# Securitas AB

## Full Year Report January–December 2018

**OCTOBER–DECEMBER 2018**

- **Total sales MSEK 26 824 (24 024)**
- **Organic sales growth 5 percent (6)**
- **Operating income before amortization MSEK 1 475 (1 269)**
- **Operating margin 5.5 percent (5.3)**
- **Items affecting comparability (IAC) MSEK -187 (0) relating to IS/IT transformation programs**
- **Earnings per share SEK 2.02 (1.77)**
- **Earnings per share, before IAC, SEK 2.39 (2.11)**

**JANUARY–DECEMBER 2018**

- **Total sales MSEK 101 467 (92 197)**
- **Organic sales growth 6 percent (5)**
- **Operating income before amortization MSEK 5 304 (4 697)**
- **Operating margin 5.2 percent (5.1)**
- **Items affecting comparability (IAC) MSEK -455 (0)**
- **Earnings per share SEK 8.26 (7.53)**
- **Earnings per share, before IAC, SEK 9.17 (7.87)**
- **Tax rate 25.0%. Expected around 28.5% for 2019**
- **Free cash flow/net debt 0.13 (0.19)**
- **Proposed dividend SEK 4.40 (4.00)**

**COMMENTS FROM THE PRESIDENT AND CEO**

***Fourth quarter and full year performance 2018***

The fourth quarter confirmed the strong market momentum seen in the Group throughout 2018. Organic sales growth for the quarter was 5 percent (6), again on high comparatives. The full year ended with solid organic sales growth of 6 percent (5) and we grew faster than the security market in general. We have good traction with our offering and commercial activities in the market and we continue to push our strategy of combining different protective services into security solutions for our customers. Security solutions and electronic security sales grew by 21 percent compared with 2017 and represented 20 percent of total Group sales.

The operating margin was 5.5 percent (5.3) for the quarter and 5.2 percent (5.1) for the full year, with a strong performance in North America throughout 2018. Ibero-America also improved over the full year, however in the fourth quarter the situation in Argentina worsened. The operating margin in Europe improved in the fourth quarter lifting the full-year operating margin to be on par with last year. In 2018, we were able to balance wage cost increases with price increases, and in 2019, our focus remains the same while offering alternative solutions to our customers.

The cost-savings program in Security Services Europe that was initiated in the third quarter of 2018 is progressing according to plan, with some savings achieved in the fourth quarter of 2018 and the majority expected in 2019. The total payback period is about two years and is expected to reverse the negative cost development we have seen during previous quarters to allow a year-on-year operating margin improvement, everything else equal.

Earnings per share, adjusted for changes in exchange rates and items affecting comparability, improved by 12 percent in 2018. This growth derives from our strategic and commercial development and a positive impact from the US tax reform.

***Strategy beyond 2020***

When I started as CEO, we initiated a strategy review with the objective of delivering on our Vision 2020 but also to start shaping the strategy beyond 2020. Much of this work focuses on client centricity, how we strengthen our guarding core, and how we lead the industry through innovation. The strong organic sales growth and improved margins are proof of delivering on our Vision 2020 and we see significant opportunities by speeding up. Accelerating the modernization of our IS/IT capability and digitization of our operations will enable us to offer greatly improved data-driven and intelligence-based services. In a future where scale and data availability are critical, we will drive the next big shift in the security services industry to benefit our customers and society as a whole. This will also enable us to grow faster than the market and deliver profitable growth.

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We are now initiating two major transformation programs in the further digitization of the company. The first program will radically modernize our global IS/IT foundation throughout the Group. This investment into our global IS/IT foundation and the creation of a global IS/IT organization will make us more efficient. With the second program we are driving a business transformation of our North American operations with the objective to operate in a more effective way, with expected positive impact on our customer offering, competitiveness and bottom line. The programs have been initiated and are expected to be completed over the next 24 to 36 months.

Related to these two programs, MSEK –187 has been recognized as items affecting comparability in the income statement in the fourth quarter. An additional amount of approximately MSEK –650 will be recognized as items affecting comparabiliy over the course of the next two years. Such costs relate primarily to the impairment of assets, organizational restructuring charges and other non-recurring items. Furthermore, an estimated amount of MSEK 550 related to these two programs will be capitalized and amortized over the life time of the assets.

When fully implemented, we expect to have a more technology-enabled platform across the Group, creating the capability to develop and launch digital services at scale for our customers, as well as a more cost-efficient base. Upon expected completion in 2022, the investment into our global IS/IT foundation is expected to reduce our current IT costs across the Group by MSEK 300. With higher efficiency and productivity, we will free up resources to invest in speeding up the development and delivery of intelligent services and to improve margins. The business transformation program in North America will, everything else equal, support our North American operating margin up to 0.5 percentage points, with a first positive impact starting in 2021 and gradually increasing during 2022.

We will analyze further opportunities similar to the North American business transformation initiative. Our focus is on our European operations to assess the feasibility of such an initiative and the business case and we expect to provide further information in the second half of the year.

We have good momentum as a company and team. In 2018, we took important steps and initiatives to put Securitas in a strong position. We are now speeding up the pace of change and leading the transformation of the global security services industry.

*Magnus Ahlqvist*
President and Chief Executive Officer

# January–December summary

### ACCOUNTING PRINCIPLES

Comparatives have been restated for the Group due to the transition to IFRS 15. The restatement has been recognized on Group level and thus had no effect on the Group´s segments. As of July 1, 2018, Securitas has adopted IAS 29 Financial reporting in hyperinflationary economies for our operations in Argentina. When calculating the key ratios for organic sales growth percentage and real change percentage, the impact from the remeasurement is treated similarly to currency change. The calculated key ratio percentages are thus comparable as to how these were calculated before the adoption of the IAS 29. Further information can be found in notes 1, 2 and 3 on pages 23–26.

### FINANCIAL SUMMARY

| | | Quarter | *Change, %* | | | Full year | *Change, %* | |
|---|---|---|---|---|---|---|---|---|
| **MSEK** | **Q4 2018** | **Q4 2017** | ***Total*** | ***Real*** | **2018** | **2017** | ***Total*** | ***Real*** |
| **Sales** | **26 824** | **24 024** | **12** | **8** | **101 467** | **92 197** | ***10*** | **8** |
| *Organic sales growth, %* | *5* | *6* | | | *6* | *5* | | |
| **Operating income before amortization** | **1 475** | **1 269** | **16** | **8** | **5 304** | **4 697** | **13** | **9** |
| *Operating margin, %* | *5.5* | *5.3* | | | *5.2* | *5.1* | | |
| Amortization of acquisition-related intangible assets | –65 | –72 | | | –260 | –255 | | |
| Acquisition-related costs | –79 | –28 | | | –120 | –48 | | |
| Items affecting comparability* | –187 | – | | | –455 | – | | |
| **Operating income after amortization** | **1 144** | **1 169** | **–2** | **–10** | **4 469** | **4 394** | **2** | **–1** |
| Financial income and expenses | –154 | –94 | | | –441 | –376 | | |
| **Income before taxes** | **990** | **1 075** | **–8** | **–16** | **4 028** | **4 018** | ***0*** | **–4** |
| **Net income for the period** | **743** | **648** | ***15*** | **6** | **3 021** | **2 751** | ***10*** | **5** |
| Earnings per share (EPS), SEK | 2.02 | 1.77 | *14* | 5 | 8.26 | 7.53 | *10* | 5 |
| EPS before items affecting comparability, SEK** | 2.39 | 2.11 | 13 | 5 | 9.17 | 7.87 | 17 | 12 |
| *Cash flow from operating activities, %* | *128* | *143* | | | *60* | *82* | | |
| Free cash flow | 1 567 | 1 506 | | | 1 884 | 2 290 | | |
| *Free cash flow to net debt ratio* | – | – | | | *0.13* | *0.19* | | |
| *Net debt to EBITDA ratio* | – | – | | | *2.3* | *2.0* | | |

* Items affecting comparability in the fourth quarter is in its entirety consisting of one-off effects of MSEK –187 from the IS/IT transformation programs in the Group. Items affecting comparability in the full year is consisting of one-off effects of MSEK –187 from the IS/IT transformation programs in the Group and one-off effects of MSEK –268 from the cost savings program in Security Services Europe.

