VERISURE MIDHOLDING AB (PUBL)

INTERIM REPORT
JANUARY– JUNE 2019

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

Key operating highlights for the second quarter ending June 30, 2019 and 2018

Verisure Midholding AB (publ) Group, hereafter referred to as the 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 3.1 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 second quarter 2019 to experience strong growth in sales and profitability compared with the same period 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 466.9 million for the second quarter 2019 which is an increase of 19.1% from EUR 392.1 million the same period last year. Adjusted for currency effects, total reported revenues grew by 19.7% in the quarter. For the first six months of 2019 total reported revenues increased by 19.2% to EUR 925.5 million compared to EUR 776.3 million in 2018. Adjusted for currency effect, total reported revenues grew by 20.0% for the first six months.
- Portfolio adjusted EBITDA[1] improved to EUR 264.7 million from EUR 218.6 million in Q2 2018 corresponding to an increase of 21.1%. Adjusted for currency effects, portfolio adjusted EBITDA[1] improved by 21.7% in the quarter. Excluding impact from IFRS 16, portfolio adjusted EBITDA increased by 19.7% in actual currencies and 20.3% in constant currencies. Portfolio services adjusted EBITDA margin further strengthened to 69.5% from 66.9% in Q2 2018, an increase of 2.6 percentage points compared to same period in 2018. Excluding impact of IFRS 16, portfolio services adjusted EBITDA margin improved to 68.7% in Q2 2019. For the first six months portfolio adjusted EBITDA amounted to EUR 518.4 million which is an increase of 20.1% in actual currencies and 20.9% in constant currencies compared to 2018. Portfolio services adjusted EBITDA margin strengthened to 69.0%, an increase of 2.1 percentage points compared to the first six months in 2018. Excluding impact from IFRS 16, portfolio adjusted EBITDA increased by 18.8% in actual currencies and 19.5% in constant currencies for the first six months.
- Total reported adjusted EBITDA[1] increased by 26.8% to EUR 178.6 million in Q2 2019 from EUR 140.9 million in Q2 2018. Total adjusted EBITDA[1], before SDI, improved to EUR 188.0 million from EUR 146.3 million in Q2 2018, which is an increase of 28.5% in actual currencies and 28.9% in constant currencies for the quarter. Excluding impact from IFRS 16 and SDI, total adjusted EBITDA improved by 21.2% in actual currencies and 21.6% in constant currencies. For the first six months of 2019 total reported adjusted EBITDA increased by 29.4% to EUR 358.4 million compared to EUR 276.9 million in 2018. Total adjusted EBITDA[1], before SDI, improved to EUR 373.6 million from EUR 288.6 million for the first six months in 2018, which is an increase of 30.2% adjusted for currency effects. Excluding impact from IFRS 16 and SDI, total adjusted EBITDA improved by 22.6% in actual currencies and 23.3% in constant currencies for the first six months.
- Net subscriber growth was 103,136 in the quarter which is an acceleration from last year's level of 88,169. At the end of the quarter the portfolio had grown to 3,130,810 customers, up 13.7% from 2,754,103 the same period last year. This portfolio growth of 13.7% is an acceleration of the growth rate compared to previous periods.

During the second quarter in 2019 the Group reached again its highest quarter ever with regards to new customer additions, 151,410 which is an increase of 17.3% from 129,072 in Q2 2018. Cancellations continued to be at a low level, resulting in an attrition of 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.

Total revenues increased by 19.1% in the quarter. ARPU improved to EUR 41.3 which is an increase of 3.2% adjusted for currency effects from last year. EPC accelerated further to EUR 28.7 for the quarter, corresponding to an increase of 7.1% adjusted for currency effects, driven by continued value improvements and good development in operational efficiency and cost control. Adjusted EBITDA[1] from the portfolio segment improved to EUR 264.7 million in Q2 2019, corresponding to an increase of 21.1% year-on-year (21.7% in constant currencies), with double digit growth in all key geographies. On an annualized basis our portfolio adjusted EBITDA is now over EUR 1 billion. Cash flow from operating activities amounted to EUR 160.3 million for the quarter compared to EUR 124.5 million last year, which is an increase of 28.7% 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 are also very strong, more than 30% compared with the same period last year.

In summary, we continue to have a very strong development for the Group with high levels of new customer additions, continued good trend on attrition and solid 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.

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)	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
Portfolio services segment:				
Unaudited operating data				
Total subscribers (year-end), units	3,130,810	2,754,103	3,130,810	2,754,103
Cancellation, units	48,274	41,008	96,554	84,724
Attrition rate (LTM)	6.2%	6.2%	6.2%	6.2%
Net subscriber growth, units[1]	103,136	88,169	200,057	167,980
Subscriber growth rate, net	13.7%	13.2%	13.7%	13.2%
Average monthly revenue per user (ARPU), (in EUR)	41.3	40.2	41.4	40.3
Monthly adjusted EBITDA per subscriber (EPC), (in EUR)[2]	28.7	26.9	28.6	27.0
Non-IFRS and IFRS financial data				
Portfolio services revenue	380,739	326,562	750,915	644,614
Portfolio services adjusted EBITDA[3]	264,689	218,595	518,416	431,516
Portfolio services adjusted EBITDA margin	69.5%	66.9%	69.0%	66.9%
Customer acquisition segment:				
Unaudited operating data				
New subscribers added (gross)	151,410	129,072	296,611	252,599
Cash acquisition cost per new subscriber (CPA), (in EUR)[4]	1,194	1,216	1,182	1,170
Non-IFRS and IFRS financial data				
Customer acquisition revenue	80,813	61,915	164,074	123,180
Customer acquisition adjusted EBITDA[5]	(77,140)	(71,852)	(145,654)	(141,036)
Customer acquisition capital expenditures	103,659	85,141	204,813	167,412
Adjacencies segment:				
Unaudited operating data				
Adjacencies revenue	5,392	3,580	10,522	8,485
Adjacencies adjusted EBITDA	432	(468)	868	(1,896)
Consolidated:				
Unaudited operating data				
Payback period (in years)[6]	3.5	3.8	3.4	3.6
Non-IFRS and IFRS financial data				
Revenue	466,944	392,057	925,511	776,278
Organic revenue growth	19.7%	18.2%	20.0%	18.4%
Adjusted EBITDA[7]	187,981	146,275	373,630	288,584
Adjusted EBITDA margin	40.3%	37.3%	40.4%	37.2%
Capital expenditures	141,892	117,749	277,625	232,236
Reported (including SDI)				
Reported revenue	466,944	392,057	925,511	776,278
Reported adjusted EBITDA[7]	178,643	140,925	358,377	276,938

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 3,055 thousand (QTD) and 5,876 thousand (YTD).

