



verisure
SMART ALARMS



VERISURE MIDHOLDING AB (PUBL)

INTERIM REPORT
JANUARY– DECEMBER 2019

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

Key operating highlights for the fourth quarter ending December 31, 2019 and 2018

Verisure Midholding AB (publ) Group, hereafter referred to as the Group, is the leading provider of professionally monitored smart alarms for residential households and small businesses in Europe. We offer premium alarm services to our portfolio of over 3.3 million customers in 16 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%).

2019 has been another strong year for us of accelerated growth in sales and profitability with significant improvements in a number of key areas, ahead of our plans.

- Total reported revenues amounted to EUR 498.1 million for the fourth quarter 2019 which is an increase of 15.3% from EUR 432.2 million the same period last year. Adjusted for currency effects, total reported revenue grew by 16.2% in the quarter. For the full year of 2019 total reported revenues increased by 17.9% to EUR 1,900.7 million compared to EUR 1,612.5 million in 2018. Adjusted for currency effect, total reported revenues grew by 18.7% for the full year.
- Portfolio adjusted EBITDA increased 21.3%, to EUR 281.9 million from EUR 232.4 million in Q4 2018. Adjusted for currency effects, portfolio adjusted EBITDA improved by 22.3% in the quarter. Excluding impact from IFRS 16, portfolio adjusted EBITDA increased by 20.1% in actual currencies and 21.1% in constant currencies. Portfolio services adjusted EBITDA margin further strengthened to 69.4% from 66.7% in Q4 2018, an increase of 2.7 percentage points compared to same period in 2018. Excluding impact of IFRS 16, portfolio services adjusted EBITDA margin improved to 68.7% in Q4 2019. For the full year of 2019 portfolio adjusted EBITDA amounted to now over EUR 1 billion, EUR 1,075.3 million, which is an increase of 20.7% in actual currencies and 21.6% in constant currencies compared to 2018. Portfolio services adjusted EBITDA margin strengthened to 69.4% for the year, an increase of 2.4 percentage points compared to 2018. Excluding impact from IFRS 16, portfolio adjusted EBITDA increased by 19.4% in actual currencies and 20.2% in constant currencies for the year.
- Total reported adjusted EBITDA increased to EUR 160.8 million in Q4 2019 from EUR 153.5 million in Q4 2018. Total adjusted EBITDA, before SDI, improved to EUR 190.9 million from EUR 164.4 million in Q4 2018, which is an increase of 16.1% in actual currencies and 16.6% in constant currencies for the quarter. Excluding impact from IFRS 16 and SDI, total adjusted EBITDA improved by 9.9% in actual currencies and 10.4% in constant currencies. For the full year of 2019 total reported adjusted EBITDA increased by 20.4% to EUR 702.9 million compared to EUR 583.5 million in 2018. Total adjusted EBITDA, before SDI, improved to EUR 761.1 million from EUR 610.6 million for the full year of 2018, which is an increase of 24.6% in actual currencies, and 25.3% in currency effects. Excluding impact from IFRS 16 and SDI, total adjusted EBITDA improved by 17.9% in actual currencies and 18.4% in constant currencies for the full year.
- Net subscriber growth was 110,486 in the quarter and 415,959 for the full year 2019 which is an acceleration from last year's level of 89,856 in Q4 and 344,630 for the full year of 2018. At the end of the quarter the portfolio had grown to 3,346,712 customers, up 14.2% from 2,930,753 the same period last year. This annual customer portfolio growth rate of 14.2% was all organic portfolio growth and an acceleration of the growth rate compared to previous years (13.3% in 2018 and 12.4% in 2017).

During the fourth quarter in 2019 the Group reached again its highest quarter ever with regards to new customer additions, 161,049, which is an increase of 19.6% from 134,692 in Q4 2018. For the full year we added more than 600,000 new customers into the portfolio, 611,321, corresponding to an increase of 18.6% compared to 2018. It is also an acceleration versus prior year. 2018 had grown by 17.3% versus 2017. Customer loyalty is high. Attrition remained low and we believe industry leading at 6.2%. Our customers are at the heart of our business and we aim to delight them.

Total revenues increased by 15.3% in the quarter and 17.9% for the full year. In constant currencies total revenues grew by 18.7% for the year. ARPU improved to EUR 41.1 which is an increase of 3.2% adjusted for currency effects from last year. EPC accelerated further to EUR 28.5 for the quarter, corresponding to an increase of 7.3% adjusted for currency effects (and 6.2% excluding IFRS 16 impact), driven by continued value improvements and good development in operational efficiency and cost control. Adjusted EBITDA from the portfolio segment improved to EUR 281.9 million in Q4 2019 and EUR 1,075.3 million for the full year of 2019, corresponding to an increase of 21.3% in the quarter and 20.7% for the year (22.2% and 21.6% in constant currencies). Cash flow from operating activities amounted to EUR 168.6 million for the fourth quarter compared to EUR 157.1 million last year. For the full year of 2019 cash flow from operations improved to 701.2 million compared to 557.7 million in 2018, which is an increase of 26% year-on-year.

We now operate in 16 countries across Europe and Latin America. We continued to grow both in geographies where we have years of experience and also in our newer markets. For example, we are pleased with our progress in newer countries such as Italy, UK and Brazil. We have also now started operations in Germany and Argentina.

In 2019, Verisure entered a strategic partnership with Arlo, a global leader in the connected camera segment. We acquired all rights to the Arlo European business. We will now be able to offer connected camera services alongside our professional security proposition, and Arlo's European retail and e-commerce presence will be fully complementary to our existing go-to-market structures.

In summary, 2019 was another record year for Verisure. We continue to have a very strong development for the Group with high levels of new customer additions, continued good trend on attrition and strong improvements on EBITDA. The Group 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