** EPS before items affecting comparability in the fourth quarter excludes the one-off effect before tax amounting to MSEK –187 and after tax MSEK –135 from the IS/IT transformation programs in the Group. EPS before items affecting comparability in the full year 2018 excludes the one-off effect before tax amounting to MSEK –187 and after tax MSEK –135 from the IS/IT transformation programs in the Group and the one-off effect before tax amounting to MSEK –268 and after tax MSEK –198 from the cost savings program in Security Services Europe. EPS before items affecting comparability in the fourth quarter and in the full year 2017 excludes the one-off tax effect amounting to MSEK –123 from the revaluation of US net deferred tax assets due to the US tax reform enacted in December 2017.

# January–December summary

**EARNINGS PER SHARE AND KEY RATIOS FOR CASH FLOW AND NET DEBT**

Earnings per share amounted to SEK 8.26 (7.53), a total change of 10 percent compared with the preceding year. The real change in earnings per share was 5 percent in 2018. EPS before items affecting comparability amounted to SEK 9.17, representing a total change of 17 percent compared with the preceding year and a real change of 12 percent in 2018.

The free cash flow to net debt ratio was 0.13 (0.19) and the net debt to EBITDA ratio was 2.3 (2.0).

**ANNUAL GENERAL MEETING 2019**

The Annual General Meeting (AGM) of Securitas AB will be held on Monday, May 6, 2019 at 4:00 p.m. (CET) at Courtyard Marriott Hotel, Rålambshovsleden 50 in Stockholm, Sweden.

Refer to www.securitas.com/Corporate Governance for more information regarding the 2019 AGM. The 2018 Annual Report of Securitas AB will be published on www.securitas.com on April 12, 2019.

**PROPOSED DIVIDEND**

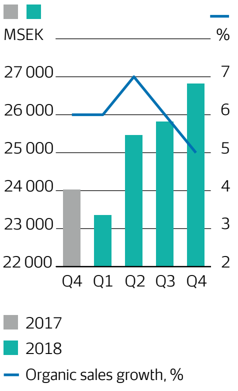
The Board of Directors proposes a dividend for 2018 of SEK 4.40 (4.00) per share. The total proposed dividend amounts to 53 percent of net income and 48 percent of net income before items affecting comparability. Wednesday, May 8, 2019 is proposed as the record date for the dividend.

**ORGANIC SALES GROWTH AND OPERATING MARGIN DEVELOPMENT PER BUSINESS SEGMENT**

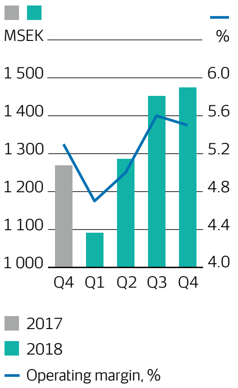
| | Organic sales growth | | | | Operating margin | | | |
|---|---|---|---|---|---|---|---|---|
| | Q4 | | FY | | Q4 | | FY | |
| **%** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** |
| Security Services North America | 5 | 6 | 6 | 5 | 6.3 | 6.1 | 6.1 | 5.9 |
| Security Services Europe | 3 | 4 | 4 | 2 | 6.3 | 6.1 | 5.6 | 5.6 |
| Security Services Ibero-America | 14 | 11 | 12 | 13 | 4.0 | 4.5 | 4.5 | 4.2 |
| **Group** | **5** | **6** | **6** | **5** | **5.5** | **5.3** | **5.2** | **5.1** |

# Group development

**Group quarterly sales development**




**Group quarterly operating income development**




## OCTOBER–DECEMBER 2018

### *Sales development*

Sales amounted to MSEK 26 824 (24 024) and organic sales growth was 5 percent (6). The strong sales momentum across the Group continued in the fourth quarter, albeit with stronger comparative figures in the preceding year. Organic sales growth amounted to 5 percent (6) in Security Services North America and 3 percent (4) in Security Services Europe. In Security Services Ibero-America, organic sales growth improved to 14 percent (11), driven by Spain and Argentina.

Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 8 percent (6).

Sales of security solutions and electronic security sales amounted to MSEK 5 637 (4 702) or 21 percent (20) of total sales in the fourth quarter of 2018. Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 18 percent (18).

### *Operating income before amortization*

Operating income before amortization was MSEK 1 475 (1 269) which, adjusted for changes in exchange rates, represented a real change of 8 percent (8).

The Group's operating margin was 5.5 percent (5.3). Leverage from good organic sales growth and continued growth of security solutions contributed to the operating margin. However, there was a hampering impact on the operating margin related to the performance in Security Services Ibero-America.

### *Operating income after amortization*

Amortization of acquisition related intangible assets amounted to MSEK –65 (–72).

Acquisition related costs amounted to MSEK –79 (–28) and primarily related to the acquisition of Kratos Public Safety and Security in the US. For further information, refer to note 7.

Items affecting comparability totaled MSEK –187 (0) and pertained entirely to the IS/IT transformation programs in the Group. The majority of the costs in the fourth quarter were from Security Services North America, and a smaller part from the segment Other.

### *Financial income and expenses*

Financial income and expenses amounted to MSEK –154 (–94). The fourth quarter included a one-off effect of MSEK –46 relating to the re-financing of high interest-bearing debt items in Argentina. The negative development of the underlying financial income and expenses, excluding this effect, is due to a combination of the development of USD interest rates, a weaker Swedish krona and increased net debt. Financial income and expenses were positively impacted by MSEK 5 related to hyperinflation accounting in Argentina.

### *Income before taxes*

Income before taxes was MSEK 990 (1 075).

### *Taxes, net income and earnings per share*

The Group's tax rate was 25.0 percent (39.8). The tax rate adjusted for tax on items affecting comparability was 25.4 percent. The reduction is mainly due to lower US tax rates from 2018 as a result of the US tax reform. The 2017 quarterly tax rate was 28.3 percent, excluding a one-off tax expense of 11.5 percent pertaining to a revaluation of US net deferred tax assets, due to new US tax rates as of 2018.

Net income was MSEK 743 (648). Earnings per share amounted to SEK 2.02 (1.77). Earnings per share before items affecting comparability amounted to SEK 2.39 (2.11).

# Group development

**JANUARY–DECEMBER 2018**

***Sales development***

Sales amounted to MSEK 101 467 (92 197) and organic sales growth was 6 percent (5). The portfolio development has been strong throughout the year and we were also supported by favorable market conditions. Security Services North America delivered organic sales growth of 6 percent (5) and Security Services Europe was strong at 4 percent (2). Security Services Ibero-America showed 12 percent (13).

Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 8 percent (5).

Sales of security solutions and electronic security sales amounted to MSEK 20 440 (16 697) or 20 percent (18) of total sales in 2018. Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 21 percent (19).

***Operating income before amortization***

Operating income before amortization was MSEK 5 304 (4 697) which, adjusted for changes in exchange rates, represented a real change of 9 percent (4).

The Group's operating margin was 5.2 percent (5.1). The operating margin in Security Services North America improved as well as in Security Services Ibero-America where Spain showed a strong performance. In Security Services Europe the operating margin was flat. Total price adjustments in the Group were on par with wage cost increases.

***Operating income after amortization***

Amortization of acquisition related intangible assets amounted to MSEK –260 (–255).

Acquisition related costs were MSEK –120 (–48). Acquisition related costs for Kratos Public Safety and Security in the US were MSEK –80 in 2018. For further information regarding acquisition related costs refer to note 7.

Items affecting comparability were MSEK –455 (0), of which MSEK –187 related to the IS/IT transformation programs and MSEK –268 related to the cost savings program in Security Services Europe. The majority of the cost for the IS/IT programs in 2018 were from Security Services North America, and a smaller part from the segment Other.

***Financial income and expenses***

Financial income and expenses amounted to MSEK –441 (–376). 2018 included a one-off effect of MSEK –46 relating to the re-financing of high interest-bearing debt items in Argentina. The negative development of the underlying financial income and expenses, excluding this effect, is due to a combination of the development of USD interest rates, a weaker Swedish krona and increased net debt. Financial income and expenses were positively impacted by an amount of MSEK 23 related to hyperinflation accounting in Argentina.

***Income before taxes***

Income before taxes was MSEK 4 028 (4 018).