4) Includes the effect from IFRS 16 of EUR 50 (QTD) and 47 (YTD).

5) Includes the effect from IFRS 16 of EUR 7,581 thousand QTD and 14,029 thousand (YTD).

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

7) Includes the effect from IFRS 16 of EUR 10,635 thousand (QTD) and 19,904 thousand (YTD).

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 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 June 30, 2019 and 2018

Results excluding SDI

EUR million	Apr-Jun 2019	Apr-Jun 2018	Percentage change
Revenue	466.9	392.1	19.1%
Operating expenses	(280.3)	(247.5)	13.3%
Other income	1.4	1.7	(21.2%)
Adjusted EBITDA	**188.0**	**146.3**	**28.5%**
Adjusted EBITDA margin, %	40.3%	37.3%	-
Depreciation and amortization	(56.5)	(42.9)	31.8%
Retirement of assets	(20.2)	(14.4)	40.8%
Operating profit	**111.2**	**89.0**	**26.5%**
Operating profit margin, %	23.8%	22.7%	-
Interest income and cost	(52.0)	(45.1)	15.1%
Other financial items	(0.5)	(0.9)	(49.5)%
Result before taxes and SDI	**58.8**	**43.0**	**40.1%**

Revenue

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

Results excluding SDI

EUR million	Apr-Jun 2019	Apr-Jun 2018	Percentage change
Revenue by segment			
Portfolio services	380.7	326.6	16.6%
Customer acquisition	80.8	61.9	30.5%
Adjacencies	5.4	3.6	50.6%
Total	**466.9**	**392.1**	**19.1%**

Total revenue in the second quarter 2019 increased by 19.1%, or EUR 74.8 million, to EUR 466.9 million, up from EUR 392.1 million in the prior period. Organic revenue growth was 19.7%, primarily due to the increasing customer base and higher average monthly revenue per user. The customer base on June 30, 2019 was 3,130,810, an increase from 2,754,103 on June 30, 2018, reflecting continued success in new customer acquisition and low attrition.
Revenue for portfolio services in the second quarter 2019 increased by 16.6%, or EUR 54.1 million, to EUR 380.7 million, up from EUR 326.6 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 June 30, 2019, increased by 30.5%, or EUR 18.9 million, to EUR 80.8 million, up from EUR 61.9 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 second quarter 2019, increased by 13.3%, or EUR 32.8 million, to EUR 280.3 million, up from EUR 247.5 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 10.7 million.

Adjusted EBITDA

Adjusted EBITDA in the three months ending June 30, 2019, increased by 28.5% or EUR 41.7 million to EUR 188.0 million, up from EUR 146.3 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 10.7 million from IFRS 16.

Depreciation and amortization

Depreciation and amortization increased to EUR 56.5 million in the three months ending June 30, 2019, up from EUR 42.9 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 10.0 million related to IFRS 16.

Retirement of assets

Retirements of assets increased to EUR 20.2 million in the second quarter of 2019, up from EUR 14.4 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 in the three months ending June 30, 2019 amounted to EUR 0.1 million compared to EUR 6.5 million prior period. Interest cost amounted to EUR 52.1 million, compared to EUR 45.1 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 0.5 million compared to EUR 0.9 million for the three months ended June 30, 2018.

Reported consolidated income statement for the three months ending June 30, 2019 and 2018

	Apr-Jun 2019			Apr-Jun 2018		
EUR million	**Result excluding SDI**	**Separately disclosed items**	**Reported**	**Result excluding SDI**	**Separately disclosed items**	**Reported**
Revenue	466.9	-	**466.9**	392.1	-	**392.1**
Operating expenses	(280.3)	(9.3)	**(289.7)**	(247.5)	(5.4)	**(252.9)**
Other income	1.4	-	**1.4**	1.7	-	**1.7**
Adjusted EBITDA	**188.0**	**(9.3)**	**178.6**	**146.3**	**(5.4)**	**140.9**
Depreciation and amortization	(56.5)	(38.3)	**(94.8)**	(42.9)	(38.3)	**(81.2)**
Retirements of assets	(20.2)	-	**(20.2)**	(14.4)	-	**(14.4)**
Operating profit	**111.2**	**(47.6)**	**63.6**	**89.0**	**(43.7)**	**45.4**
Interest income and cost	(52.0)	-	**(52.0)**	(45.1)	6.5	**(38.6)**
Other financial items	(0.5)	(15.8)	**(16.3)**	(0.9)	(62.3)	**(63.2)**
Result before tax	**58.8**	**(63.5)**	**(4.7)**	**43.0**	**(99.5)**	**(56.4)**
Income tax benefit and expense	-	-	**(13.1)**	-	-	**(2.5)**
Result for the period	**-**	**-**	**(17.9)**	**-**	**-**	**(58.9)**

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 second quarter 2019, the costs amounted to EUR 9.3 million and EUR 5.4 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 interest income and cost

SDI affecting interest income and cost consist of interest income regarding loan to related party totaling EUR 6.5 million for the second quarter 2018.

SDI affecting other financial items

SDI affecting other financial items was a cost of EUR 15.8 million and EUR 62.3 million for the second quarter 2019 and 2018 respectively. For the three months ending June 30, 2019, the other financial items consist of a negative non-cash FX valuation of debt items and hedges amounting to EUR 7.0 million and a cost related to amortization of prepaid financing fees including an IFRS 9 adjustment regarding modification of loan agreement of EUR 8.8 million. For the three months ending June 30, 2018, other financial items consist of a negative non-cash FX valuation of debt items and market revaluation of hedges, in total amounting to EUR 49.0 million (part of this, EUR 56.2 million, relates to the revaluation of the anticipated dividend within the Group) and a cost related to amortization of both prepaid financing fees and IFRS 9 adjustment regarding modification of loan agreement of EUR 13.3 million.

Income tax benefit and expense

Total tax cost was EUR 13.1 million in the quarter compared with EUR 2.5 million last year. Current tax expense was EUR 14.9 million in Q2 2019 compared with EUR 9.6 million in 2018. The difference between the years is mainly related to finalization of tax audits in various jurisdictions. Deferred tax for Q2 2019 was a benefit of EUR 1.7 million in Q2 2019 compared with EUR 7.2 million in 2018.

