment amortized costs	Carrying amount	Principal amount	Adjustment amortized costs	Carrying amount	Principal amount	Adjustment amortized costs	Carrying amount
Non-current liabilities									
Secured									
Senior Secured Notes	300,000	(3,257)	296,743	630,000	(12,600)	617,400	300,000	(2,726)	297,274
Term Loan B ¹	3,092,000	(132,002)	2,959,998	2,380,000	(194,701)	2,185,299	3,092,000	(140,947)	2,951,053
Revolver Credit Facility	136,168	(3,904)	132,264	17,908	(5,245)	12,663	72,966	(4,260)	68,706
Unsecured									
Senior Unsecured Notes	1,238,684	(10,557)	1,228,127	1,140,438	(14,022)	1,126,416	1,240,900	(9,947)	1,230,953
Liabilities to other creditors	21,846	-	21,846	12,296	-	12,296	24,437	-	24,437
Lease liability	96,851 ²	-	96,851	-	-	-	-	-	-
Finance lease liability	-	-	-	1,073	-	1,073	779	-	779
Long-term borrowings	4,885,549	(149,720)	4,735,829	4,181,715	(226,568)	3,955,147	4,731,082	(157,880)	4,573,202
Current liabilities									
Accrued interest expenses	39,794	-	39,794	46,690	-	46,690	20,700	-	20,700
Other liabilities	29,485	-	29,485	26,662	-	26,662	26,914	-	26,914
Lease liability	31,735 ²	-	31,735	-	-	-	-	-	-
Finance leases liability	-	-	-	342	-	342	299	-	299
Short-term borrowings	101,014	-	101,014	73,693	-	73,693	47,913	-	47,913
Total	4,986,563	(149,720)	4,836,843	4,255,408	(226,568)	4,028,840	4,778,995	(157,880)	4,621,115

1) Of the total amount regarding adjustment amortized costs 2019, EUR (89,998) thousands (154,565 in March 2018 and 98,652 in December 2018) 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.

2) These amounts relate to liabilities from IFRS 16.

Net Debt Bridge

EUR thousand	Mar 2019	Mar 2018	Dec 2018
Total principal amount (as above)	4,986,563	4,255,408	4,778,995
Less accrued interest	(39,794)	(46,690)	(20,700)
Indebtedness	4,946,769	4,208,718	4,758,295
Less financial receivable, non-current	-	(668)	-
Less financial receivable, current	(8)	-	-
Less cash and cash equivalents	(11,350)	(13,316)	(8,613)
Net debt including IFRS 16	4,935,411	4,194,734	4,749,682
Less lease liability	(128,586)	-	-
Net debt per SFA lender documentation	4,806,825	4,194,734	4,749,682

Note 5 Pledged Assets and Contingent Liabilities

Pledged assets

EUR thousand	Mar 2019	Mar 2018	Dec 2018
Endowment insurance	672	417	664
Shares in subsidiaries	1,968,510	1,750,040	1,972,560
Bank accounts	377	1,899	503
Trademark	52,083	57,083	53,333
Accounts receivables	90,230	72,339	74,195
Inventories	65,254	45,575	61,816
Motor vehicles	9	15	10

Contingent liabilities

EUR thousand	Mar 2019	Mar 2018	Dec 2018
Guarantees	25,140	18,110	25,068

The group has pledged shares in subsidiaries, certain bank accounts, trade receivables, IP-rights, inventory assets, intra-group loans, 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. Guarantees relate primarily to guarantees provided to suppliers.

Note 6 Adoption of IFRS 16 Leases

On January 1, 2019 the Group changed the accounting principles for leases, by applying IFRS 16 Leases, which supersedes IAS 17 Leases. IFRS 16 was issued in January 2016 and the standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. In accordance with the new standard, the Group recognizes a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease terms (i.e. the right-of-use asset).

The Group has decided to apply the simplified transition approach and therefore has not restated the comparative amounts for the year prior to first adoption.

IFRS 16 results in most leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The exceptions to this are short-term and low-value leases which instead are reported as lease payments and as operating expenses in the income statement.

The Group's lease agreements are mainly attributable to buildings and vehicles. As from the transition to IFRS 16, they are accounted for as right of use assets and long-term and short-term lease liabilities (included in long-term borrowings and short-term borrowing) in the consolidated balance sheet. The lease liabilities on January 1, 2019 have been measured at the present value of the remaining lease payments, discounted by using the incremental borrowing rate. The incremental borrowing rate is dependent on a number of factors such as length of lease period and asset type and it is also specific for each country. Extension clauses are evaluated for each lease agreements and are applied based on our best estimate at each closing.