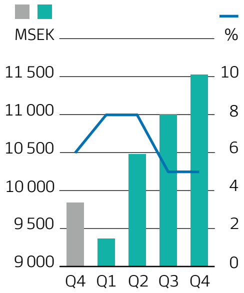
***Taxes, net income and earnings per share***

The Group's tax rate was 25.0 percent (31.5). The tax rate adjusted for tax on items affecting comparability was 25.2 percent. The reduction is mainly due to lower US tax rates as from 2018 as a result of the US tax reform. The 2017 full-year tax rate was 28.4 percent, excluding a one-off tax expense of 3.1 percent, pertaining to a revaluation of US net deferred tax assets, due to new US tax rates as of 2018. Assessing the current tax base and tax matters, the best judgment is that the full-year Group tax rate in 2019 is expected to increase to around 28.5 percent, mainly due to reversed effects from the US tax reform.

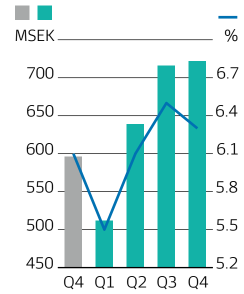
Net income was MSEK 3 021 (2 751). Earnings per share amounted to SEK 8.26 (7.53). Earnings per share before items affecting comparability amounted to SEK 9.17 (7.87).

# Development in the Group's business segments

**Quarterly sales development**




**Quarterly operating income development**




## SECURITY SERVICES NORTH AMERICA

**Security Services North America provides protective services, including on-site, mobile and remote guarding, electronic security, fire and safety services and corporate risk management in the US, Canada and Mexico and comprises 13 business units: the national and global accounts organization, five geographical regions and five specialized business units in the US – critical infrastructure services, healthcare, Pinkerton Corporate Risk Management, mobile and Securitas Electronic Security – plus Canada and Mexico. In total, there are approximately 750 branch managers and 114 000 employees.**

| | Quarter | | *Change, %* | | Full year | | *Change, %* | |
|---|---|---|---|---|---|---|---|---|
| **MSEK** | **Q4 2018** | **Q4 2017** | ***Total*** | ***Real*** | **2018** | **2017** | ***Total*** | ***Real*** |
| **Total sales** | **11 523** | **9 840** | **17** | **8** | **42 366** | **38 108** | **11** | **8** |
| *Organic sales growth, %* | *5* | *6* | | | *6* | *5* | | |
| *Share of Group sales, %* | *43* | *41* | | | *42* | *41* | | |
| **Operating income before amortization** | **722** | **596** | **21** | **12** | **2 589** | **2 254** | **15** | **11** |
| *Operating margin, %* | *6.3* | *6.1* | | | *6.1* | *5.9* | | |
| *Share of Group operating income, %* | *49* | *47* | | | *49* | *48* | | |

### *October–December 2018*

Organic sales growth was 5 percent (6), derived once again from the strong portfolio development across the business segment, primarily from the five geographical regions and the critical infrastructure services business unit. Last year organic sales growth was positively impacted by the start-up of a few larger contracts.

Security solutions and electronic security sales represented MSEK 2 048 (1 551) or 18 percent (16) of total sales in the business segment in the fourth quarter of 2018, including the acquisition of Kratos Public Safety and Security.

The operating margin was 6.3 percent (6.1), supported by leverage from the topline growth, a strong performance in risk management and a good contribution from security solutions and electronic security.

The Swedish krona exchange rate weakened against the US dollar, which had a positive effect on operating income in Swedish kronor. The real change was 12 percent in the fourth quarter.

### *January–December 2018*

Organic sales growth was 6 percent (5), with a good portfolio development throughout the year in the five geographical regions and the critical infrastructure services business unit. The client retention rate remained solid at 91 percent (91).

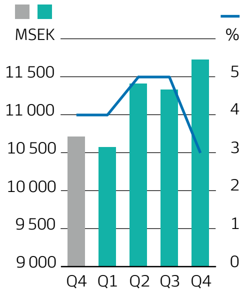
Security solutions and electronic security sales represented MSEK 7 365 (5 665) or 17 percent (15) of total sales in the business segment in 2018.

The operating margin was 6.1 percent (5.9), supported mainly by leverage from the strong organic sales growth and a good performance within the risk management business.

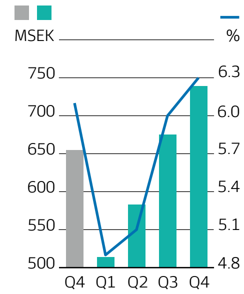
The Swedish krona exchange rate weakened against the US dollar, which had a positive effect on operating income in Swedish kronor. The real change was 11 percent in 2018.

# Development in the Group's business segments

**Quarterly sales development**




**Quarterly operating income development**




## SECURITY SERVICES EUROPE

**Security Services Europe provides security services for large and medium-sized customers in 26 countries, and airport security in 15 countries. The service offering also includes mobile security services for small and medium-sized businesses and residential sites, and electronic alarm surveillance services. In total, the organization has approximately 760 branch managers and 120 000 employees.**

| | Quarter | | *Change, %* | | Full year | | *Change, %* | |
|---|---|---|---|---|---|---|---|---|
| **MSEK** | **Q4 2018** | **Q4 2017** | ***Total*** | ***Real*** | **2018** | **2017** | ***Total*** | ***Real*** |
| **Total sales** | **11 725** | **10 714** | **9** | **7** | **45 040** | **40 703** | **11** | **6** |
| *Organic sales growth, %* | 3 | 4 | | | 4 | 2 | | |
| *Share of Group sales, %* | 44 | 45 | | | 44 | 44 | | |
| **Operating income before amortization** | **739** | **655** | ***13*** | ***11*** | **2 511** | **2 275** | ***10*** | ***7*** |
| *Operating margin, %* | 6.3 | 6.1 | | | 5.6 | 5.6 | | |
| *Share of Group operating income, %* | 50 | 52 | | | 47 | 48 | | |

### *October–December 2018*

Organic sales growth was 3 percent (4), with stronger comparative figures noted in the fourth quarter. Main contributors to organic sales growth were Germany and Turkey. Organic sales growth was driven by the positive portfolio momentum in many countries, but to some extent offset by a negative impact from lower refugee-related sales.

Security solutions and electronic security sales represented MSEK 2 686 (2 348) or 23 percent (22) of total sales in the business segment in the fourth quarter 2018.

Aviation in Security Services Europe has lost a major airport contract in France of total annual sales of MEUR 22 that is due to end on April 1, 2019.

The operating margin was 6.3 percent (6.1), an improvement deriving primarily from leverage on the strong topline together with improved cost control. The cost savings program that was initiated in the third quarter is being implemented according to plan. Savings started to come in during the fourth quarter but will mostly be realized throughout 2019. France burdened the operating margin due to impact from certain regulatory changes and some operational inefficiencies.

The Swedish krona exchange rate weakened against foreign currencies, primarily the Euro, which had a positive effect on operating income in Swedish kronor. The real change was 11 percent in the fourth quarter.

### *January–December 2018*

Organic sales growth was 4 percent (2) and almost all countries supported the development, with main contribution from Belgium, Germany and the guarding business in Turkey. The portfolio development in 2018 was strong with good new sales and a client retention rate of 93 percent (91). The lower refugee-related sales represented almost 1 percent negative impact on organic sales growth in the business segment in 2018.

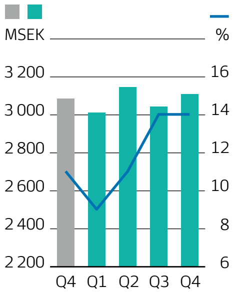
Security solutions and electronic security sales represented MSEK 9 638 (8 071) or 21 percent (20) of total sales in the business segment in 2018.

The operating margin was 5.6 percent (5.6), supported by leverage on the strong topline but hampered by some operational inefficiencies during the year, continued investments in the Vision 2020 strategy and the lower level of refugee-related sales.

The Swedish krona exchange rate weakened against foreign currencies, primarily the Euro, which had a positive effect on operating income in Swedish kronor. The real change was 7 percent in 2018.