Cash Flow

The following table shows a summary of our cash flow on a historical basis for the three months ending June 30, 2019 and 2018.

EUR million	**Apr-Jun 2019**	**Apr-Jun 2018**
Cash flow from operating activities before change in working capital	166.5	130.3
Change in working capital	(6.2)	(5.7)
Cash flow from operating activities[1]	**160.3**	**124.5**
Cash flow from investing activities	(141.9)	(118.7)
Cash flow from financing activities[2]	5.5	(8.6)
Cash flow for the period	**23.9**	**(2.8)**
Cash and cash equivalents at beginning of period	11.4	13.3
Translation differences on cash and cash equivalents	(0.1)	(0.0)
Cash and cash equivalents at end of period	**35.1**	**10.5**

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 160.3 million and EUR 124.5 million for the three months ending June 30, 2019 and 2018 respectively. The increase compared with corresponding period in the previous year is primarily due to 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 141.9 million and EUR 118.7 million for the three months ending June 30, 2019 and 2018 respectively. The increase in capital expenditure is mainly due to the growth in acquisition of new customers.

Cash flow from financing activities

Cash flow from financing activities totaled an inflow of EUR 5.5 million and an outflow of EUR 8.6 million for the three months ending June 30, 2019 and 2018 respectively. The main elements included net paid interest of EUR 71.7 million compared with EUR 70.4 million in the same period last year. A net increase in borrowings of EUR 70.0 million compared with an increase of EUR 79.4 million previous year. Other financial items including paid debt related fees and received bond premium totaled a net positive of EUR 7.1 million compared with a net positive amount of EUR 3.7 million in the same period last year. In addition, the same period for the previous year was affected by a paid distribution of EUR 18.0 million.

Six months ending June 30, 2019 and 2018

Results excluding SDI

EUR million	Jan-Jun 2019	Jan-Jun 2018	Percentage change
Revenue	925.5	776.3	19.2%
Operating expenses	(555.0)	(491.2)	13.0%
Other income	3.1	3.5	(11.4)%
Adjusted EBITDA	**373.6**	**288.6**	**29.5%**
Adjusted EBITDA margin, %	40.4%	37.2%	-
Depreciation and amortization	(109.5)	(84.3)	29.9%
Retirement of assets	(38.3)	(28.7)	33.5%
Operating profit	**225.9**	**175.6**	**28.6%**
Operating profit margin, %	24.4%	22.6%	-
Interest income and cost	(103.9)	(90.5)	14.8%
Other financial items	(1.1)	(1.7)	(32.9)%
Result before taxes and SDI	**120.8**	**83.4**	**45.0%**

Revenue

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

Results excluding SDI

EUR million	Jan-Jun 2019	Jan-Jun 2018	Percentage change
Revenue by segment			
Portfolio services	750.9	644.6	16.5%
Customer acquisition	164.1	123.2	33.2%
Adjacencies	10.5	8.5	24.0%
Total	**925.5**	**776.3**	**19.2%**

Total revenue in the second quarter 2019 increased by 19.2%, or EUR 149.2 million, to EUR 925.5 million, up from EUR 776.3 million in the prior period. Organic revenue growth was 20.0%, primarily due to the increasing customer base and higher average monthly revenue per user. The customer base on June 30, 2019 was 3,130,810, an increase from 2,754,103 on June 30, 2018, reflecting continued success in new customer acquisition and low attrition.
Revenue for portfolio services in the second quarter 2019 increased by 16.5%, or EUR 106.3 million, to EUR 750.9 million, up from EUR 644.6 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 six months ending June 30, 2019, increased by 33.2%, or EUR 40.9 million, to EUR 164.1 million, up from EUR 123.2 million in the previous period. The increase was mainly due to higher number of new installations, higher upfront revenue compared with 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 second quarter 2019, increased by 13.0%, or EUR 63.8 million, to EUR 555.0 million, up from EUR 491.2 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 19.9 million.

Adjusted EBITDA

Adjusted EBITDA in the six months ending June 30, 2019, increased by 29.5% or EUR 85.0 million to EUR 373.6 million, up from EUR 288.6 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 19.9 million from IFRS 16.

Depreciation and amortization

Depreciation and amortization increased to EUR 109.5 million in the six months ending June 30, 2019, up from EUR 84.3 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 18.4 million related to IFRS 16.

Retirement of assets

Retirements of assets increased to EUR 38.3 million in the second quarter of 2019, up from EUR 28.7 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 in the six months ending June 30, 2019 amounted to EUR 0.1 million compared to EUR 0.2 million in the same period prior year. Interest cost amounted to EUR 104.0 million, up from EUR 90.7 million in the prior period mainly driven by higher indebtedness. The adoption of IFRS 16 had a negative impact of EUR 2.2 million.

Other financial items

Other financial items, mainly consisting of commitment fee for the Revolving Credit Facility, amounted to a cost of EUR 1.1 million compared to EUR 1.7 million for the six months ended June 30, 2018.

Reported consolidated income statement for the six months ending June 30, 2019 and 2018

	Jan-Jun 2019			Jan-Jun 2018		
EUR million	**Result excluding SDI**	**Separately disclosed items**	**Reported**	**Result excluding SDI**	**Separately disclosed items**	**Reported**
Revenue	925.5	-	**925.5**	776.3	-	**776.3**
Operating expenses	(555.0)	(15.3)	**(570.2)**	(491.2)	(11.6)	**(502.8)**
Other income	3.1	-	**3.1**	3.5	-	**3.5**
Adjusted EBITDA	**373.6**	**(15.3)**	**358.4**	**288.6**	**(11.6)**	**277.0**
Depreciation and amortization	(109.5)	(76.6)	**(186.1)**	(84.3)	(76.6)	**(160.9)**
Retirements of assets	(38.3)	-	**(38.3)**	(28.7)	-	**(28.7)**
Operating profit	**225.9**	**(91.8)**	**134.0**	**175.6**	**(88.2)**	**87.4**
Interest income and cost	(103.9)	-	**(103.9)**	(90.5)	30.6	**(59.9)**
Other financial items	(1.1)	(15.1)	**(16.3)**	(1.7)	(44.3)	**(46.0)**
Result before tax	**120.8**	**(107.0)**	**13.9**	**83.4**	**(101.9)**	**(18.6)**
Income tax benefit and expense	-	-	**(29.2)**	-	-	**(10.3)**
Result for the period	**-**	**-**	**(15.3)**	**-**	**-**	**(28.9)**

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 second quarter 2019, the costs amounted to EUR 15.3 million and EUR 11.6 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 76.6 million in both periods 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 totaling EUR 30.6 million for the six months ending June 30, 2018.