EUR thousand (if not otherwise stated)	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Portfolio services segment:				
<i>Unaudited operating data</i>				
Total subscribers (year-end), units	3,346,712	2,930,753	3,346,712	2,930,753
Cancellation, units	50,563	44,836	195,362	171,099
Attrition rate (LTM)	6.2%	6.2%	6.2%	6.2%
Net subscriber growth, units ¹	110,486	89,856	415,959	344,630
Subscriber growth rate, net	14.2%	13.3%	14.2%	13.3%
Average monthly revenue per user (ARPU), (in EUR)	41.1	40.2	41.2	40.2
Monthly adjusted EBITDA per subscriber (EPC), (in EUR) ²	28.5	26.8	28.6	26.9
<i>Non-IFRS and IFRS financial data</i>				
Portfolio services revenue	406,029	348,407	1,548,936	1,329,536
Portfolio services adjusted EBITDA ³	281,891	232,438	1,075,348	890,704
Portfolio services adjusted EBITDA margin	69.4%	66.7%	69.4%	67.0%
Customer acquisition segment:				
<i>Unaudited operating data</i>				
New subscribers added (gross)	161,049	134,692	611,321	515,624
Cash acquisition cost per new subscriber (CPA), (in EUR) ⁴	1,258	1,206	1,208	1,220
<i>Non-IFRS and IFRS financial data</i>				
Customer acquisition revenue	85,229	80,698	329,098	266,823
Customer acquisition adjusted EBITDA ⁵	(91,823)	(67,683)	(316,297)	(277,768)
Customer acquisition capital expenditures	110,741	94,736	422,445	351,304
Adjacencies segment:				
<i>Non-IFRS and IFRS financial data</i>				
Adjacencies revenue	6,889	3,077	22,696	16,167
Adjacencies adjusted EBITDA	785	(342)	2,035	(2,322)
Consolidated:				
<i>Unaudited operating data</i>				
Payback period (in years) ⁶	3.7	3.8	3.5	3.7
<i>Non-IFRS and IFRS financial data</i>				
Revenue	498,147	432,182	1,900,730	1,612,525
Organic revenue growth	16.1%	21.3%	18.6%	19.4%
Adjusted EBITDA ⁷	190,852	164,413	761,086	610,614
Adjusted EBITDA margin	38.3%	38.0%	40.0%	37.9%
Capital expenditures	173,436	145,154	592,909	500,138
Reported (including SDI)				
Reported revenue	498,147	432,182	1,900,730	1,612,525
Reported adjusted EBITDA ⁷	160,780	153,528	702,869	583,549

1) Differences in reconciliation with end of period subscriber data are primary due to acquisition and disposal of contract portfolios.

2) Includes the effect from IFRS 16 of EUR 0.3 (QTD) and 0.3 (YTD).

3) Includes the effect from IFRS 16 of EUR 2,775 thousand (QTD) and 11,929 thousand (YTD).

4) Includes the effect from IFRS 16 of EUR 46 (QTD) and 48 (YTD).

5) Includes the effect from IFRS 16 of EUR 7,341 thousand QTD and 29,503 thousand (YTD).

6) Includes the effect from IFRS 16 of 0.1 years.

7) Includes the effect from IFRS 16 of EUR 10,116 thousand (QTD) and 41,431 thousand (YTD).

All amounts are including IFRS 15 with restatements of 2018 comparatives. For further details see note 3. 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 a fairer view of the year-on-year comparison of financial performance. SDI's 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 December 31, 2019 and 2018

Results excluding SDI

EUR million	Oct-Dec 2019	Oct-Dec 2018	Percentage change
Revenue	498.1	432.2	15.3%
Operating expenses	(309.1)	(269.7)	14.6%
Other income	1.8	1.9	(7.7%)
Adjusted EBITDA	190.9	164.4	16.1%
Adjusted EBITDA margin, %	38.3%	38.0%	
Depreciation and amortization	(66.3)	(49.4)	34.1%
Retirement of assets	(19.9)	(16.2)	22.7%
Operating profit	104.7	98.8	6.0%
Operating profit margin, %	21.0%	22.9%	
Interest income and cost	(49.7)	(47.4)	4.8%
Other financial items	(1.0)	(0.9)	21.8%
Result before taxes and SDI	54.0	50.5	6.8%

Revenue

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

Results excluding SDI

EUR million	Oct-Dec 2019	Oct-Dec 2018	Percentage change
Revenue by segment			
Portfolio services	406.0	348.4	16.5%
Customer acquisition	85.2	80.7	5.6%
Adjacencies	6.9	3.1	123.9%
Total	498.1	432.2	15.3%

Total revenue in the fourth quarter 2019 increased by 15.3%, or EUR 66.0 million, to EUR 498.1 million, up from EUR 432.2 million in the prior period. Organic revenue growth was 16.1%, primarily due to the increasing customer base and higher average monthly revenue per user. The customer base on December 31, 2019 was 3,346,712, an increase from 2,930,753 on December 31, 2018, reflecting continued success in new customer acquisition and low attrition.

Revenue for portfolio services in the fourth quarter 2019 increased by 16.5%, or EUR 57.6 million, to EUR 406.0 million, up from EUR 348.4 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 December 31, 2019, increased by 5.6%, or EUR 4.5 million, to EUR 85.2 million, up from EUR 80.7 million in the previous period. The increase was mainly due to higher number of new installations and higher upfront revenue compared to the same period last year..

Operating expenses

Operating expenses in the fourth quarter 2019, increased by 14.6%, or EUR 39.4 million, to EUR 309.1 million, up from EUR 269.7 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 10.1 million.

Adjusted EBITDA

Adjusted EBITDA in the three months ending December 31, 2019, increased by 16.1% or EUR 26.5 million to EUR 190.9 million, up from EUR 164.4 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 10.1 million from IFRS 16.

Depreciation and amortization

Depreciation and amortization increased to EUR 66.3 million in the three months ending December 30, 2019, up from EUR 49.4 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 but also affected by EUR 11.1 million related to IFRS 16.

Retirement of assets

Retirements of assets increased to EUR 19.9 million in the fourth quarter of 2019, up from EUR 16.2 million in the prior period. The cost corresponds mainly 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 amounted to EUR 0.1 million in both Q4, 2019 and 2018. Interest cost amounted to EUR 49.8 million, compared to EUR 47.5 million in the prior period mainly driven by interest expenses relating to the adoption of IFRS 16, interest expenses in relation to alliance sales as well as higher indebtedness. The IFRS 16 interest expenses had an impact of EUR 1.2 million.

Other financial items

Other financial items, mainly consisting of commitment fee for the Revolving Credit Facility, amounted to a cost of EUR 1.0 million compared to EUR 0.9 million the three months ended December 31, 2018.

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

EUR million	Oct-Dec 2019			Oct-Dec 2018		
	Result excluding SDI	Separately disclosed items	Reported	Result excluding SDI	Separately disclosed items	Reported
Revenue	498.1	-	498.1	432.2	-	432.2
Operating expenses	(309.1)	(30.1)	(339.3)	(269.7)	(10.9)	(280.6)
Other income	1.8	-	1.8	1.9	-	1.9
Adjusted EBITDA	190.9	(30.1)	160.8	164.4	(10.9)	153.5
Depreciation and amortization	(66.3)	(38.3)	(104.5)	(49.4)	(38.3)	(87.7)
Retirements of assets	(19.9)	-	(19.9)	(16.2)	-	(16.2)
Operating profit	104.7	(68.3)	36.4	98.8	(49.2)	49.6
Interest income and cost	(49.7)	-	(49.7)	(47.4)	-	(47.4)
Other financial items	(1.0)	(6.8)	(7.9)	(0.9)	(74.3)	(75.3)
Result before tax	54.0	(75.1)	(21.2)	50.5	(123.5)	(73.0)
Income tax benefit and expense	-	-	(6.7)	-	-	(6.2)
Result for the period	-	-	(27.8)	-	-	(79.3)

Separately disclosed items (SDIs)

SDI affecting operating expenses

SDI affecting operating expenses includes one-off costs related to various transition projects within the Group. It also includes costs related to acquisitions of new businesses. For the fourth quarter 2019, the costs amounted to EUR 30.1 million and EUR 10.9 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 was a cost of EUR 6.8 million and EUR 74.3 million for the fourth quarter 2019 and 2018 respectively. For the three months ending December 31, 2019, the other financial items consist of a positive non-cash FX valuation of debt items and hedges amounting to EUR 3.3 million and a cost related to amortization of prepaid financing fees including an IFRS 9 adjustment regarding modification of loan agreement of EUR 10.1 million. For the three months ending December 31, 2018, other financial items consist of a negative non-cash FX valuation of debt items plus market revaluation of hedges in total amounting to EUR 30.2 million, a cost related to amortization and write off of prepaid funding fees including an IFRS 9 adjustment regarding modification of loan agreement of EUR 24.7 million and a call cost of EUR 18.9 million for a secured bond repaid in full at the November 2018 refinancing.