# Development in the Group's business segments

**Quarterly sales development**




2017
2018
Organic sales growth, %

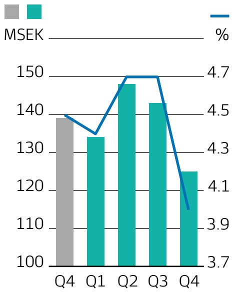
## SECURITY SERVICES IBERO-AMERICA

**Security Services Ibero-America provides security services for large and medium-sized customers in eight Latin American countries, as well as in Portugal and Spain in Europe. Security Services Ibero-America has a combined total of approximately 170 branch managers and 61 000 employees.**

| | Quarter | | Change, % | | Full year | | Change, % | |
|---|---|---|---|---|---|---|---|---|
| **MSEK** | **Q4 2018*** | **Q4 2017** | ***Total*** | ***Real*** | **2018*** | **2017** | ***Total*** | ***Real*** |
| **Total sales** | **3 111** | **3 086** | **1** | **14** | **12 315** | **11 971** | **3** | **12** |
| *Organic sales growth, %* | *14* | *11* | | | *12* | *13* | | |
| *Share of Group sales, %* | *12* | *13* | | | *12* | *13* | | |
| **Operating income before amortization** | **125** | **139** | ***-10*** | ***-38*** | **550** | **506** | ***9*** | ***7*** |
| *Operating margin, %* | *4.0* | *4.5* | | | *4.5* | *4.2* | | |
| *Share of Group operating income, %* | *8* | *11* | | | *10* | *11* | | |

* As of July 1, 2018, Securitas has adopted IAS 29 Financial reporting in hyperinflationary economies for our operations in Argentina. When calculating the key ratios for organic sales growth percentage and real change percentage, the impact from the remeasurement is treated similarly to currency change. The calculated key ratio percentages are thus comparable as to how these were calculated before the adoption of IAS 29. The impact from IAS 29 is a net reduction of sales with MSEK -63 and a net reduction of operating income before amortization of MSEK -3 for the full year.

**Quarterly operating income development**




2017
2018
Operating margin, %

### *October–December 2018*

Organic sales growth was 14 percent (11). The improvement derived from Spain with double-digit organic sales growth and was also supported by price increases in Argentina. The start-up of a large aviation contract in Colombia also contributed.

Security solutions and electronic security sales represented MSEK 857 (767) or 28 percent (25) of total sales in the business segment in the fourth quarter 2018.

The operating margin was 4.0 percent (4.5). The decline is due to Argentina. We are not satisfied with the situation in Argentina and have made management changes in the country. Spain continued to show a strong performance, which includes good sales of security solutions. Some of these security solutions contracts are short term and the longevity is difficult to estimate.

The Swedish krona exchange rate strengthened against the Argentinian peso while it weakened against the Euro. The net effect was positive on operating income in Swedish kronor. The real change in the segment was -38 percent in the fourth quarter.

### *January–December 2018*

Organic sales growth was 12 percent (13). The decline was primarily due to Argentina where the macro economic environment and instability in the security market had a negative impact on organic sales growth. Organic sales growth was strong in Spain.

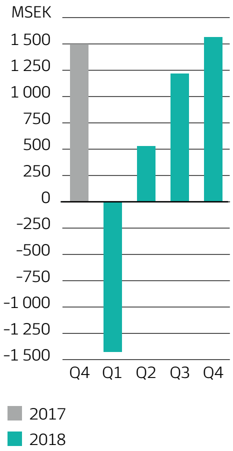
Security solutions and electronic security sales represented MSEK 3 270 (2 833) or 27 percent (24) of total sales in the business segment in 2018.

The operating margin was 4.5 percent (4.2), an improvement driven by Spain. The operating margin was burdened by Argentina and we expect continued challenging conditions in the coming quarters. The client retention rate was 92 percent (91).

The Swedish krona exchange rate strengthened against the Argentinian peso while it weakened against the Euro. The net effect was positive on operating income in Swedish kronor. The real change in the segment was 7 percent in 2018.

# Cash flow

**Quarterly free cash flow**




***October–December 2018***

Cash flow from operating activities amounted to MSEK 1 882 (1 813), equivalent to 128 percent (143) of operating income before amortization.

The impact from changes in accounts receivable was MSEK -387 (57). Changes in other operating capital employed were MSEK 914 (650).

Free cash flow was MSEK 1 567 (1 506), equivalent to 146 percent (156) of adjusted income.

Cash flow from financing activities was MSEK -491 (-434) due to a net decrease in borrowings.

Cash flow for the period was MSEK 849 (1 054).

***January–December 2018***

Cash flow from operating activities amounted to MSEK 3 172 (3 837), equivalent to 60 percent (82) of operating income before amortization.

There was an important impact from changes in accounts receivable with MSEK -1 575 (-449), with a negative impact from an increase in Days of Sales Outstanding (DSO), primarily in Security Services North America where the cash collection was below the plan. There is a continued negative impact from an invoicing system change transition in the Netherlands and the interest hike in Argentina causing payment delays. Also, the strong organic sales growth, especially in Security Services North America, impacted change in accounts receivable. Further it is noticed that larger customers continue to demand longer payment terms which is difficult to compensate as the Group's production cost relates mostly to payments to employees. All in all, the cash performance was not satisfying and the reasons will be analyzed together with potential actions to improve. Changes in other operating capital employed were MSEK -62 (-48).

Cash flow from operating activities was also impacted by net investments in non-current tangible and intangible assets, amounting to MSEK -495 (-363). The net investments include capital expenditures in equipment for solution contracts.

Free cash flow was MSEK 1 884 (2 290), equivalent to 48 percent (68) of adjusted income.

Cash flow from investing activities, acquisitions, was MSEK -1 755 (-304), of which purchase price payments accounted for MSEK -1 700 (-257), assumed net debt for MSEK 42 (12) and acquisition related costs paid for MSEK -97 (-59).

Cash flow from financing activities was MSEK -376 (-743) due to dividend paid of MSEK -1 460 (-1 369) and a net increase in borrowings of MSEK 1 084 (626).

Cash flow for the period was MSEK -364 (1 243). The closing balance for liquid funds after translation differences of MSEK -18 was MSEK 3 229 (3 611).

# Capital employed and financing

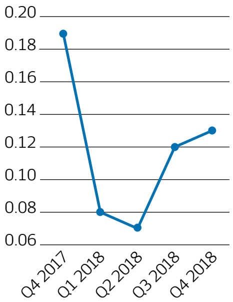
**Capital employed and financing**

| MSEK | Dec 31, 2018 |
|---|---|
| Operating capital employed | 9 199 |
| Goodwill | 21 061 |
| Acquisition related intangible assets | 1 458 |
| Shares in associated companies | 452 |
| **Capital employed** | **32 170** |
| Net debt | 14 513 |
| Shareholders' equity | 17 657 |
| **Financing** | **32 170** |

**Net debt development**

| MSEK | |
|---|---|
| **Jan 1, 2018** | **-12 333** |
| Free cash flow | 1 884 |
| Acquisitions | -1 755 |
| Items affecting comparability | -117 |
| Dividend paid | -1 460 |
| **Change in net debt** | **-1 448** |
| Revaluation | 26 |
| Translation | -758 |
| **Dec 31, 2018** | **-14 513** |

**Free cash flow/net debt**




***Capital employed as of December 31, 2018***

The Group's operating capital employed was MSEK 9 199 (7 560), corresponding to 9 percent of sales (8), adjusted for the full-year sales figures of acquired units. The translation of foreign operating capital employed to Swedish kronor increased the Group's operating capital employed by MSEK 151.

The increase in operating capital employed is mainly explained by the delayed cash flow from operating activities as explained under the cash flow section, in combination with the increased business volume in Security Services North America and a higher need for operating capital employed related to the changed sales mix from growing different protective services. The Group also continues to invest into the execution of the strategy with investments in customers' site equipment.

The annual impairment test of all Cash Generating Units (CGU), which is required under IFRS, took place during the third quarter 2018 in conjunction with the business plan process for 2019. None of the CGUs tested for impairment had a carrying amount that exceeded the recoverable amount. Consequently, no impairment losses have been recognized in 2018. No impairment losses were recognized in 2017 either.

The Group's total capital employed was MSEK 32 170 (27 872). The translation of foreign capital employed to Swedish kronor increased the Group's capital employed by MSEK 1 064. The return on capital employed was 15 percent (17).

***Financing as of December 31, 2018***

The Group's net debt amounted to MSEK 14 513 (12 333). The net debt was positively impacted mainly by free cash flow of MSEK 1 884, while it was negatively impacted mainly by cash flow from acquisitions of MSEK -1 755, dividend of MSEK -1 460, paid to the shareholders in May 2018, and the translation of net debt in foreign currency to Swedish kronor of MSEK -758.

The free cash flow to net debt ratio amounted to 0.13 (0.19). The net debt to EBITDA ratio was 2.3 (2.0). The interest cover ratio amounted to 10.7 (11.8).