SDI affecting other financial items

SDI affecting other financial items for the second quarter was an expense of EUR 15.1 million compared to EUR 44.3 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 4.6 million, a cost related to amortization of prepaid financing fees including an IFRS 9 adjustment regarding modification of loan agreement of EUR 19.7 million. For the six months ending June 30, 2018, the other financial items consist of a negative non-cash FX valuation of debt items and market revaluation of hedges, in total amounting to EUR 27.3 million (part of this, EUR 56.2 million, relates to the revaluation of the anticipated dividend within the Group) and a cost related to amortization of both prepaid bank fees and IFRS 9 adjustment regarding modification of loan agreement of EUR 17.0 million.

Income tax benefit and expense

Total tax cost was EUR 29.2 million for the six months compared with EUR 10.3 million last year. Current tax cost was EUR 27.6 million for the six months 2019 compared with EUR 19.1 million in 2018. The difference between the years is mainly related to finalization of tax audits in various jurisdictions. Deferred tax was a cost of EUR 1.6 for the six months 2019 compared with a benefit of EUR 8.8 million in 2018.

Cash flow

The following table shows a summary of our cash flow on a historical basis for the six months ending June 30, 2019 and 2018.

EUR million	Jan-Jun 2019	Jan-Jun 2018
Cash flow from operating activities before change in working capital	341.7	260.4
Change in working capital	(9.6)	2.3
Cash flow from operating activities[1]	**332.1**	**262.7**
Cash flow from investing activities	(322.6)	(233.1)
Cash flow from financing activities[2]	17.0	(33.2)
Cash flow for the period	**26.5**	**(3.7)**
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	**35.1**	**10.5**

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 332.1 million and EUR 262.7 million for the six months ending June 30, 2019 and 2018 respectively. The increase compared with corresponding period for the previous year is primarily due to the increase in profitability partly offset by a negative impact from change in accounts receivables but also the IFRS 16 impact.

Cash flow from investing activities

Cash flow from investing activities amounted to an outflow of EUR 322.6 million and EUR 233.1 million for the six months ending June 30, 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 17.0 million and an outflow of EUR 33.2 million for the six months ending June 30, 2019 and 2018 respectively. The main elements included net paid interest of EUR 104.7 million, and EUR 91.9 million in the same period last year, a net increase in borrowings of EUR 125.5 million compared with EUR 80.5 million in the same period of the previous year. Other financial items including paid debt related fees and received bond premium totaled a net outflow of EUR 3.8 million compared to EUR 1.3 million in the same period last year. In addition, the same period the previous year was affected by a paid distribution of EUR 18.0 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 June 30, 2019 and 2018:

EUR million	Apr-Jun 2019	Apr-Jun 2018
Customer acquisition capital expenditures, material	57.0	44.1
Customer acquisition capital expenditures, direct costs	46.6	41.0
Portfolio capital expenditures	12.4	10.9
Adjacencies capital expenditures	2.0	1.7
Capital expenditures other	23.9	19.9
Total	**141.9**	**117.7**

Capital expenditures were EUR 141.9 million for the three months ending June 30, 2019 and EUR 117.7 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 six months ending June 30, 2019 and 2018:

EUR million	Jan-Jun 2019	Jan-Jun 2018
Customer acquisition capital expenditures, material	110.7	87.9
Customer acquisition capital expenditures, direct costs	94.1	79.5
Portfolio capital expenditures	24.8	22.5
Adjacencies capital expenditures	4.1	5.3
Capital expenditures other	43.9	36.9
Total	**277.6**	**232.2**

Capital expenditures were EUR 277.6 million for the six months ending June 30, 2019 and EUR 232.2 million in the prior period. The increase in capital expenditure is mainly due to the growth in acquisition of new customers and development cost.

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 June 30, 2019, the Group had a total of EUR 310.4 million of available funds.

EUR million	Jun 2019	Jun 2018	Dec 2018
Revolving Credit Facility	300.0	300.0	300.0
Cash and cash equivalents	35.1	10.5	8.6
Drawn facility amount	(16.8)	(85.9)	(73.0)
Utilized letter of credit	(7.9)	(7.0)	(7.7)
Total available funds	**310.4**	**217.7**	**227.9**

The following table summarizes our total financial indebtedness on June 30, 2019 and 2018 and on December 31, 2018.

EUR million	**Jun 2019**	**Jun 2018**	**Dec 2018**
Senior Secured Notes	500.0	630.0	300.0
Term Loan B	3,092.0	2,380.0	3,092.0
Revolving Credit Facility	16.8	85.9	73.0
Senior Unsecured Notes	1,236.2	1,137.8	1,240.9
Other liabilities	47.7	50.4	51.4
Lease liability	130.8	-	-
Finance leases liability	-	1.3	1.1
Total	**5,023.6**	**4,285.5**	**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 intend to submit a detailed response. At this stage, it is not possible to predict if and when a legally enforceable decision or ruling will be issued.

Events after the reporting period

No events with a significant effect on the Group have occurred after the reporting period.

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 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	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
Revenue	2	466,944	392,057	925,511	776,278
Cost of sales		(243,781)	(208,310)	(480,707)	(414,974)
Gross profit		**223,163**	**183,747**	**444,804**	**361,305**
Selling expenses		(63,314)	(52,297)	(125,936)	(104,833)
Administrative expenses		(97,624)	(87,816)	(187,923)	(172,610)
Other income		1,362	1,729	3,097	3,495
Operating profit		**63,587**	**45,363**	**134,041**	**87,357**
Finance income		63	6,488	126	30,710
Finance costs		(68,369)	(108,280)	(120,304)	(136,669)
Result before tax		**(4,719)**	**(56,429)**	**13,864**	**(18,602)**
Income tax expense		(13,150)	(2,453)	(29,183)	(10,299)
Result for the period		**(17,869)**	**(58,882)**	**(15,319)**	**(28,901)**
Whereof attributable to:					
- Parent company		(17,869)	(58,546)	(15,319)	(28,562)
- Non-controlling interest		-	(336)	-	(339)