Income tax benefit and expense

Total tax cost was EUR 6.7 million in the quarter compared with EUR 6.2 million last year. Current tax expense was EUR 5.6 million in Q4 2019 compared with EUR 12.4 million in 2018. Deferred tax was an expense of EUR 1.1 million in Q4 2019 compared with a benefit of EUR 6.2 million in 2018.

Cash Flow

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

EUR million	Oct-Dec 2019	Oct-Dec 2018
Cash flow from operating activities before change in working capital	149.3	139.1
Change in working capital	19.3	18.1
Cash flow from operating activities¹	168.6	157.1
Cash flow from investing activities	(223.6)	(146.3)
Cash flow from financing activities ²	20.8	(12.8)
Cash flow for the period	(34.2)	(2.0)
Cash and cash equivalents at beginning of period	47.0	10.5
Translation differences on cash and cash equivalents	-	-
Cash and cash equivalents at end of period	12.8	8.6

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 168.6 million and EUR 157.1 million for the three months ending December 31, 2019 and 2018 respectively. The increase compared with corresponding period in the previous year is primarily driven by the impact from the IFRS 16 adoption as well as less paid taxes. The Arlo transaction negatively impacted cash flow from working capital by EUR 18.0 million.

Cash flow from investing activities

Cash flow from investing activities amounted to an outflow of EUR 223.6 million and EUR 146.3 million for the three months ending December 31, 2019 and 2018 respectively. The increase is mainly due to the Arlo transaction with an impact of EUR 50.1 million but also by the growth in acquisition of new customers.

Cash flow from financing activities

Cash flow from financing activities totalled an inflow of EUR 20.8 million and an outflow of EUR 12.8 million for the three months ending December 31, 2019 and 2018 respectively. The main elements included net paid interest of EUR 69.9 million compared with EUR 80.1 million in the same period last year where the decrease is mainly due to a change in the interest payment schedule as a consequence of the November 2018 refinancing. A net increase in borrowings of EUR 97.9 million compared with an increase of EUR 453.9 million previous year. Other financial items including paid debt related fees totalled EUR 7.2 million compared to EUR 34.1 million in the same period last year which was impacted by call fees relating to the November 2018 refinancing. In addition, previous year included a paid dividend of EUR 352.5 million.

Twelve months ending December 31, 2019 and 2018

Results excluding SDI

EUR million	Jan-Dec 2019	Jan-Dec 2018	Percentage change
Revenue	1,900.7	1,612.5	17.9%
Operating expenses	(1,145.6)	(1,008.9)	13.6%
Other income	6.0	7.0	(14.2%)
Adjusted EBITDA	761.1	610.6	24.6%
Adjusted EBITDA margin, %	40.0%	37.9%	
Depreciation and amortization	(235.5)	(180.1)	30.8%
Retirement of assets	(76.8)	(60.3)	27.5%
Operating profit	448.8	370.3	21.2%
Operating profit margin, %	23.6%	23.0%	
Interest income and cost	(205.5)	(184.2)	11.6%
Other financial items	(3.0)	(3.3)	(10.5%)
Result before taxes and SDI	240.3	182.7	31.5%

Revenue

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

Results excluding SDI

EUR million	Jan-Dec 2019	Jan-Dec 2018	Percentage change
Revenue by segment			
Portfolio services	1,548.9	1,329.5	16.5%
Customer acquisition	329.1	266.8	23.3%
Adjacencies	22.7	16.2	40.4%
Total	1,900.7	1,612.5	17.9%

Total revenue during 2019 increased by 17.9%, or EUR 288.2 million, to EUR 1,900.7 million, up from EUR 1,612.5 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.

Revenue for portfolio services during 2019 increased by 16.5%, or EUR 219.4 million, to EUR 1,548.9 million, up from EUR 1,329.5 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 twelve months ending December 31, 2019, increased by 23.3%, or EUR 62.3 million, to EUR 329.1 million, up from EUR 266.8 million in the previous period. The increase was mainly due to higher number of new installations and higher upfront revenue compared with the same period last year.

Operating expenses

Operating expenses in 2019, increased by 13.6%, or EUR 136.7 million, to EUR 1,145.6 million, up from EUR 1,008.9 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 41.4 million.

Adjusted EBITDA

Adjusted EBITDA in the twelve months ending December 31, 2019, increased by 24.6% or EUR 150.5 million to EUR 761.1 million, up from EUR 610.6 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 41.4 million from IFRS 16.

Depreciation and amortization

Depreciation and amortization increased to EUR 235.5 million in the twelve months ending December 31, 2019, up from EUR 180.1 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 but also affected by EUR 38.6 million related to IFRS 16.

Retirement of assets

Retirements of assets increased to EUR 76.8 million in 2019, up from EUR 60.3 million in the prior period. The cost corresponds mainly 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 amounted to EUR 0.3 million in both the twelve months ending December 31, 2019 and 2018. Interest cost amounted to EUR 205.8 million, up from EUR 184.5 million in the prior period driven by interest expenses relating to the

adoption of IFRS 16, interest expenses in relation to alliance sales as well as higher indebtedness. The IFRS 16 interest expenses had a negative impact of EUR 4.7 million.

Other financial items

Other financial items, mainly consisting of commitment fee for the Revolving Credit Facility, amounted to a cost of EUR 3.0 million compared to EUR 3.3 million for the twelve months ended December 31, 2018.