Securitas has a revolving credit facility with its 12 key relationship banks. This credit facility comprises two respective tranches of MUSD 550 and MEUR 440 and matures in 2022.
On December 31, 2018, MUSD 50 of the facility was drawn. Further information regarding financial instruments and credit facilities is provided in note 9.

Standard and Poor's rating for Securitas is BBB with stable outlook.

Shareholders' equity amounted to MSEK 17 657 (15 539). The translation of foreign assets and liabilities into Swedish kronor increased shareholders' equity by MSEK 306. Refer to the statement of comprehensive income on page 17 for further information.

The total number of outstanding shares amounted to 365 058 897 (365 058 897) as of December 31, 2018.

# Acquisitions

**ACQUISITIONS JANUARY–DECEMBER 2018 (MSEK)**

| Company | Business segment [1] | Included from | Acquired share [2] | Annual sales [3] | Enter-prise value [4] | Goodwill | Acq. related intangible assets |
|---|---|---|---|---|---|---|---|
| **Opening balance** | | | | | | **18 719** | **1 173** |
| Automatic Alarm, France [6] | Security Services Europe | Jan 2 | 100 | 370 | 299 | 302 | 138 |
| Süddeutsche Bewachung, Germany [6] | Security Services Europe | Jan 2 | 100 | 95 | 95 | 51 | 46 |
| Johnson & Thomson, Hong Kong [6] | Other | Jan 2 | 100 | 17 | 19 | 30 | 12 |
| Alphatron Security Systems, the Netherlands | Security Services Europe | Mar 1 | 100 | 102 | 126 | 83 | 32 |
| Kratos Public Safety and Security, the US | Security Services North America | Jun 11 | 100 | 1 175 | 639 | 479 | 106 |
| Pronet Security and Sernet Services, Turkey | Security Services Europe | Jul 25 | 100 | 480 | 315 | 214 | 108 |
| Other acquisitions [5] [6] | | – | – | 141 | 165 | 55 | 57 |
| **Total acquisitions January–December 2018** | | | | **2 380** | **1 658** | **1 214** | **499** |
| Amortization of acquisition related intangible assets | | | | | | – | –260 |
| Exchange rate differences and remeasurement for hyperinflation | | | | | | 1 128 | 46 |
| **Closing balance** | | | | | | **21 061** | **1 458** |

1) Refers to business segment with main responsibility for the acquisition.

2) Refers to voting rights for acquisitions in the form of share purchase agreements. For asset deals no voting rights are stated.

3) Estimated annual sales.

4) Purchase price paid plus acquired net debt but excluding any deferred considerations.

5) Related to other acquisitions for the period and updated previous year acquisition calculations for the following entities: Prevendo (contract portfolio), Sweden, Vartioimisliike H. Hakala (contract portfolio), Finland, Industrie- und Werkschutz Brandstetter (contract portfolio), WHD Wachdienst Heidelberg, Germany, Milton Keynes Security Services, R&R Frontline, UK, Services in Safety, Belgium, Video Monitoring, XXXLutz (contract portfolio), Kika/Leiner (contract portfolio), Austria, Microtech, Czech Republic, DAK, Sensormatic, Turkey and PSGA, Australia. Related also to deferred considerations paid in Finland, Germany, Belgium, the Netherlands, Austria, Czech Republic, Croatia, Turkey, Argentina, Chile, China and Australia.

6) Deferred considerations have been recognized mainly based on an assessment of the future profitability development in the acquired entities for an agreed period. The net of new deferred considerations, payments made from previously recognized deferred considerations and revaluation of deferred considerations in the Group was MSEK 109. Total deferred considerations, short-term and long-term, in the Group's balance sheet amount to MSEK 272.

All acquisition calculations are finalized no later than one year after the acquisition is made. Transactions with non-controlling interests are specified in the statement of changes in shareholders' equity on page 20. Transaction costs and revaluation of deferred considerations can be found in note 7 on page 29.

***Automatic Alarm, France***

Securitas has acquired the electronic security company Automatic Alarm in France. Automatic Alarm is a nation-wide system integrator and installer of electronic security solutions, including intruder systems, video surveillance and access control, with multiyear maintenance contracts. The company has 250 employees. The acquisition was consolidated in Securitas as of January 2, 2018.

***Süddeutsche Bewachung, Germany***

Securitas has acquired the security solutions company Süddeutsche Bewachung in Germany. Süddeutsche Bewachung has 300 employees. The company offers on-site, mobile and remote guarding in the Rhein-Neckar area in the south-west of Germany, with headquarter located in Mannheim. The company has a very solid customer portfolio, comprising many customer segments. With this acquisition, Securitas strengthens its position in this area of Germany. The acquisition was consolidated in Securitas as of January 2, 2018.

***Johnson & Thomson, Hong Kong***

Securitas has acquired the technology and installations company Johnson & Thomson in Hong Kong. Johnson & Thomson is a monitoring, maintenance and installation company focused on the retail and mid-sized corporate market in Hong Kong. By this acquisition, Securitas continues to strengthen the ability to optimize security solutions, covering a combination of on-site guarding and remote guarding, mobile, monitoring and electronic security services to its customers in the AMEA region. The acquisition was consolidated in Securitas as of January 2, 2018.

# Acquisitions

***Alphatron Security Systems, the Netherlands***
Securitas has acquired the electronic security company Alphatron Security Systems in the Netherlands, to further strengthen its technology capabilities in the country. Alphatron Security Systems offers video solutions, access control systems and security management systems to industrial, public, aviation, construction and real estate customers on a country-wide basis. The company has 48 employees. The acquisition of Alphatron Security Systems makes Securitas the market leader within security solutions and electronic security in the Netherlands. The acquisition was consolidated in Securitas as of March 1, 2018.

***Kratos Public Safety and Security, the US***
Securitas has acquired the division Kratos Public Safety and Security from Kratos Defense & Security Solutions, Inc. (NASDAQ:KTOS). The acquisition is expected to be neutral to Securitas earnings per share in 2018 and 2019, and accretive as of 2020.

Kratos Public Safety and Security (KPSS) is ranked as a top 10 system integrator in the United States. The operation has 400 employees. The primary focus is electronic security projects for commercial customers with special expertise in transportation, petrochemical, healthcare, and education vertical markets. The business provides design, engineering, installation and service of advanced integrated security technology and systems. KPSS has a wide breadth of capabilities including access, video, intrusion, and fire solutions supported by on-going maintenance, inspections, and monitoring services.

KPSS, which is to be combined with Securitas Electronic Security, Inc., aligns well with Securitas Electronic Security's current operations and strategic focus. The acquisition will expand Securitas' electronic security platform in the United States by strengthening field operation capabilities and adding local branch infrastructure with highly skilled employees. It supports Securitas' strategy of providing protective services across the entire Securitas North American customer base, and brings increased value to our customers. The acquisition was approved by regulatory authorities on June 11, 2018, from which point it was consolidated in Securitas.

***Pronet Security and Sernet Services, Turkey***
Securitas has acquired the security company Pronet Security (Pronet Güvenlik ve Dan.Hiz. A.Ş) and Sernet Services in Turkey, to expand its operations in the country. Pronet Security is a top 5 security company in Turkey with more than 5 000 employees. The company is specialized in guarding services mainly in the Istanbul area. Pronet has a strong focus in the retail, high-rise and office customer segments, with many multinational companies in the customer portfolio.The company Pronet Alarm (Pronet Güvenlik Hizmetleri A.Ş.), which operates mainly in the field of residential alarm security, is not a part of this transaction. This company continues to operate under its existing partnership structure.

Securitas is the market leader in Turkey with more than 13 000 employees and is also the leading systems integrator. Securitas entered the Turkish security market in 2006 by acquiring two guarding companies. A consulting company was acquired in 2010 followed by the systems integrator Sensormatic in 2011. The Turkish security services market is estimated to be worth close to BSEK 24 (BTRY 11) and the demand for protective services is growing. The acquisition was approved by regulatory authorities on July 25, 2018, from which point it was consolidated in Securitas.

## ACQUISITIONS AFTER THE FOURTH QUARTER

***Global Elite Group, the US***
Securitas Transport Aviation Services USA has acquired Global Elite Group, a leading security services provider to the aviation industry in the US. The purchase price is approximately MUSD 22 (MSEK 200), contingent upon reaching certain targets. Global Elite Group is based in Garden City, New York, and specializes in providing high level security services to various airlines, airports and airport related customers. The customer base consists of more than 60 commercial airlines and numerous general aviation clients. The growth pattern in the company has been solid over the years with total sales expected to be MUSD 32 (MSEK 290) for 2018. The number of employees is approximately 1 050.