Consolidated statements of comprehensive income

EUR thousand	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
Result for the period	**(17,869)**	**(58,882)**	**(15,319)**	**(28,901)**
Other comprehensive income				
Items that subsequently may be reclassified to the income statement				
Currency translation differences on foreign operations	1,771	40,347	(6,871)	(15,709)
Other comprehensive income	**1,771**	**40,347**	**(6,871)**	**(15,709)**
Total comprehensive income for the period	**(16,098)**	**(18,535)**	**(22,190)**	**(44,610)**
Whereof attributable to:				
- Parent company	(16,098)	(18,199)	(22,190)	(44,271)
- Non-controlling interest	-	(336)	-	(339)

Consolidated statements of financial position

EUR thousand	Note	Jun 2019	Jun 2018	Dec 2018
Assets				
Non-current assets				
Property, plant and equipment		790,908	657,165	720,960
Right of use assets		130,595	-	-
Goodwill		869,270	869,132	868,557
Customer portfolio		1,023,084	1,051,836	1,034,280
Other intangible assets		178,098	150,414	167,573
Deferred tax assets[1]		34,088	42,452	28,867
Derivatives	3	26,133	22,656	17,603
Trade and other receivables	3	320,579	292,500	307,341
Total non-current assets		**3,372,756**	**3,086,155**	**3,145,181**
Current assets				
Inventories		125,845	95,871	102,488
Trade receivables	3	149,002	117,368	133,620
Current tax assets		14,970	14,909	15,101
Derivatives	3	2,270	-	-
Prepayments and accrued income		39,928	38,580	34,553
Other current receivables	3	13,955	8,175	10,938
Cash and cash equivalents	3	35,128	10,506	8,613
Total current assets		**381,097**	**285,408**	**305,313**
Total assets		**3,753,853**	**3,371,563**	**3,450,494**

1) The comparatives have been changed due to change in accounting policy. Refer to note 7 in the Q4 report 2018 for more information.

EUR thousand	Note	Jun 2019	Jun 2018	Dec 2018
Equity and liabilities				
Equity				
Share capital		56	56	56
Other paid in capital		624,517	624,517	624,517
Other reserves		36,769	32,217	43,640
Retained earnings[2]		(2,776,236)	(2,260,945)	(2,714,251)
Equity attributable to equity holders of the parent company		**(2,114,894)**	**(1,604,155)**	**(2,046,038)**
Non-controlling interest[2]		-	(3,773)	(2,745)
Total equity		**(2,114,894)**	**(1,607,928)**	**(2,048,783)**
Non-current liabilities				
Long-term borrowings	3,4	4,820,782	4,074,713	4,573,202
Derivatives	3	29,837	-	6,398
Other non-current liabilities[2]	3	73,808	99,480	120,310
Deferred tax liabilities[1]		260,426	274,496	254,451
Other provisions		3,411	2,366	3,278
Total non-current liabilities		**5,188,264**	**4,451,055**	**4,957,640**
Current liabilities				
Trade payables	3	112,222	106,598	125,237
Current tax liabilities		30,158	20,864	19,034
Short-term borrowings	3,4	81,604	47,665	47,913
Derivatives	3	-	951	3,746
Accrued expenses and deferred income[2]		426,214	324,234	316,135
Other current liabilities	3	30,286	28,124	29,572
Total current liabilities		**680,484**	**528,436**	**541,637**
Total equity and liabilities		**3,753,853**	**3,371,563**	**3,450,494**

1) The majority of the deferred tax liabilities relates to the acquisition of Securitas Direct AB in 2011.
2) The comparatives have been changed due to change in accounting policy. Refer to note 7 in the Q4 report 2018 for more information.

Consolidated statement of changes in equity

EUR thousand	Share capital	Other paid in capital	Translation reserve	Retained earnings	Total	Non controlling interest	Total equity
	Attributable to equity holders of the parent company and 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	-	-	-	(15,319)	**(15,319)**	-	**(15,319)**
Other comprehensive income	-	-	(6,871)	-	**(6,871)**	-	**(6,871)**
Total comprehensive income for the period	-	-	*(6,871)*	*(15,319)*	***(22,190)***	-	***(22,190)***
Transaction with non-controlling interest	-	-	-	(46,666)	**(46,666)**	2,745	**(43,921)**
Balance at June 30, 2019	**56**	**624,517**	**36,769**	**(2,776,236)**	**(2,114,894)**	**-**	**(2,114,894)**

EUR thousand	Share capital	Other paid in capital	Translation reserve	Retained earnings	Total	Non controlling interest	Total equity
	Attributable to equity holders of the parent company and 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	-	-	-	(28,562)	**(28,562)**	(339)	**(28,901)**
Other comprehensive income	-	-	(15,709)	-	**(15,709)**	-	**(15,709)**
Total comprehensive income for the period	-	-	*(15,709)*	*(28,562)*	***(44,271)***	*(339)*	***(44,610)***
Shareholders contribution	-	55,349	-	-	**55,349**	-	**55,349**
Dividend	-	-	-	(1,095,493)	**(1,095,493)**	-	**(1,095,493)**
Transaction with non-controlling interest	-	-	-	*(984)*	**(984)**	-	**(984)**
Balance at June 30, 2018	**56**	**624,517**	**32,217**	**(2,260,945)**	**(1,604,155)**	**(3,773)**	**(1,607,928)**