The effects on the consolidated income statement and the consolidated statements of financial position from the adoption of IFRS 16 are specified in the table below. The effects have changed from presented figures in the interim report for Q4 2018, as those figures were not fully finalized.

Effects on consolidated income statement

EUR thousand	Jan-Mar 2019
Adjusted EBITDA	9,269
Amortization and write off	(8,488)
Operating profit	781
Financial items	(1,102)
Income before tax	(321)

Effects of consolidated statements of financial position

EUR thousand	Dec 31, 2018 – As reported	Adjustment – IFRS 16 As of Jan 1, 2019	Jan 1, 2019 – Adjusted
Right of use assets	-	131,438	131,438
Total non-current assets	3,145,181	131,438	3,276,619
Prepayments and accrued income	34,553	(2,414)	32,139
Total current assets	305,313	(2,414)	302,899
Total assets	3,450,494	129,024	3,579,518
Total equity	(2,048,783)	-	(2,048,783)
Long-term borrowings	4,573,202	99,710	4,672,912
Total non-current liabilities	4,957,640	99,710	5,057,350
Short-term borrowings	47,913	29,314	77,227
Total current liabilities	541,637	29,314	570,951
Total equity and liabilities	3,450,494	129,024	3,579,518

Bridge between operating leases and lease liability under IFRS 16

EUR thousand	Jan 1, 2019
Assumption for operational leasing as of December 31, 2018	150,849
Liability for financing leases as of December 31, 2018	1,078
Short-term leases and low value leases	(8,805)
Adjustments due to other handling of options to extend or terminate agreements	179
Discounting with the Group's marginal borrowing rate (3.35% average)	(14,277)
Lease liability as of January 1, 2019	129,024

Parent Company Financial Statements

Parent company income statements

EUR thousand	Note	Mar 2019	Mar 2018
Administrative expenses		2	(7)
Operating profit		2	(7)
Interest income from Group companies		11,962	10,640
Interest expense		(17,799)	(16,477)
Interest expense to Group companies		(205)	(16)
Finance cost		(80)	(203)
Result before tax		(6,120)	(6,063)
Income tax expense and benefit		-	-
Result for the period		(6,120)	(6,063)

Parent Company Statements of Financial Position

EUR thousand	Note	Mar 2019	Mar 2018	Dec 2018
Assets				
Non-current assets				
<i>Long-term investments</i>				
Investments in subsidiaries		1,189,952	1,134,604	1,189,952
Receivables from Group companies		698,339	569,740	701,094
Total non-current assets		1,888,291	1,704,344	1,891,046
Current assets				
Other receivables from Group companies		-	1,095,492	158
Prepayments		9	-	13
Accrued income interest from Group companies		12,967	14,427	4,005
Cash and cash equivalents		76	1,551	252
Total current assets		13,052	1,111,470	4,428
Total assets		1,901,343	2,815,814	1,895,474
Equity and liabilities				
Equity				
Share capital		56	56	56
Other paid in capital		569,170	569,170	569,170
Retained earnings		35,418	1,069,601	41,538
Total equity		604,644	1,638,827	610,764
Non-current liabilities				
Long-term borrowings	1	1,228,128	1,129,329	1,230,953
Liabilities to Group companies		46,720	27,153	44,270
Deferred tax liabilities		109	-	109
Total non-current liabilities		1,274,957	1,156,482	1,275,332
Current liabilities				
Accrued interest expenses	1	21,294	20,505	5,733
Accrued interest expense to Group companies		433	-	228
Other current liabilities		15	-	-
Other current liabilities to Group companies		-	-	3,417
Total current liabilities		21,742	20,505	9,378
Total equity and liabilities		1,901,343	2,815,814	1,895,474

Parent Company Statements of Changes in Equity

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
Balance at January 1, 2018	56	569,170	1,069,601	1,638,827
Result for the period	-	-	(6,120)	(6,120)
Balance at March 31, 2018	56	569,170	35,418	604,644

EUR thousand	Attributable to equity holders of the parent company			
	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

EUR thousand	Attributable to equity holders of the parent company			
	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	-	-	358,551	358,551
Dividend	-	-	(1,448,025)	(1,448,025)
Shareholders contribution	-	-	55,348	55,348
Balance at December 31, 2018	56	569,170	41,358	610,764

Parent Company Statements of Cash Flows

EUR thousand	Jan-Mar 2019	Jan-Mar 2018
Operating activities		
Operating profit	2	(7)
Cash flow from operating activities before change in working capital	2	(7)
<i>Change in working capital</i>		
<i>Cash flow from change in working capital</i>	(2,480)	(3,901)
Cash flow from operating activities	(2,478)	(3,908)
Investing activities		
Cash flow from investing activities	-	-
Financing activities		
New loans from Group companies	2,450	1,000
Paid bank and advisory fees	(148)	(1,053)
Interest received	-	2,255
Cash flow from financing activities	2,302	2,202
Cash flow for the period	(176)	(1,706)
Cash and cash equivalents at start of period	252	3,257
Exchange difference on translating cash and cash equivalents	-	-
Cash and cash equivalents at end of period	76	1,551

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 2018.