Securitas runs a twofold strategy in the US aviation market, addressing both the federal government with passenger and baggage screening for the Transportation Security Administration, as well as security services for the commercial market such as airlines, airports and airport related customers (e.g. cargo). The estimated market volume for the latter, i.e. the commercial market related to 450 airports, is between BUSD 1.3–1.8. The acquisition is consistent with Securitas strategy of expanding in the aviation industry. Global Elite Group is considered a premier aviation security service provider in the US. The company will strengthen and complement Securitas current aviation organization, and the combined network, footprint, licenses and know-how will increase the value we bring to existing and new customers. The acquisition was consolidated in Securitas as of January 10, 2019.

# Other significant events

For critical estimates and judgments, provisions and contingent liabilities refer to the 2017 Annual Report and to note 12 on page 30. If no significant events have occurred relating to the information in the Annual Report, no further comments are made in the Interim Report for the respective case.

***Two major transformation programs initiated***
The Board of Directors has approved two major programs with approximately MSEK –650 as future items affecting comparability and future capital expenditure of approximately MSEK 550 to be recognized 2019–2020. The first program is expected to reduce IT costs in the Group by MSEK 300 upon completion in 2022. The second program is expected to support the operating margin in Security Services North America up to 0.5 percentage points by 2022, everything else equal.

# Changes in Group Management

Peter Karlströmer has been appointed Divisional President Security Services Europe and a member of Securitas Group Management. He will start latest on March 4, 2019. Peter comes from Cisco Systems where he led the business with telecom operators in Europe, Middle East, Africa and Russia. Before that Peter led the geographic business in the Nordics, Benelux and Baltics. Prior to joining Cisco in 2012, Peter worked with McKinsey & Company for 15 years as a partner in business leadership roles across Europe, Middle East and Africa. Peter Karlströmer is 47 years old and holds a Master of Science in Business Administration and Economics, and a Master of Science in Electrical Engineering from Lund University. He will be based at Securitas head office in Stockholm.

# Risks and uncertainties

Risk management is necessary for Securitas to be able to fulfill its strategies and achieve its corporate objectives. Securitas' risks fall into three main categories; contract risk, operational assignment risk and financial risks. Securitas' approach to enterprise risk management is described in more detail in the Annual Report for 2017.

In the preparation of financial reports, the Board of Directors and Group Management are required to make estimates and judgments. These estimates and judgments impact the statement of income and balance sheet as well as disclosures such as contingent liabilities. The actual outcome may differ from these estimates and judgments under different circumstances and conditions.

For the forthcoming 12-month period, the financial impact of certain items affecting comparability, provisions and contingent liabilities, as described in the Annual Report for 2017 and, where applicable, under the heading "Other significant events" above, may vary from the current financial estimates and provisions made by management. This could affect the Group's profitability and financial position.

# Parent Company operations

The Group's Parent Company, Securitas AB, is not involved in any operating activities. Securitas AB consists of Group Management and support functions for the Group.

***January–December 2018***
The Parent Company's income amounted to MSEK 1 196 (1 089) and mainly relates to license fees and other income from subsidiaries.

Financial income and expenses amounted to MSEK 2 269 (1 549). Income before taxes amounted to MSEK 2 558 (2 365).

***As of December 31, 2018***
The Parent Company's non-current assets amounted to MSEK 43 506 (43 037) and mainly comprise shares in subsidiaries of MSEK 41 332 (41 296). Current assets amounted to MSEK 7 329 (6 823) of which liquid funds accounted for MSEK 1 326 (1 943).

Shareholders' equity amounted to MSEK 28 499 (27 664). A dividend of MSEK 1 460 (1 369) was paid to the shareholders in May 2018.

The Parent Company's liabilities and untaxed reserves amounted to MSEK 22 336 (22 196) and mainly consist of interest-bearing debt.

For further information, refer to the Parent Company's condensed financial statements on page 31.

Stockholm, February 7, 2019

*Magnus Ahlqvist*
President and Chief Executive Officer

# Review report

(Translation of Swedish Original)

Report of Review of Interim Financial Information prepared in accordance with IAS 34 and chapter 9 of the Annual Accounts Act.

***Introduction***

We have reviewed this report for the period January 1, 2018 to December 31, 2018 for Securitas AB. The Board of Directors and the President and CEO are responsible for the preparation and presentation of this full year report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this full year report based on our review.

***Scope of Review***

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the full year report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, February 7, 2019
PricewaterhouseCoopers AB

*Patrik Adolfson*
Authorised Public Accountant
Auditor in charge

*Madeleine Endre*
Authorised Public Accountant

# Consolidated financial statements

## STATEMENT OF INCOME

| MSEK | Oct–Dec 2018 | Oct–Dec 2017 | Jan–Dec 2018 | Jan–Dec 2017 |
|---|---|---|---|---|
| Sales | 26 132.7 | 23 911.5 | 99 706.9 | 91 479.1 |
| Sales, acquired business | 691.3 | 112.7 | 1 759.8 | 717.7 |
| **Total sales**[4)] | **26 824.0** | **24 024.2** | **101 466.7** | **92 196.8** |
| *Organic sales growth, %*[5)] | 5 | 6 | 6 | 5 |
| Production expenses | –22 085.1 | –19 707.8 | –83 569.5 | –75 951.6 |
| **Gross income** | **4 738.9** | **4 316.4** | **17 897.2** | **16 245.2** |
| Selling and administrative expenses* | –3 283.3 | –3 058.7 | –12 654.5 | –11 593.8 |
| Other operating income[4)] | 7.5 | 5.9 | 29.6 | 23.8 |
| Share in income of associated companies | 12.0 | 5.8 | 31.3 | 22.0 |
| **Operating income before amortization*** | **1 475.1** | **1 269.4** | **5 303.6** | **4 697.2** |
| *Operating margin, %** | 5.5 | 5.3 | 5.2 | 5.1 |
| Amortization of acquisition related intangible assets | –65.4 | –72.2 | –259.9 | –255.1 |
| Acquisition related costs[7)] | –78.7 | –28.7 | –119.9 | –48.4 |
| Items affecting comparability[8)] | –186.9 | – | –454.8 | – |
| **Operating income after amortization*** | **1 144.1** | **1 168.5** | **4 469.0** | **4 393.7** |
| Financial income and expenses[3, 9)] | –153.3 | –93.4 | –440.6 | –375.6 |
| **Income before taxes*** | **990.8** | **1 075.1** | **4 028.4** | **4 018.1** |
| *Net margin, %** | 3.7 | 4.5 | 4.0 | 4.4 |
| Current taxes | –248.4 | –209.7 | –962.2 | –944.4 |
| Deferred taxes* | 0.6 | –217.7 | –45.0 | –322.2 |
| **Net income for the period*** | **743.0** | **647.7** | **3 021.2** | **2 751.5** |
| | | | | |
| **Whereof attributable to:** | | | | |
| Equity holders of the Parent Company* | 738.2 | 646.4 | 3 015.9 | 2 749.7 |
| Non-controlling interests | 4.8 | 1.3 | 5.3 | 1.8 |
| | | | | |
| Earnings per share before and after dilution (SEK)* | 2.02 | 1.77 | 8.26 | 7.53 |
| Earnings per share before and after dilution and before items affecting comparability (SEK)* | 2.39 | 2.11 | 9.17 | 7.87 |

## STATEMENT OF COMPREHENSIVE INCOME

| MSEK | Oct–Dec 2018 | Oct–Dec 2017 | Jan–Dec 2018 | Jan–Dec 2017 |
|---|---|---|---|---|
| **Net income for the period*** | **743.0** | **647.7** | **3 021.2** | **2 751.5** |
| | | | | |
| **Other comprehensive income for the period** | | | | |
| **Items that will not be reclassified to the statement of income** | | | | |
| Remeasurements of defined benefit pension plans net of tax | –133.3 | –26.2 | –71.9 | 45.4 |
| **Total items that will not be reclassified to the statement of income**[10)] | **–133.3** | **–26.2** | **–71.9** | **45.4** |
| | | | | |
| **Items that subsequently may be reclassified to the statement of income** | | | | |
| Remeasurement for hyperinflation net of tax[1, 3)] | 15.1 | – | 314.2 | – |
| Cash flow hedges net of tax | 24.4 | –5.4 | 62.5 | –21.9 |
| Cost of hedging net of tax | –78.4 | – | –44.1 | – |
| Net investment hedges net of tax | 11.4 | –105.9 | –381.3 | 91.3 |
| Other comprehensive income from associated companies, translation differences | 10.3 | 7.9 | 19.0 | –25.3 |
| Translation differences | 122.7 | 405.9 | 668.0 | –696.5 |
| **Total items that subsequently may be reclassified to the statement of income**[10)] | **105.5** | **302.5** | **638.3** | **–652.4** |
| **Other comprehensive income for the period**[10)] | **–27.8** | **276.3** | **566.4** | **–607.0** |
| **Total comprehensive income for the period*** | **715.2** | **924.0** | **3 587.6** | **2 144.5** |
| | | | | |
| **Whereof attributable to:** | | | | |
| Equity holders of the Parent Company* | 710.5 | 920.9 | 3 582.8 | 2 142.5 |
| Non-controlling interests | 4.7 | 3.1 | 4.8 | 2.0 |

* Comparatives have been restated as an effect of a change in accounting principle IFRS 15. Refer to notes 1 and 2 for further information.
Notes 1–10 refer to pages 23–30.