Reported consolidated income statement for the twelve months ending December 31, 2019 and 2018

EUR million	Jan-Dec 2019			Jan-Dec 2018		
	Result excluding SDI	Separately disclosed items	Reported	Result excluding SDI	Separately disclosed items	Reported
Revenue	1,900.7	-	1,900.7	1,612.5	-	1,612.5
Operating expenses	(1,145.6)	(58.2)	(1,203.8)	(1,008.9)	(27.1)	(1,036.0)
Other income	6.0	-	(6.0)	7.0	-	7.0
Adjusted EBITDA	761.1	(58.2)	702.9	610.6	(27.1)	583.5
Depreciation and amortization	(235.5)	(153.1)	(388.6)	(180.1)	(153.2)	(333.3)
Retirements of assets	(76.8)	-	(76.8)	(60.3)	-	(60.3)
Operating profit	448.8	(211.3)	237.5	370.3	(180.3)	190.0
Interest income and cost	(205.5)	-	(205.5)	(184.2)	30.6	(153.7)
Other financial items	(3.0)	(43.5)	(46.5)	(3.3)	(136.9)	(140.3)
Result before tax	240.3	(254.8)	(14.5)	182.7	(286.6)	(103.9)
Income tax benefit and expense	-	-	(45.7)	-	-	(25.4)
Result for the period	-	-	(60.3)	-	-	(129.3)

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 2019, the costs amounted to EUR 58.2 million and EUR 27.1 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 153.1 million, compared to EUR 153.2 million in 2018, relates to amortization 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 30.6 million for the twelve months ending December 31, 2018.

SDI affecting other financial items

SDI affecting other financial items for the twelve months was an expense of EUR 43.5 million compared to EUR 136.9 million for the corresponding period 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 negative EUR 3.6 million, a cost related to amortization of prepaid financing fees including an IFRS 9 adjustment regarding modification of loan agreement of EUR 39.9 million. For the twelve months ending December 31, 2018, other financial items consist of a negative non-cash FX valuation of debt items plus market revaluation of hedges in total amounting to EUR 63.0 million, a cost related to amortization and write off of prepaid bank fees including an IFRS 9 adjustment regarding modification of loan agreement of EUR 55.0 million and a call cost of EUR 18.9 million for a secured bond repaid in full at the November 2018 refinancing.

Income tax benefit and expense

Total tax cost was EUR 45.7 million for the twelve months compared with EUR 25.4 million last year. Current tax cost was EUR 52.0 million for the twelve months 2019 compared with EUR 41.1 million in 2018. The difference between the years is mainly related to higher profit in 2019 and finalization of tax audits in various jurisdictions. Deferred tax was a benefit of EUR 6.2 million for the twelve months 2019 compared with a benefit of EUR 15.7 million in 2018.

Cash flow

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

EUR million	Jan-Dec 2019	Jan-Dec 2018
Cash flow from operating activities before change in working capital	654.3	543.3
Change in working capital	46.9	14.4
Cash flow from operating activities¹	701.2	557.7
Cash flow from investing activities	(688.0)	(508.3)
Cash flow from financing activities ²	(9.0)	(54.9)
Cash flow for the period	4.2	(5.5)
Cash and cash equivalents at beginning of period	8.6	14.2
Translation differences on cash and cash equivalents	0.0	(0.1)
Cash and cash equivalents at end of period	12.8	8.6

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 701.2 million and EUR 557.7 million for the twelve months ending December 31, 2019 and 2018 respectively. The increase compared with corresponding period in the previous year is primarily driven by the decrease in working capital despite a negative impact of EUR 18.0 million from the Arlo transaction. Other contributors are the increase in profitability as well as the impact from the IFRS 16 adoption.

Cash flow from investing activities

Cash flow from investing activities amounted to an outflow of EUR 688.0 million and EUR 508.3 million for the twelve months ending December 31, 2019 and 2018 respectively. The increase is mainly due to the Arlo transaction with an impact of EUR 50.1 million but also by the growth in acquisition of new customers.

Cash flow from financing activities

Cash flow from financing activities totalled an outflow of EUR 9.0 million and EUR 54.9 million for the twelve months ending December 31, 2019 and 2018 respectively. The main elements included net paid interest of EUR 209.3 million, and EUR 194.2 million in the same period last year, a net increase in borrowings of EUR 216.8 million compared with EUR 550.3 million in the same period previous year. Other financial items including paid debt related fees and received bond premium received totalled a net outflow of EUR 16.5 million compared to EUR 40.4 million in the same period last year. In addition, previous year included a paid dividend of EUR 370.5 million.

Capital Expenditures

The Group's 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, (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. The Group 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 December 31, 2019 and 2018:

EUR million	Oct-Dec 2019	Oct-Dec 2018
Customer acquisition capital expenditures, material	61.2	50.8
Customer acquisition capital expenditures, direct costs	49.5	43.9
Portfolio capital expenditures	14.5	13.0
Adjacencies capital expenditures	2.6	1.1
Capital expenditures other	45.5	36.4
Total	173.4	145.2

Capital expenditures were EUR 173.4 million for the three months ending December 31, 2019 and EUR 145.2 million in the prior period. The increase in capital expenditure is mainly due to the growth in acquisition of new customers and development cost.

The following table shows a summary of our capital expenditures for the twelve months ending December 31, 2019 and 2018:

EUR million	Jan-Dec 2019	Jan-Dec 2018
Customer acquisition capital expenditures, material	230.5	184.7
Customer acquisition capital expenditures, direct costs	192.0	166.6
Portfolio capital expenditures	52.0	47.5
Adjacencies capital expenditures	8.3	8.6
Capital expenditures other	110.2	92.7
Total	592.9	500.1

Capital expenditures were EUR 592.9 million for the twelve months ending December 31, 2019 and EUR 500.1 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 December 31, 2019, the Group had a total of EUR 174.9 million of available funds.

EUR million	Dec 2019	Dec 2018
Revolving Credit Facility	300.0	300.0
Cash and cash equivalents	12.8	8.6
Drawn facility amount	(127.0)	(73.0)
Utilized letter of credit	(10.9)	(7.7)
Total available funds	174.9	227.9

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

EUR million	Dec 2019	Dec 2018
Senior Secured Notes	500.0	300.0
Term Loan B	3,092.0	3,092.0
Revolving Credit Facility	127.0	73.0
Senior Unsecured Notes	1,237.9	1,240.9
Other liabilities	48.3	51.4
Lease liability (IFRS 16)	133.9	-
Finance leases liability	-	1.1
Total	5,139.1	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.

During April 2019, the owners of the Group 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 Revolving Credit Facility.

As previously reported, the Norwegian Competition Authority in June 2017 launched an investigation involving Verisure Norway. On June 17, 2019, the Norwegian Competition Authority issued a statement of objections to Verisure Norway and Verisure Midholding AB with its preliminary findings. According to the notification, the NCA is considering the imposition of a fine of approx. EUR 80 million (NOK 784 million) on Verisure Norway and Verisure Midholding, for which the two companies would be jointly and severally liable. We disagree with the NCA's preliminary findings and are responding in detail. At this stage, it is not possible to predict if and when a legally enforceable decision or ruling will be issued.

In November 2019, the Group entered into definitive agreements to create a strategic partnership with Arlo Technologies, Inc., the #1 internet connected camera brand. The strategic partnership will leverage both companies' capabilities to create incremental scale to address the ever-growing demand for residential and commercial security. The transaction was closed on December 30, 2019.