These financial statements should be read in conjunction with the annual report 2018.

Note 1 Borrowings

EUR thousand	Mar 2019			Mar 2018		
	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
Unsecured						
Senior Unsecured Notes	21,288	1,228,128	1,249,416	20,505	1,129,329	1,149,834
Total (carrying amount)	21,288	1,228,128	1,249,416	20,505	1,129,329	1,149,834

EUR thousand	Mar 2018		
	Current liabilities	Non-current liabilities	Total
Senior Unsecured Notes	5,722	1,230,953	1,236,675
Total (carrying amount)	5,722	1,230,953	1,236,675

Quarterly summary

EUR thousand (if not otherwise stated)	Jan-Mar 2019	Oct-Dec 2018	Jul-Sep 2018	Apr-Jun 2018	Jan-Mar 2018
Portfolio services segment:					
<i>Unaudited operating data</i>					
Total subscribers (end of period), units	3,027,674	2,930,753	2,840,897	2,754,103	2,665,934
Cancellation, units	48,280	44,836	41,539	41,008	43,716
Attrition rate (LTM)	6.2%	6.2%	6.2%	6.2%	6.3%
Net subscriber growth, units ¹	96,921	89,856	86,794	88,169	79,811
Subscriber growth rate, net	13.6%	13.3%	13.5%	13.2%	13.1%
Average monthly revenue per user (ARPU), (in EUR)	41.5	40.2	40.0	40.2	40.4
Monthly adjusted EBITDA per subscriber (EPC), (in EUR)	28.4 ²	26.8	27.0	26.9	27.1
<i>Non-IFRS and IFRS financial data</i>					
Portfolio services revenue	370,176	348,407	336,515	326,562	318,052
Portfolio services adjusted EBITDA	253,727 ³	232,438	226,750	218,595	212,921
Portfolio services adjusted EBITDA margin	68.5%	66.7%	67.4%	66.9%	66.9%
Customer acquisition segment:					
<i>Unaudited operating data</i>					
New subscribers added (gross)	145,201	134,692	128,333	129,072	123,527
Cash acquisition cost per new subscriber (CPA), (in EUR)	1,169 ⁴	1,206	1,233	1,216	1,226
<i>Non-IFRS and IFRS financial data</i>					
Customer acquisition revenue	83,261	80,698	62,944	61,915	61,265
Customer acquisition adjusted EBITDA	(68,515) ⁵	(67,683)	(69,048)	(71,852)	(69,184)
Customer acquisition capital expenditures	101,155	94,736	89,156	85,141	82,271
Adjacencies segment:					
<i>Non-IFRS and IFRS financial data</i>					
Adjacencies revenue	5,130	3,077	4,605	3,580	4,904
Adjacencies adjusted EBITDA	436	(342)	(84)	(468)	(1,428)
Consolidated:					
<i>Unaudited operating data</i>					
Payback period (in years)	3.4 ⁶	3.8	3.8	3.8	3.8
<i>Non-IFRS and IFRS financial data</i>					
Revenue	458,567	432,182	404,065	392,057	384,221
Organic revenue growth	20.3%	21.3%	19.1%	18.2%	18.6%
Adjusted EBITDA	185,648 ⁷	164,413	157,618	146,275	142,309
Adjusted EBITDA margin	40.5%	38.0%	39.0%	37.3%	37.0%
Capital expenditures	135,733	145,154	122,748	117,749	114,486
Reported (including SDI)					
Revenue	458,567	432,182	404,065	392,057	384,221
Adjusted EBITDA	179,733 ⁷	153,528	153,083	140,925	136,013

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

2) Includes the effect from IFRS 16 of EUR 0.3.

3) Includes the effect from IFRS 16 of EUR 2,821 thousand.

4) Includes the effect from IFRS 16 of EUR 44.

5) Includes the effect from IFRS 16 of EUR 6,448 thousand.

6) Includes the effect from IFRS 16 of 0.2 years.

7) Includes the effect from IFRS 16 of EUR 9,269 thousand.

All amounts are before SDI, unless otherwise stated, but include IFRS 15 with adjustment of 2018 comparatives. 2019 includes effects from adoption of IFRS 16 with no restatement of 2018 comparatives.

Malmö, May 29, 2019

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Adrien Motte

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Chairman

Fredrik Östman