EUR thousand	Share capital	Other paid in capital	Translation reserve	Retained earnings	Total	Non controlling interest	Total equity
	Attributable to equity holders of the parent company and 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)**
Total comprehensive income for the period	-	-	*(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	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
Operating activities				
Operating profit	63,587	45,363	134,041	87,357
Reversal of depreciation and amortization	94,823	81,192	186,088	160,926
Other non-cash items	19,852	14,371	38,060	28,655
Paid taxes	(11,779)	(10,668)	(16,532)	(16,515)
Cash flow from operating activities before change in working capital	**166,483**	**130,258**	**341,657**	**260,423**
Change in working capital				
Change in inventories	(13,784)	(18,792)	(23,625)	(22,285)
Change in trade receivables	(2,088)	(7,196)	(17,544)	4,397
Change in other receivables	(11,022)	(4,678)	(21,799)	(19,189)
Change in trade payables	5,858	10,309	(12,459)	(7,242)
Change in other payables	14,850	14,615	65,864	46,570
Cash flow from change in working capital	**(6,187)**	**(5,742)**	**(9,565)**	**2,251**
Cash flow from operating activities	**160,296**	**124,516**	**332,093**	**262,674**
Investing activities				
Purchase of intangible assets	(70,787)	(59,115)	(138,800)	(115,161)
Purchase of property, plant and equipment	(71,105)	(58,947)	(138,825)	(117,352)
Settlement of deferred consideration	-	(598)		(598)
Acquisition of non-controlling interest	-	-	(45,000)	-
Cash flow from investing activities	**(141,892)**	**(118,660)**	**(322,625)**	**(233,111)**
Financing activities				
Change in borrowings	(129,998)	79,366	(74,505)	80,514
Paid bank and advisory fees	(2,460)	1,875	(5,186)	(1,793)
New financing	200,000	-	200,000	-
Premium from new financing	4,651		4,651	
Net interest paid	(71,720)	(70,395)	(104,722)	(91,888)
Paid distribution	-	(18,000)	-	(18,000)
Repayment of other non-current receivables	-	691	-	691
Acquisition of non-controlling interest (deferred payment)	-	(3,248)	-	(3,248)
Other financial items	4,984	1,081	(3,196)	508
Cash flow from financing activities	**5,457**	**(8,630)**	**17,043**	**(33,216)**
Cash flow for the period	**23,860**	**(2,774)**	**26,510**	**(3,653)**
Cash and cash equivalents at start of period	11,351	13,316	8,613	14,245
Exchange difference on translating cash and cash equivalents	(83)	(36)	5	(86)
Cash and cash equivalents at end of period	**35,128**	**10,506**	**35,128**	**10,506**

Notes to the Unaudited 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 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 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 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 normally performed in the third or fourth quarter.

Measurement of deferred income tax assets and deferred income tax liabilities

The Group is liable to pay income taxes in various countries. The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgment in respect of certain tax positions, the resolution for which is uncertain until an agreement has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits, losses and/or cash flows.

The complexity of our structure following our geographic expansion makes the degree of estimation and judgment more challenging. The resolution of issues is not always within the control of the company and it is often dependent on the efficiency of the legal processes in the relevant taxing jurisdictions in which we operate.

Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result, there can be substantial differences between the tax charge in the consolidated income statement and tax payments. We also have exercised significant accounting judgment regarding net operating loss utilisation.

The Group also has exercised significant accounting judgment regarding the recognition of deferred tax assets. The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future against which the reversal of deductible temporary differences can be realised. Where the temporary differences related to losses, the availability of the losses to offset against forecast taxable profits is also considered. Recognition therefore involves judgment regarding the future financial performance of the particular legal entity or tax group in which the deferred tax assets have been recognised.

The amounts recognised in the consolidated financial statements in respect of each matter are derived from the company's best estimation and judgment as described above. However, the inherent uncertainty regarding the outcome of these items means eventual resolution could differ from the accounting estimates and therefore impact the company's results and cash flow.

Measurement of provisions and allocation for accrued expenses

The Group exercises judgment in connection with significant estimates in relation to staff-related costs and in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

Depreciation period for alarm equipment

The charge in respect of periodic depreciation for alarm equipment is derived after determining an estimate of expected useful life of alarm equipment and the expected residual value at the end of its life. Increasing expected life of an asset or its residual value results in a reduced depreciation charge recording in the consolidated income statement.
The useful lives and residual values of our assets are determined by management at the time of acquisition and reviewed annually for appropriateness. The lives are based primarily on historical experience 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

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.

	Apr-Jun 2019					
EUR thousand	**Customer acquisition**	**Portfolio services**	**Adjacencies**	**Total Group – Excl SDI**	**SDI**	**Group Total**
Revenue	**80,813**	**380,739**	**5,392**	**466,944**	**-**	**466,944**
Adjusted EBITDA	**(77,140)**	**264,689**	**432**	**187,981**	**(9,337)**	**178,643**
Depreciation and amortization	-	-	-	(56,547)	(38,276)	**(94,823)**
Retirements of assets	-	-	-	(20,233)	-	**(20,233)**
Financial items	-	-	-	(52,410)	(15,896)	**(68,306)**
Profit before tax	**-**	**-**	**-**	**58,789**	**(63,510)**	**(4,719)**

	Apr-Jun 2018					
EUR thousand	**Customer acquisition**	**Portfolio services**	**Adjacencies**	**Total Group – Excl SDI**	**SDI**	**Group Total**
Revenue as reported	**67,783**	**326,562**	**3,580**	**397,925**	**(5,868)**	**392,057**
IFRS 15	(5,868)	-	-	**(5,868)**	5,868	**-**
Revenue as adjusted	**61,915**	**326,562**	**3,580**	**392,057**	**-**	**392,057**
Adjusted EBITDA as reported	**(65,984)**	**218,595**	**(468)**	**152,143**	**(11,218)**	**140,925**
IFRS 15	(5,868)	-	-	**(5,868)**	5,868	**-**
Adjusted EBITDA as adjusted	**(71,852)**	**218,595**	**(468)**	**146,275**	**(5,350)**	**140,925**
Depreciation and amortization	-	-	-	(42,894)	(38,297)	**(81,192)**
Retirements of assets	-	-	-	(14,372)	-	**(14,372)**
Financial items	-	-	-	(45,890)	(55,901)	**(101,791)**
Profit before tax	**-**	**-**	**-**	**43,119**	**(99,548)**	**(56,429)**

	Jan-Jun 2019					
EUR thousand	**Customer acquisition**	**Portfolio services**	**Adjacencies**	**Total Group – Excl SDI**	**SDI**	**Group Total**
Revenue	**164,074**	**750,915**	**10,522**	**925,511**	**-**	**925,511**
Adjusted EBITDA	**(145,654)**	**518,416**	**868**	**373,630**	**(15,252)**	**358,377**
Depreciation and amortization	-	-	-	(109,519)	(76,569)	**(186,088)**
Retirements of assets	-	-	-	(38,247)	-	**(38,247)**
Financial items	-	-	-	(105,017)	(15,161)	**(120,178)**
Profit before tax	**-**	**-**	**-**	**120,844**	**(106,982)**	**13,864**