In November 2019, Anthony Loizeau was appointed as Managing Director for the Nordics Cluster. Anthony joined Verisure in 2012 as Managing Director for Latin America, developing our operations across the region and most recently opening our Argentina business. Before Verisure Anthony held several senior positions in a range of industries including CEO of Pages Jaunes and of Kompass across France, Iberia and Benelux. He was previously a VP of Orange in France and at Nestlé. Anthony holds an Executive MBA from HEC Business School in Paris.

Events after the reporting period

In Q1 2020, Cristina Rivas was appointed as Group Chief Technology Officer. Cristina joined Verisure as Technology Director for Iberia and Latin America in 2016 from Vodafone, where she was Head of Group Technology Strategy and Governance, having held several senior positions in Vodafone Spain in customer service, sales and marketing. Before Vodafone, Cristina worked on strategy, marketing and operational efficiency projects across telecommunications, banking and energy at McKinsey. Cristina holds a Master's degree in Telecommunications Engineering from the Universidad Politécnica in Madrid.

Key Operating Metrics

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

Adjusted EBITDA

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

Attrition rate

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

Average Revenue per user

Average monthly revenue per user ("ARPU") is our portfolio services segment revenue, consisting of monthly average subscription fees and sales of additional products and services divided by the 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 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	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Revenue	3	498,147	432,182	1,900,730	1,612,525
Cost of sales		(276,569)	(227,138)	(1,007,095)	(857,106)
Gross profit		221,578	205,044	893,635	755,419
Selling expenses		(69,438)	(57,705)	(259,990)	(216,107)
Administrative expenses		(117,500)	(99,621)	(402,150)	(356,279)
Other income		1,771	1,919	5,985	6,974
Operating profit		36,411	49,637	237,480	190,007
Finance income		70	53	260	30,885
Finance costs		(57,633)	(122,737)	(252,266)	(324,828)
Result before tax		(21,152)	(73,048)	(14,526)	(103,937)
Income tax expense		(6,676)	(6,240)	(45,740)	(25,392)
Result for the period		(27,828)	(79,288)	(60,266)	(129,328)
Whereof attributable to:					
- Parent company		(27,828)	(80,480)	(60,266)	(130,017)
- Non-controlling interest		-	1,192	-	689

Consolidated statements of comprehensive income

EUR thousand	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Result for the period	(27,828)	(79,288)	(60,266)	(129,328)
Other comprehensive income				
Items that subsequently may be reclassified to the income statement				
Hedging reserve	-	-	-	-
Re-measurement of defined benefit plan net of tax	(561)	(348)	(561)	(348)
Currency translation differences on foreign operations	(5,123)	10,847	(10,424)	(4,286)
Other comprehensive income	(5,684)	10,499	(10,985)	(4,634)
Total comprehensive income for the period	(33,512)	(68,789)	(71,251)	(133,962)
Whereof attributable to:				
- Parent company	(33,512)	(69,981)	(71,251)	(134,651)
- Non-controlling interest	-	1,192	-	689

EUR thousand	Note	Dec 2019	Dec 2018
Assets			
Non-current assets			
Property, plant and equipment		872,846	720,960
Right of use assets		132,899	-
Goodwill		884,261	868,557
Customer portfolio		1,016,865	1,034,280
Other intangible assets		239,176	167,573
Deferred tax assets		30,827	28,867
Derivatives	5	23,410	17,603
Trade and other receivables	5	310,179	307,341
Total non-current assets		3,510,463	3,145,181
Current assets			
Inventories		126,977	102,488
Trade receivables	5	154,075	133,620
Current tax assets		17,872	15,101
Derivatives	5	4,758	-
Prepayments and accrued income		62,948	34,553
Other current receivables	5	15,613	10,938
Cash and cash equivalents	5	12,770	8,613
Total current assets		395,014	305,313
Total assets		3,905,477	3,450,494

EUR thousand	Note	Dec 2019	Dec 2018
Equity and liabilities			
Equity			
Share capital		56	56
Other paid in capital		624,686	624,517
Other reserves		32,645	43,640
Retained earnings		(2,821,173)	(2,714,251)
Equity attributable to equity holders of the parent company		(2,163,786)	(2,046,038)
Non-controlling interest		-	(2,745)
Total equity		(2,163,786)	(2,048,783)
Non-current liabilities			
Long-term borrowings	5, 6	4,948,800	4,573,202
Derivatives	5	17,720	6,398
Other non-current liabilities	5	114,571	120,310
Deferred tax liabilities ¹		250,295	254,451
Other provisions		25,141	3,278
Total non-current liabilities		5,356,527	4,957,640
Current liabilities			
Trade payables	5	139,086	125,237
Current tax liabilities		25,300	19,034
Short-term borrowings	5, 6	91,726	47,913
Derivatives	5	75	3,746
Accrued expenses and deferred income		426,594	316,135
Other current liabilities	5	29,955	29,572
Total current liabilities		712,736	541,637
Total equity and liabilities		3,905,477	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

EUR thousand	Attributable to equity holders of the parent company and non-controlling interest						Total equity
	Share capital	Other paid in capital	Other reserve	Retained earnings	Total	Non-controlling interest	
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	-	-	-	(60,266)	(60,266)	-	(60,266)
Other comprehensive income	-	-	(10,995)	-	(10,995)	-	(10,995)
<i>Total comprehensive income for the period</i>	-	-	(10,995)	(60,266)	(71,261)	-	(71,261)
Shareholder's contribution	-	169	-	-	169	-	169
Group contribution	-	-	-	10	10	-	10
Transaction with non-controlling interest	-	-	-	(46,666)	(46,666)	2,745	(43,921)
Balance at December 31, 2019	56	624,686	32,645	(2,821,173)	(2,163,786)	-	(2,163,786)

EUR thousand	Attributable to equity holders of the parent company and non-controlling interest						Total equity
	Share capital	Other paid in capital	Translation reserve	Retained earnings	Total	Non-controlling interest	
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	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Operating activities				
Operating profit	36,410	49,637	237,480	190,007
Reversal of depreciation and amortization	104,511	87,712	388,593	333,292
Other non-cash items	19,911	16,169	76,788	60,251
Paid taxes	(11,545)	(14,466)	(48,558)	(40,255)
Cash flow from operating activities before change in working capital	149,287	139,052	654,303	543,295
Change in working capital				
Change in inventories	13,866	6,442	(20,072)	(28,757)
Change in trade receivables	(9,998)	(8,019)	(11,816)	(10,432)
Change in other receivables	(24,122)	(305)	(41,743)	(25,586)
Change in trade payables	24,326	19,218	14,402	11,041
Change in other payables	15,264	727	106,135	68,123
<i>Cash flow from change in working capital</i>	<i>19,336</i>	<i>18,064</i>	<i>46,906</i>	<i>14,390</i>
Cash flow from operating activities	168,623	157,117	701,209	557,684
Investing activities				
Purchase of intangible assets	(88,175)	(71,164)	(295,785)	(247,042)
Purchase of property, plant and equipment	(85,274)	(73,990)	(297,138)	(253,374)
Settlement of deferred consideration	-	(1,099)	-	(4,685)
Acquisition of non-controlling interest	-	-	(45,000)	(3,248)
Acquisition of net assets	(48,304)	-	(48,304)	-
Prepayments of intangible assets	(1,798)	-	(1,798)	-
Cash flow from investing activities	(223,551)	(146,253)	(688,025)	(508,349)
Financing activities				
Paid bank and advisory fees	-	(10,856)	(6,397)	(12,608)
New financing	-	1,112,000	200,000	1,112,000
Repayment of debt	-	(630,000)	-	(630,000)
Other changes in borrowings	97,852	(28,141)	16,770	68,294
Call cost old debt	-	(18,900)	-	(18,900)
Premium from new financing	-	-	4,651	-
Net interest paid	(69,911)	(80,095)	(209,259)	(194,212)
Paid distribution	-	(352,528)	-	(370,528)
Repayment of other non-current receivables	-	-	-	691
Other financial items	(7,190)	(4,318)	(14,796)	(9,592)
Cash flow from financing activities	20,751	(12,837)	(9,031)	(54,854)
Cash flow for the period	(34,177)	(1,974)	4,154	(5,520)
Cash and cash equivalents at start of period	46,957	10,543	8,613	14,245
Exchange difference on translating cash and cash equivalents	(10)	44	3	(112)
Cash and cash equivalents at end of period	12,770	8,613	12,770	8,613