# Consolidated financial statements

## STATEMENT OF CASH FLOW

| Operating cash flow MSEK | Oct–Dec 2018 | Oct–Dec 2017 | Jan–Dec 2018 | Jan–Dec 2017 |
|---|---|---|---|---|
| **Operating income before amortization*** | **1 475.1** | **1 269.4** | **5 303.6** | **4 697.2** |
| Investments in non-current tangible and intangible assets* | –569.1 | –540.8 | –2 187.8 | –1 808.4 |
| Reversal of depreciation* | 449.4 | 376.9 | 1 693.5 | 1 445.5 |
| Change in accounts receivable | –387.4 | 56.9 | –1 575.0 | –448.9 |
| Change in other operating capital employed | 914.4 | 650.2 | –62.3 | –48.1 |
| **Cash flow from operating activities** | **1 882.4** | **1 812.6** | **3 172.0** | **3 837.3** |
| *Cash flow from operating activities, %* | *128* | *143* | *60* | *82* |
| Financial income and expenses paid | –99.1 | –40.2 | –431.4 | –425.6 |
| Current taxes paid | –216.7 | –266.3 | –856.3 | –1 122.2 |
| **Free cash flow** | **1 566.6** | **1 506.1** | **1 884.3** | **2 289.5** |
| *Free cash flow, %** | *146* | *156* | *48* | *68* |
| Cash flow from investing activities, acquisitions | –133.4 | –18.5 | –1 755.2 | –303.6 |
| Cash flow from items affecting comparability [8)] | –93.8 | – | –117.4 | – |
| Cash flow from financing activities | –490.7 | –434.0 | –375.4 | –742.7 |
| **Cash flow for the period** | **848.7** | **1 053.6** | **–363.7** | **1 243.2** |

| Cash flow MSEK | Oct–Dec 2018 | Oct–Dec 2017 | Jan–Dec 2018 | Jan–Dec 2017 |
|---|---|---|---|---|
| Cash flow from operations* | 2 001.5 | 2 036.7 | 3 857.4 | 4 039.3 |
| Cash flow from investing activities* | –662.1 | –549.1 | –3 845.7 | –2 053.4 |
| Cash flow from financing activities | –490.7 | –434.0 | –375.4 | –742.7 |
| **Cash flow for the period** | **848.7** | **1 053.6** | **–363.7** | **1 243.2** |

| Change in net debt MSEK | Oct–Dec 2018 | Oct–Dec 2017 | Jan–Dec 2018 | Jan–Dec 2017 |
|---|---|---|---|---|
| **Opening balance** | **–15 749.1** | **–13 606.0** | **–12 332.5** | **–13 431.3** |
| Cash flow for the period | 848.7 | 1 053.6 | –363.7 | 1 243.2 |
| Change in loans | 490.7 | 434.0 | –1 084.8 | –626.3 |
| **Change in net debt before revaluation and translation differences** | **1 339.4** | **1 487.6** | **–1 448.5** | **616.9** |
| Revaluation of financial instruments [9)] | –68.6 | –7.5 | 26.0 | –28.8 |
| Translation differences | –35.2 | –206.6 | –758.5 | 510.7 |
| **Change in net debt** | **1 235.6** | **1 273.5** | **–2 181.0** | **1 098.8** |
| **Closing balance** | **–14 513.5** | **–12 332.5** | **–14 513.5** | **–12 332.5** |

* Comparatives have been restated as an effect of a change in accounting principle IFRS 15. Refer to notes 1 and 2 for further information.
Notes 8–9 refer to page 29–30.

# Consolidated financial statements

## CAPITAL EMPLOYED AND FINANCING

| MSEK | Dec 31, 2018 | Dec 31, 2017 |
|---|---|---|
| **Operating capital employed*** | **9 198.6** | **7 559.8** |
| *Operating capital employed as % of sales** | 9 | 8 |
| *Return on operating capital employed, %** | 58 | 64 |
| Goodwill | 21 061.3 | 18 719.1 |
| Acquisition related intangible assets | 1 458.2 | 1 172.8 |
| Shares in associated companies | 452.0 | 419.8 |
| **Capital employed*** | **32 170.1** | **27 871.5** |
| *Return on capital employed, %* | 15 | 17 |
| **Net debt** | **–14 513.5** | **–12 332.5** |
| **Shareholders' equity*** | **17 656.6** | **15 539.0** |
| *Net debt equity ratio, multiple** | 0.82 | 0.79 |

## BALANCE SHEET

| MSEK | Dec 31, 2018 | Dec 31, 2017 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Goodwill | 21 061.3 | 18 719.1 |
| Acquisition related intangible assets | 1 458.2 | 1 172.8 |
| Other intangible assets* | 1 449.9 | 1 079.0 |
| Tangible non-current assets | 3 753.9 | 3 489.1 |
| Shares in associated companies | 452.0 | 419.8 |
| Non-interest-bearing financial non-current assets | 1 744.1 | 1 819.6 |
| Interest-bearing financial non-current assets | 499.0 | 499.7 |
| **Total non-current assets*** | **30 418.4** | **27 199.1** |
| **Current assets** | | |
| Non-interest-bearing current assets | 21 700.6 | 18 569.0 |
| Other interest-bearing current assets | 121.1 | 164.7 |
| Liquid funds | 3 228.8 | 3 610.6 |
| **Total current assets** | **25 050.5** | **22 344.3** |
| **TOTAL ASSETS*** | **55 468.9** | **49 543.4** |

| MSEK | Dec 31, 2018 | Dec 31, 2017 |
|---|---|---|
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | |
| **Shareholders' equity** | | |
| Attributable to equity holders of the Parent Company* | 17 631.4 | 15 517.8 |
| Non-controlling interests | 25.2 | 21.2 |
| **Total shareholders' equity*** | **17 656.6** | **15 539.0** |
| *Equity ratio, %* | 32 | 31 |
| **Long-term liabilities** | | |
| Non-interest-bearing long-term liabilities | 336.3 | 237.7 |
| Interest-bearing long-term liabilities | 15 973.8 | 13 024.6 |
| Non-interest-bearing provisions* | 2 527.3 | 3 206.8 |
| **Total long-term liabilities*** | **18 837.4** | **16 469.1** |
| **Current liabilities** | | |
| Non-interest-bearing current liabilities and provisions | 16 586.3 | 13 952.4 |
| Interest-bearing current liabilities | 2 388.6 | 3 582.9 |
| **Total current liabilities** | **18 974.9** | **17 535.3** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES*** | **55 468.9** | **49 543.4** |

* Comparatives have been restated as an effect of a change in accounting principle IFRS 15. Refer to notes 1 and 2 for further information.