	Jan-Jun 2018					
EUR thousand	**Customer acquisition**	**Portfolio services**	**Adjacencies**	**Total Group – Excl SDI**	**SDI**	**Group Total**
Revenue as reported	**136,036**	**644,614**	**8,485**	**789,135**	**(12,856)**	**776,278**
IFRS 15	(12,856)	-	-	**(12,856)**	12,856	**-**
Revenue as adjusted	**123,180**	**644,614**	**8,485**	**776,278**	**-**	**776,278**
Adjusted EBITDA as reported	**(128,181)**	**431,516**	**(1,896)**	**301,440**	**(24,502)**	**276,938**
IFRS 15	(12,856)	-	-	**(12,856)**	12,856	**-**
Adjusted EBITDA as adjusted	**(141,036)**	**431,516**	**(1,896)**	**288,584**	**(11,646)**	**276,938**
Depreciation and amortization	-	-	-	(84,288)	(76,638)	**(160,926)**
Retirements of assets	-	-	-	(28,655)	-	**(28,655)**
Financial items	-	-	-	(92,194)	(13,765)	**(105,959)**
Profit before tax	**-**	**-**	**-**	**83,447**	**(102,049)**	**(18,602)**

Note 3 Financial Risk Management

Financial instruments by category and valuation level

EUR thousand	Jun 2019	Jun 2018	Dec 2018
Financial assets at fair value through profit or loss[1]			
Derivatives			
Currency	28,403	22,656	17,603
Total	**28,403**	**22,656**	**17,603**
Financial liabilities at fair value through profit or loss[1]			
Derivatives			
Currency	29,837	951	10,144
Total	**29,837**	**951**	**10,144**
Loans and receivables at amortized cost			
Trade and other receivables	320,579	292,500	307,341
Trade receivables[2]	149,002	117,368	133,620
Other current receivables[2]	13,955	8,175	10,938
Cash and cash equivalent	35,128	10,506	8,613
Other financial liabilities at amortized cost			
Long-term borrowings[3]	4,820,782	4,074,713	4,573,202
Other non-current liabilities	73,808	99,480	120,310
Trade payables[2]	112,222	106,598	125,237
Short-term borrowings[2,3]	81,604	47,665	47,913
Other current liabilities[2]	30,286	28,124	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	Jun 2019 Principal amount	Jun 2019 Adjustment amortized costs	Jun 2019 Carrying amount	Jun 2018 Principal amount	Jun 2018 Adjustment amortized costs	Jun 2018 Carrying amount	Dec 2018 Principal amount	Dec 2018 Adjustment amortised costs	Dec 2018 Carrying amount
Non-current liabilities									
Secured									
Senior Secured Notes	500,000	(5,483)	**494,517**	630,000	(12,004)	**617,996**	300,000	(2,726)	**297,274**
Term Loan B[1]	3,092,000	(124,289)	**2,967,711**	2,380,000	(157,034)	**2,222,966**	3,092,000	(140,947)	**2,951,053**
Revolver Credit Facility	16,832	(3,545)	**13,287**	85,853	(4,905)	**80,948**	72,966	(4,260)	**68,706**
Unsecured									
Senior Unsecured Notes	1,236,201	(10,053)	**1,226,148**	1,137,849	(11,036)	**1,126,813**	1,240,900	(9,947)	**1,230,953**
Liabilities to other creditors	22,404	-	**22,404**	25,031	-	**25,031**	24,437	-	**24,437**
Lease liability	96,714[2]	-	**96,714**	-	-	**-**	-	-	**-**
Finance lease liability	-	-	**-**	959	-	**959**	779	-	**779**
Long-term borrowings	**4,964,151**	**(143,370)**	**4,820,782**	**4,259,692**	**(184,979)**	**4,074,713**	**4,731,082**	**(157,880)**	**4,573,202**
Current liabilities									
Accrued interest expenses	22,194	-	**22,194**	21,896	-	**21,896**	20,700	-	**20,700**
Other liabilities	25,306	-	**25,306**	25,410	-	**25,410**	26,914	-	**26,914**
Lease liability	34,104[2]		**34,104**	-	-	**-**	-	-	**-**
Finance leases liability	-	-	**-**	359	-	**359**	299	-	**299**
Short-term borrowings	**81,604**	**-**	**81,604**	**47,665**	**-**	**47,665**	**47,913**	**-**	**47,913**
Total	**5,045,755**	**(143,370)**	**4,902,385**	**4,307,357**	**(184,979)**	**4,122,378**	**4,778,995**	**(157,880)**	**4,621,115**

1) Of the total amount regarding adjustment amortized costs 2019, EUR (84,492) thousands (118,226 in June 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 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	Jun 2019	Jun 2018	Dec 2018
Total principal amount (as above)	5,045,755	4,307,357	4,778,995
Less accrued interest	(22,194)	(21,896)	(20,700)
Indebtness	**5,023,561**	**4,285,461**	**4,758,295**
Less financial receivable, current	(8)	-	-
Less cash and cash equivalents	(35,128)	(10,506)	(8,613)
Net debt	**4,988,426**	**4,274,955**	**4,749,682**
Less lease liability	(130,818)	-	-
Net debt per SFA lender documentation	**4,857,608**	**4,274,955**	**4,749,682**

Note 5 Pledged Assets and Contingent Liabilities

Pledged assets

EUR thousand	Jun 2019	Jun 2018	Dec 2018
Endowment insurance	679	417	664
Shares in subsidiaries	2,068,325	1,724,243	1,972,560
Bank accounts	25,385	528	503
Trademark	50,833	55,833	53,333
Accounts receivables	89,752	72,426	74,195
Inventories	72,722	59,255	61,816
Motor vehicles	23	14	10

Contingent liabilities

EUR thousand	Jun 2019	Jun 2018	Dec 2018
Guarantees	24,928	20,210	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	Apr- Jun 2019	Jan-Jun 2019
Adjusted EBITDA	**10,635**	**19,904**
Amortization and write off	(9,962)	(18,450)
Operating profit	**673**	**1,454**
Financial items	(1,128)	(2,230)
Income before tax	**(455)**	**(776)**

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	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
Administrative expenses	(6)	-	(4)	(7)
Operating profit	**(6)**	**-**	**(4)**	**(7)**
Interest income from Group companies	12,061	10,639	24,023	21,279
Interest expense	(17,989)	(16,385)	(35,788)	(32,862)
Interest expense to Group companies	(249)	(44)	(454)	(60)
Finance cost	(997)	(644)	(1,078)	(847)
Result before tax	**(7,180)**	**(6,434)**	**(13,301)**	**(12,497)**
Income tax expense and benefit	-	-	-	-
Result for the period	**(7,180)**	**(6,434)**	**(13,301)**	**(12,497)**