Notes to the Unaudited Consolidated Financial Statements

Note 1 Accounting Policies

Basis of presentation and accounting periods

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

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. The most important accounting principles under IFRS, which is the basis for the preparation of this interim report, can be found in note 1 in the annual report for 2018.

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

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.

Share based payments

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

The fair value of options granted under Shield Luxco 2 S.à r.l 2018 Share Option Plan is recognised as an employee benefits expense, with a corresponding increase in equity during the vesting period. The total amount to be expensed is determined by reference to the fair value of the options granted. The fair value at grant date is independently determined using the Black-Scholes model.

Hedge accounting

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

Leases

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

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

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

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

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

In the comparative period, the Group classifies leases that transfer substantially all of the risks and rewards of ownership as financial lease. When this was the case, an asset and liability was calculated to the present value of future minimum lease payments at the commencement date of the lease contract. The asset was depreciated over the contract time, and the lease liability was measured to amortized cost using the effective rate method. Leased assets classified as operating leases were not recognized in the balance sheet, but the payments were recognized in the income statement on a straight-line basis over the term of the lease.

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 8 in this interim report.

Note 2 Critical Accounting Estimates and Judgments

When applying the Group's accounting policies, management must make assumptions and estimates concerning the future that affect the carrying amounts of assets and liabilities at the balance sheet date, the disclosure of contingencies that existed at the balance sheet date and the amounts of revenue and expenses 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 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 performed on the closing of the second quarter each year.

Measurement of deferred income tax assets and deferred income tax liabilities

The Group is liable to pay income taxes in various countries. The calculation of the Group's total tax charge necessarily involves a degree of estimation and 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 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.

Estimate regarding leases

The Group performs several estimates when applying IFRS 16 in the accounting for leases. These mainly relates to: Discount rate. The discount rate used in the present value calculation of all future cash flows regarding leases is the incremental borrowing rate. The incremental borrowing rate depends on a number of factors including length of lease period and asset type and are specific for each country.

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

Note 3 Segment Reporting

The Group's operating segments are identified by grouping together the business by revenue stream, as this is the basis on which information is provided to the chief operating decision maker (CODM) for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. The Group has identified the management team as its CODM. The segments identified based on the Group's operating activities are customer acquisition, portfolio services and adjacencies

The IFRS 15 related revenue recognition adjustment was reported under SDI during the financial year ending on December 31, 2018. Effective January 1, 2019, the Group has decided to remove this impact from SDI and fold it under its Customer Acquisition segment. 2018 comparatives have been adjusted accordingly.

EUR thousands	Oct-Dec 2019					Group Total
	Customer acquisition	Portfolio services	Adjacencies	Total Group – Excl SDI	SDI	
Revenue	85,229	406,029	6,889	498,147	-	498,147
Adjusted EBITDA	(91,823)	281,891	785	190,852	(30,073)	160,780
Depreciation and amortization	-	-	-	(66,260)	(38,251)	(104,511)
Retirements of assets	-	-	-	(19,857)	-	(19,857)
Financial items	-	-	-	(50,743)	(6,819)	(57,562)
Result before tax	-	-	-	53,992	(75,142)	(21,152)

EUR thousands	Oct-Dec 2018					Group Total
	Customer acquisition	Portfolio services	Adjacencies	Total Group – Excl SDI	SDI	
Revenue	77,128	348,407	3,077	428,612	3,570	432,182
IFRS 15	3,570	-	-	3,570	(3,570)	-
Revenue as adjusted	80,698	348,407	3,077	432,182	-	432,182
Adjusted EBITDA as reported	(71,253)	232,438	(342)	160,843	(7,315)	153,528
IFRS 15	3,570	-	-	3,570	(3,570)	-
Adjusted EBITDA as adjusted	(67,683)	232,438	(342)	164,413	(10,885)	153,528
Depreciation and amortization	-	-	-	(49,421)	(38,291)	(87,712)
Retirements of assets	-	-	-	(16,177)	-	(16,177)
Financial items	-	-	-	(48,335)	(74,348)	(122,683)
Result before tax	-	-	-	50,480	(123,524)	(73,048)

EUR thousands	Jan-Dec 2019					Group Total
	Customer acquisition	Portfolio services	Adjacencies	Total Group – Excl SDI	SDI	
Revenue	329,098	1,548,936	22,696	1,900,730	-	1,900,730
Adjusted EBITDA	(316,297)	1,075,348	2,035	761,086	(58,217)	702,869
Depreciation and amortization	-	-	-	(235,512)	(153,081)	(388,593)
Retirements of assets	-	-	-	(76,795)	-	(76,795)
Financial items	-	-	-	(208,523)	(43,482)	(252,005)
Result before tax	-	-	-	240,256	(254,780)	(14,526)

EUR thousands	Jan-Dec 2018					Group Total
	Customer acquisition	Portfolio services	Adjacencies	Total Group – Excl SDI	SDI	
Revenue	279,147	1,329,536	16,167	1,624,849	(12,324)	1,612,525
IFRS 15	(12,324)	-	-	(12,324)	12,324	-
Revenue as adjusted	266,823	1,329,536	16,167	1,612,525	-	1,612,525
Adjusted EBITDA as reported	(265,444)	890,704	(2,322)	622,938	(39,389)	583,549
IFRS 15	(12,324)	-	-	(12,324)	12,324	-
Adjusted EBITDA as adjusted	(277,768)	890,704	(2,322)	610,614	(27,065)	583,549
Depreciation and amortization	-	-	-	(180,083)	(153,209)	(333,292)
Retirements of assets	-	-	-	(60,251)	-	(60,251)
Financial items	-	-	-	(187,563)	(106,380)	(293,943)
Result before tax	-	-	-	182,717	(286,654)	(103,937)

Note 4 Business Combinations

On November 8, 2019, the Group entered into definitive agreements to create a strategic partnership with Arlo Technologies, Inc., the #1 internet connected camera brand. The strategic partnership will leverage both companies' capabilities to create incremental scale to address the ever-growing demand for residential and commercial security. This transaction, which closed on December 30, 2019 involves the acquisition by Verisure of Arlo's European commercial operations and the net asset of Arlo Ireland, which will enable Verisure to accelerate adoption of security and surveillance services across Europe, as well as bolster Arlo's position as the industry leader in smart home security solutions. It also includes a supply partnership for Arlo cameras with intelligent cloud services.

The transaction price related to the acquisition of the net assets of Arlo Ireland amounted to USD 54 million (approximately EUR 48 million). The net assets were included in the Verisure Midholding Group as of December 30, 2019. The valuation of intangible assets is preliminary and will be finalised during 2020.

The full transaction also included the prepayment of future purchases of materials of USD 20 million (approximately EUR 18 million), reported as prepayments, as well as prepayment of R&D expenditure of USD 2 million (approximately EUR 1.8 million).

The transaction is structured as a net asset deal, this is why information about what these operations would have contributed to the Groups Income Statement if it had been included from January 1, 2019 is not available. Transaction costs of EUR 6.1 million have been expensed and are included in administrative expenses. These costs are included in cash flow from operating activities in the statement of cash flows.

Financial effect of the acquisition

Recognised amounts of identifiable assets acquired and liabilities assumed

EUR thousand	Dec 2019
Customer portfolio and other intangible fixed assets	44,959
Inventories	4,781
Trade and other receivables	985
Trade and other liabilities	(2,421)
Provision	(15,458)
Total identifiable net assets	32,846
Goodwill	15,458
Total	48,304

Net cash outflow from acquisition

EUR thousand	Dec 2019
Consideration paid in cash	48,304
Less acquired cash	-
Net cash outflow	48,304

Note 5 Financial Risk Management

Financial instruments by category and valuation level

EUR thousand	Dec 2019	Dec 2018
Financial assets at fair value through profit or loss¹		
<i>Derivatives</i>		
Currency	28,168	17,603
Interest rate	-	-
Total	28,168	17,603
Financial liabilities at fair value through profit or loss¹		
<i>Derivatives</i>		
Currency	75	3,746
Interest rate	17,720	6,398
Total	17,795	10,144
Loans and receivables at amortized cost		
Trade and other receivables	310,179	307,341
Trade receivables ²	154,075	133,620
Other current receivables ²	15,613	10,938
Cash and cash equivalent	12,770	8,613
Other financial liabilities at amortized cost		
Long-term borrowings ³	4,948,800	4,573,202
Other non-current liabilities	114,571	120,310
Trade payables ²	139,086	125,237
Short-term borrowings ^{2,3}	91,726	47,913
Other current liabilities ²	29,955	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 6 Borrowings

EUR thousand	Dec 2019			Dec 2018		
	Principal amount	Adjustment amortized costs	Carrying amount	Principal amount	Adjustment amortised costs	Carrying amount
Non-current liabilities						
Secured						
Senior Secured Notes	500,000	(1,709)	498,291	300,000	(2,726)	297,274
Term Loan B ¹	3,092,000	(106,035)	2,985,965	3,092,000	(140,947)	2,951,053
Revolver Credit Facility	126,954	(2,815)	124,139	72,966	(4,260)	68,706
Unsecured						
Senior Unsecured Notes	1,237,942	(9,153)	1,228,789	1,240,900	(9,947)	1,230,953
Liabilities to other creditors	14,565	-	14,565	24,437	-	24,437
Lease liability ²	97,051	-	97,051	-	-	-
Finance lease liability	-	-	-	779	-	779
Long-term borrowings	5,068,511	(119,711)	4,948,800	4,731,082	(157,880)	4,573,202
Current liabilities						
Accrued interest expenses	21,159	-	21,159	20,700	-	20,700
Other liabilities	33,708	-	33,708	26,914	-	26,914
Lease liability ²	36,859	-	36,859	-	-	-
Finance leases liability	-	-	-	299	-	299
Short-term borrowings	91,726	-	91,726	47,913	-	47,913
Total	5,160,237	(119,711)	5,040,526	4,778,995	(157,880)	4,621,115

1) Of the total amount regarding adjustment amortized costs 2019, EUR (70,717) thousands ((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 January 1, 2018, at the time of the adoption of IFRS 9.

2) These amounts relate to liabilities from IFRS 16.

Net Debt Bridge

EUR thousand	Dec 2019	Dec 2018
Total principal amount (as above)	5,160,237	4,778,995
Less accrued interest	(21,159)	(20,700)
Indebtness	5,139,078	4,758,295
Less financial receivable, current	(8)	-
Less cash and cash equivalents	(12,770)	(8,613)
Net debt	5,126,300	4,749,682
Less lease liability (IFRS 16)	(133,910)	-
Net debt per SFA lender documentation	4,992,391	4,749,682

Note 7 Pledged Assets and Contingent Liabilities

Pledged assets

EUR thousand	Dec 2019	Dec 2018
Endowment insurance	658	664
Shares in subsidiaries	2,100,193	1,972,560
Bank accounts	696	503
Trademark	48,333	53,333
Accounts receivables	93,684	74,195
Inventories	67,088	61,816
Motor vehicles	18	10

Contingent liabilities

EUR thousand	Dec 2019	Dec 2018
Guarantees	29,645	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 8 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	Oct-Dec 2019	Jan-Dec 2019
Adjusted EBITDA	10,116	41,431
Amortization and write off	(10,843)	(38,367)
Operating profit	(727)	3,064
Financial items	(1,203)	(4,656)
Income before tax	(1,930)	(1,592)

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

Unaudited Parent Company Financial Statements

Parent company income statements

EUR thousand	Note	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Administrative expenses		(4)	(11)	(18)	(18)
Operating profit		(4)	(11)	(18)	(18)
Financial Income	2	13,060	11,596	48,360	43,521
Financial Cost	2	(18,723)	(18,878)	(74,284)	(69,803)
Dividend		-	353,694	-	353,694
Group contribution		3,027	31,266	3,027	31,266
Result before tax		(2,640)	337,667	(22,915)	358,660
Income tax expense and benefit		109	(109)	109	(109)
Result for the period		(2,531)	377,557	(22,806)	358,551