Parent Company Statements of Financial Position

EUR thousand	Note	Jun 2019	Jun 2018	Dec 2018
Assets				
Non-current assets				
Long-term investments				
Investments in subsidiaries		1,189,952	1,189,952	1,189,952
Receivables from Group companies		695,253	567,150	701,094
Total non-current assets		**1,885,205**	**1,757,102**	**1,891,046**
Current assets				
Other receivables from Group companies		-	-	158
Prepayments		5	-	13
Accrued income interest from Group companies		4,586	3,389	4,005
Cash and cash equivalents		77	215	252
Total current assets		**4,668**	**3,604**	**4,428**
Total assets		**1,889,873**	**1,760,706**	**1,895,474**
Equity and liabilities				
Equity				
Share capital		56	56	56
Other paid in capital		569,170	569,170	569,170
Retained earnings		28,238	23,022	41,538
Total equity		**597,464**	**592,248**	**610,764**
Non-current liabilities				
Long-term borrowings	1	1,226,148	1,130,070	1,230,953
Liabilities to Group companies		59,790	33,119	44,270
Deferred tax liabilities		109	-	109
Total non-current liabilities		**1,286,047**	**1,163,189**	**1,275,332**
Current liabilities				
Accrued interest expenses	1	5,683	5,269	5,733
Accrued interest expense to Group companies		679	-	228
Other current liabilities to Group companies		-	-	3,417
Total current liabilities		**6,362**	**5,269**	**9,378**
Total equity and liabilities		**1,889,873**	**1,760,706**	**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	-	-	(13,301)	(13,301)
Balance at June 30, 2019	**56**	**569,170**	**28,238**	**597,464**

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	-	-	(12,497)	(12,497)
Dividend			(1,095,493)	(1,095,493)
Shareholders contribution			55,348	55,348
Balance at June 30, 2018	**56**	**569,170**	**23,022**	**592,248**

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	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
Operating activities				
Operating profit	(6)	-	(4)	(7)
Cash flow from operating activities before change in working capital	**(6)**	**-**	**(4)**	**(7)**
Change in working capital				
Cash flow from change in working capital	(11)	(98)	(3,251)	(3,999)
Cash flow from operating activities	**(17)**	**(98)**	**(3,255)**	**(4,006)**
Investing activities				
Cash flow from investing activities	-	-	**-**	**-**
Financing activities				
New loans from Group companies	13,071	5,906	15,521	6,906
Paid bank and advisory fees	104	2,783	(45)	1,730
Net interest paid	(13,157)	(9,927)	(12,396)	(7,672)
Cash flow from financing activities	**18**	**(1,238)**	**3,080**	**964**
Cash flow for the period	**1**	**(1,336)**	**(175)**	**(3,042)**
Cash and cash equivalents at start of period	76	1,551	252	3,257
Exchange difference on translating cash and cash equivalents	-	**-**	-	-
Cash and cash equivalents at end of period	**77**	**215**	**77**	**215**

Note to the Unaudited Parent Company Financial Statements

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 1 Borrowings

	Jun 2019			Jun 2018		
EUR thousand	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
Unsecured						
Senior Unsecured Notes	5,683	1,226,148	1,231,831	5,269	1,130,070	1,135,339
Total (carrying amount)	**5,683**	**1,226,148**	**1,231,831**	**5,269**	**1,130,070**	**1,135,339**

	Dec 2018		
EUR thousand	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

Key figures

EUR thousand (if not otherwise stated)	Apr-Jun 2019	Jan-Mar 2019	Oct-Dec 2018	Jul-Sep 2018	Apr-Jun 2018
Portfolio services segment:					
Unaudited operating data					
Total subscribers (end of period), units	3,130,810	3,027,674	2,930,753	2,840,897	2,754,103
Cancellation, units	48,274	48,280	44,836	41,539	41,008
Attrition rate (LTM)	6.2%	6.2%	6.2%	6.2%	6.2%
Net subscriber growth, units[1]	103,136	96,921	89,856	86,794	88,169
Subscriber growth rate, net	13.7%	13.6%	13.3%	13.5%	13.2%
Average monthly revenue per user (ARPU), (in EUR)	41.3	41.5	40.2	40.0	40.2
Monthly adjusted EBITDA per subscriber (EPC), (in EUR)	28.7[2]	28.4	26.8	27.0	26.9
Non-IFRS and IFRS financial data					
Portfolio services revenue	380,739	370,176	348,407	336,515	326,562
Portfolio services adjusted EBITDA	264,689[3]	253,727	232,438	226,750	218,595
Portfolio services adjusted EBITDA margin	69.5%	68.5%	66.7%	67.4%	66.9%
Customer acquisition segment:					
Unaudited operating data					
New subscribers added (gross)	151,410	145,201	134,692	128,333	129,072
Cash acquisition cost per new subscriber (CPA), (in EUR)	1,194[4]	1,169	1,206	1,233	1,216
Non-IFRS and IFRS financial data					
Customer acquisition revenue	80,813	83,261	80,698	62,944	61,915
Customer acquisition adjusted EBITDA	(77,140)[5]	(68,515)	(67,683)	(69,048)	(71,852)
Customer acquisition capital expenditures	103,659	101,155	94,736	89,156	85,141
Adjacencies segment:					
Unaudited operating data					
Adjacencies revenue	5,392	5,130	3,077	4,605	3,580
Adjacencies adjusted EBITDA	432	436	(342)	(84)	(468)
Consolidated:					
Unaudited operating data					
Payback period (in years)	3.5[6]	3.4	3.8	3.8	3.8
Non-IFRS and IFRS financial data					
Revenue	466,944	458,567	432,182	404,065	392,057
Organic revenue growth	19.7%	20.3%	21.3%	19.1%	18.2%
Adjusted EBITDA	187,981[7]	185,648	164,413	157,618	146,275
Adjusted EBITDA margin	40.3%	40.5%	38.0%	39.0%	37.3%
Capital expenditures	141,892	135,733	145,154	122,748	117,749
Reported (including SDI)					
Revenue	466,944	458,567	432,182	404,065	392,057
Reported Adjusted EBITDA	178,643[7]	179,733	153,528	153,083	140,925

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 3,055 thousand.

4) Includes the effect from IFRS 16 of EUR 50 .

5) Includes the effect from IFRS 16 of EUR 7,581 thousand.

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

7) Includes the effect from IFRS 16 of EUR 10,635 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, August 21, 2019

Austin Lally
CEO

Stefan Götz

Adrien Motte

Cecilia Hultén
Chairman

Fredrik Östman