EUR thousand	Note	Dec 2019	Dec 2018
Assets			
Non-current assets			
<i>Long-term investments</i>			
Investments in subsidiaries		1,190,122	1,189,952
Receivables from Group companies		700,444	701,094
Total non-current assets		1,890,565	1,891,046
Current assets			
Other receivables from Group companies		-	158
Accrued income and prepaid expenses		-	13
Accrued income and prepaid expenses from Group companies		3,039	4,005
Cash and cash equivalents		119	252
Total current assets		3,158	4,428
Total assets		1,893,723	1,895,474
Equity and liabilities			
Equity			
Share capital		56	56
Other paid in capital		569,170	569,170
Retained earnings		18,901	41,538
Total equity		588,127	610,764
Non-current liabilities			
Long-term borrowings	3	1,228,788	1,230,953
Liabilities to Group companies		71,052	44,270
Deferred tax liabilities		-	109
Total non-current liabilities		1,299,841	1,275,332
Current liabilities			
Accrued expenses and prepaid income	3	5,749	5,733
Accrued expenses and prepaid income to Group companies		5	228
Other current liabilities to Group companies		-	3,417
Total current liabilities		5,754	9,378
Total equity and liabilities		1,893,723	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, 2019	56	569,170	41,538	610,764
Result for the period	-	-	(22,806)	(22,806)
Shareholders contribution	-	-	169	169
Balance at December 31, 2019	56	569,170	18,901	588,127

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	41,538	610,764

Parent Company Statements of Cash Flows

EUR thousand	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Operating activities				
Operating profit	(4)	(11)	(18)	(18)
Cash flow from operating activities before change in working capital	(4)	(11)	(18)	(18)
Change in working capital				
Change in trade payables	-	3,428	(3,417)	(571)
Change in trade receivables	1	(171)	171	(171)
<i>Cash flow from change in working capital</i>	<i>1</i>	<i>3,257</i>	<i>(3,246)</i>	<i>(742)</i>
Cash flow from operating activities	(3)	3,246	(3,264)	(760)
Investing activities				
Cash flow from investing activities		-	-	-
Financing activities				
New loans to or from Group companies	8,661	(88,788)	26,782	(81,882)
Paid bank and advisory fees	(42)	(3,961)	(427)	(2,231)
Net interest paid	(8,759)	(11,621)	(23,224)	(19,294)
New financing	-	100,000	-	100,000
Dividend received	-	1,162	-	1,162
Cash flow from financing activities	(140)	(3,208)	3,131	(2,245)
Cash flow for the period	(143)	38	(133)	(3,005)
Cash and cash equivalents at start of period	262	216	252	3,257
Exchange difference on translating cash and cash equivalents	-	(2)	-	-
Cash and cash equivalents at end of period	119	252	119	252

Note to the Unaudited Parent Company Financial Statements

Note 1 Accounting Policies

The parent company Verisure Midholding AB applies the Swedish Financial Reporting Board's recommendation "RFR 2". The accounting policies are unchanged compared with those applied in 2018.

These financial statements should be read in conjunction with the Annual Report 2018.

Note 2 Financial income and cost

EUR thousand	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Interest income from Group companies	12,169	11,550	48,360	43,521
Other financial income	890	46	-	-
Financial Income	13,060	11,596	48,360	43,521
Interest expense	(17,795)	(17,188)	(71,179)	(66,397)
Interest expense to Group companies	(382)	(262)	(1,184)	(393)
Other financial cost	(546)	(1,428)	(1,921)	(3,013)
Financial cost	(18,723)	(18,878)	(74,284)	(69,803)

Note 3 Borrowings

EUR thousand	Dec 2019			Dec 2018		
	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
Unsecured						
Senior Unsecured Notes	5,735	1,228,788	1,234,523	5,722	1,230,953	1,236,675
Total (carrying amount)	5,735	1,228,788	1,234,523	5,722	1,230,953	1,236,675

Quarterly summary

Key figures

EUR thousand (if not otherwise stated)	Oct-Dec 2019	Jul-Sep 2019	Apr-Jun 2019	Jan-Mar 2019	Oct-Dec 2018
Portfolio services segment:					
<i>Unaudited operating data</i>					
Total subscribers (end of period), units	3,346,712	3,236,226	3,130,810	3,027,674	2,930,753
Cancellation, units	50,563	48,245	48,274	48,280	44,836
Attrition rate (LTM)	6.2%	6.3%	6.2%	6.2%	6.2%
Net subscriber growth, units ¹	110,486	105,416	103,136	96,921	89,856
Subscriber growth rate, net	14.2%	13.9%	13.7%	13.6%	13.3%
Average monthly revenue per user (ARPU), (in EUR)	41.1	41.0	41.3	41.5	40.2
Monthly adjusted EBITDA per subscriber (EPC), (in EUR)	28.5 ²	28.7	28.7	28.4	26.8
<i>Non-IFRS and IFRS financial data</i>					
Portfolio services revenue	406,029	391,992	380,739	370,176	348,407
Portfolio services adjusted EBITDA	281,891 ³	275,041	264,689	253,727	232,438
Portfolio services adjusted EBITDA margin	69.4%	70.2%	69.5%	68.5%	66.7%
Customer acquisition segment:					
<i>Unaudited operating data</i>					
New subscribers added (gross)	161,049	153,661	151,410	145,201	134,692
Cash acquisition cost per new subscriber (CPA), (in EUR)	1,258 ⁴	1,209	1,194	1,169	1,206
<i>Non-IFRS and IFRS financial data</i>					
Customer acquisition revenue	85,229	79,795	80,813	83,261	80,698
Customer acquisition adjusted EBITDA	(91,823) ⁵	(78,820)	(77,140)	(68,515)	(67,683)
Customer acquisition capital expenditures	110,741	106,891	103,659	101,155	94,736
Adjacencies segment:					
<i>Non-IFRS and IFRS financial data</i>					
Adjacencies revenue	6,889	5,285	5,392	5,130	3,077
Adjacencies adjusted EBITDA	785	382	432	436	(342)
Consolidated:					
<i>Unaudited operating data</i>					
Payback period (in years)	3.7 ⁶	3.5	3.5	3.4	3.8
<i>Non-IFRS and IFRS financial data</i>					
Revenue	498,147	477,072	466,944	458,567	432,182
Organic revenue growth	16.1%	18.8%	19.7%	20.3%	21.3%
Adjusted EBITDA	190,852 ⁷	196,603	187,981	185,648	164,413
Adjusted EBITDA margin	38.3%	41.2%	40.3%	40.5%	38.0%
Capital expenditures	173,436	141,849	141,892	135,733	145,154
Reported (including SDI)					
Revenue	498,147	477,072	466,944	458,567	432,182
Reported Adjusted EBITDA	160,780 ⁷	183,711	178,643	179,733	153,528

1) Differences in reconciliation with end of period subscriber data are primary due to acquisition and disposal of contract portfolios.

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

3) Includes the effect from IFRS 16 of EUR 2,775 thousand.

4) Includes the effect from IFRS 16 of EUR 46.

5) Includes the effect from IFRS 16 of EUR 7,341 thousand.

6) Includes the effect from IFRS 16 of 0.1 years.

7) Includes the effect from IFRS 16 of EUR 10,116 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, February 25, 2020

Austin Lally
CEO

Stefan Götz

Adrien Motte

Cecilia Hultén
Chairman

Fredrik Östman