# Consolidated financial statements

## CHANGES IN SHAREHOLDERS' EQUITY

| MSEK | Dec 31, 2018 Attributable to equity holders of the Parent Company | Dec 31, 2018 Non-controlling interests | Dec 31, 2018 Total | Dec 31, 2017 Attributable to equity holders of the Parent Company | Dec 31, 2017 Non-controlling interests | Dec 31, 2017 Total |
|---|---|---|---|---|---|---|
| **Opening balance January 1, 2018/2017** | **15 517.8** | **21.2** | **15 539.0** | **14 487.2** | **20.7** | **14 507.9** |
| Effect of change in accounting principle IFRS 15[1] | – | – | – | 274.7 | – | 274.7 |
| **Opening balance adjusted in accordance with new accounting principle** | **15 517.8** | **21.2** | **15 539.0** | **14 761.9** | **20.7** | **14 782.6** |
| Total comprehensive income for the period* | 3 582.8 | 4.8 | 3 587.6 | 2 142.5 | 2.0 | 2 144.5 |
| Transactions with non-controlling interests | –1.6 | –0.8 | –2.4 | –1.2 | –1.5 | –2.7 |
| Share based incentive scheme | –7.4 | – | –7.4[2] | –16.4 | – | –16.4 |
| Dividend paid to the shareholders of the Parent Company | –1 460.2 | – | –1 460.2 | –1 369.0 | – | –1 369.0 |
| **Closing balance December 31, 2018/2017*** | **17 631.4** | **25.2** | **17 656.6** | **15 517.8** | **21.2** | **15 539.0** |

* Comparatives have been restated as an effect of a change in accounting principle IFRS 15. Refer to notes 1 and 2 for further information.

1) Refers to net impact after taxes of adoption of IFRS 15.
2) Refers to share based remuneration for the Group's participants in the share based incentive scheme 2018 of MSEK 133.1, a swap agreement in Securitas AB shares of MSEK –140.6, hedging the share portion of Securitas share based incentive scheme 2017, and adjustment to grant date value of non-vested shares of MSEK 0.1, related to Securitas share based incentive scheme 2016.

## DATA PER SHARE

| SEK | Oct–Dec 2018 | Oct–Dec 2017 | Jan–Dec 2018 | Jan–Dec 2017 |
|---|---|---|---|---|
| Share price, end of period | 142.25 | 143.20 | 142.25 | 143.20 |
| | | | | |
| Earnings per share before and after dilution[1, 2, 3] | 2.02 | 1.77 | 8.26 | 7.53 |
| Earnings per share before and after dilution and before items affecting comparability[1, 2, 3] | 2.39 | 2.11 | 9.17 | 7.87 |
| | | | | |
| Dividend | – | – | 4.40[4] | 4.00 |
| | | | | |
| P/E-ratio after dilution and before items affecting comparability | – | – | 16 | 18 |
| | | | | |
| Share capital (SEK) | 365 058 897 | 365 058 897 | 365 058 897 | 365 058 897 |
| Number of shares outstanding[1] | 365 058 897 | 365 058 897 | 365 058 897 | 365 058 897 |
| Average number of shares outstanding[1] | 365 058 897 | 365 058 897 | 365 058 897 | 365 058 897 |

1) There are no convertible debenture loans. Consequently there is no difference before and after dilution regarding earnings per share and number of shares.
2) Number of shares used for calculation of earnings per share includes shares related to the Group's share based incentive schemes that have been hedged through swap agreements.
3) Comparatives have been restated as an effect of a change in accounting principle IFRS 15. Refer to notes 1 and 2 for further information.
4) Proposed dividend.

# Segment overview October–December 2018 and 2017

## OCTOBER–DECEMBER 2018

| MSEK | Security Services North America | Security Services Europe | Security Services Ibero-America | Other | Eliminations | Group |
|---|---|---|---|---|---|---|
| Sales, external | 11 518 | 11 725 | 3 111 | 470 | – | 26 824 |
| Sales, intra-group | 5 | – | 0 | 1 | –6 | – |
| **Total sales** | **11 523** | **11 725** | **3 111** | **471** | **–6** | **26 824** |
| *Organic sales growth, %* | *5* | *3* | *14* | *–* | *–* | *5* |
| **Operating income before amortization** | **722** | **739** | **125** | **–111** | **–** | **1 475** |
| *of which share in income of associated companies* | *–1* | *0* | *–* | *13* | *–* | *12* |
| *Operating margin, %* | *6.3* | *6.3* | *4.0* | *–* | *–* | *5.5* |
| Amortization of acquisition related intangible assets | –15 | –40 | –6 | –4 | – | –65 |
| Acquisition related costs | –58 | –21 | – | 0 | – | –79 |
| Items affecting comparability | –155 | 0 | – | –32 | – | –187 |
| **Operating income after amortization** | **494** | **678** | **119** | **–147** | **–** | **1 144** |
| Financial income and expenses | – | – | – | – | – | –154 |
| **Income before taxes** | **–** | **–** | **–** | **–** | **–** | **990** |

## OCTOBER–DECEMBER 2017

| MSEK | Security Services North America | Security Services Europe | Security Services Ibero-America | Other[1] | Eliminations | Group[1] |
|---|---|---|---|---|---|---|
| Sales, external | 9 840 | 10 714 | 3 085 | 385 | – | 24 024 |
| Sales, intra-group | 0 | 0 | 1 | 1 | –2 | – |
| **Total sales** | **9 840** | **10 714** | **3 086** | **386** | **–2** | **24 024** |
| *Organic sales growth, %* | *6* | *4* | *11* | *–* | *–* | *6* |
| **Operating income before amortization** | **596** | **655** | **139** | **–121** | **–** | **1 269** |
| *of which share in income of associated companies* | *–2* | *1* | *–* | *7* | *–* | *6* |
| *Operating margin, %* | *6.1* | *6.1* | *4.5* | *–* | *–* | *5.3* |
| Amortization of acquisition related intangible assets | –12 | –41 | –13 | –6 | – | –72 |
| Acquisition related costs | –11 | –16 | 1 | –2 | – | –28 |
| Items affecting comparability | – | – | – | – | – | – |
| **Operating income after amortization** | **573** | **598** | **127** | **–129** | **–** | **1 169** |
| Financial income and expenses | – | – | – | – | – | –94 |
| **Income before taxes** | **–** | **–** | **–** | **–** | **–** | **1 075** |

[1] Comparatives have been restated as an effect of a change in accounting principle IFRS 15. Refer to notes 1 and 2 for further information.

# Segment overview January–December 2018 and 2017

### JANUARY–DECEMBER 2018

| MSEK | Security Services North America | Security Services Europe | Security Services Ibero-America | Other | Eliminations | Group |
|---|---|---|---|---|---|---|
| Sales, external | 42 360 | 45 040 | 12 313 | 1 754 | – | 101 467 |
| Sales, intra-group | 6 | – | 2 | 1 | –9 | – |
| **Total sales** | **42 366** | **45 040** | **12 315** | **1 755** | **–9** | **101 467** |
| *Organic sales growth, %* | *6* | *4* | *12* | – | – | *6* |
| **Operating income before amortization** | **2 589** | **2 511** | **550** | **–346** | **–** | **5 304** |
| *of which share in income of associated companies* | *–9* | *0* | – | *40* | – | *31* |
| *Operating margin, %* | *6.1* | *5.6* | *4.5* | – | – | *5.2* |
| Amortization of acquisition related intangible assets | –54 | –158 | –30 | –18 | – | –260 |
| Acquisition related costs | –84 | –35 | – | –1 | – | –120 |
| Items affecting comparability | –155 | –268 | – | –32 | | –455 |
| **Operating income after amortization** | **2 296** | **2 050** | **520** | **–397** | **–** | **4 469** |
| Financial income and expenses | – | – | – | – | – | –441 |
| **Income before taxes** | **–** | **–** | **–** | **–** | **–** | **4 028** |

### JANUARY–DECEMBER 2017

| MSEK | Security Services North America | Security Services Europe | Security Services Ibero-America | Other[1] | Eliminations | Group[1] |
|---|---|---|---|---|---|---|
| Sales, external | 38 107 | 40 703 | 11 969 | 1 418 | – | 92 197 |
| Sales, intra-group | 1 | 0 | 2 | 2 | –5 | – |
| **Total sales** | **38 108** | **40 703** | **11 971** | **1 420** | **–5** | **92 197** |
| *Organic sales growth, %* | *5* | *2* | *13* | – | – | *5* |
| **Operating income before amortization** | **2 254** | **2 275** | **506** | **–338** | **–** | **4 697** |
| *of which share in income of associated companies* | *–8* | *3* | – | *27* | – | *22* |
| *Operating margin, %* | *5.9* | *5.6* | *4.2* | – | – | *5.1* |
| Amortization of acquisition related intangible assets | –50 | –145 | –41 | –19 | – | –255 |
| Acquisition related costs | –17 | –27 | 0 | –4 | – | –48 |
| Items affecting comparability | – | – | – | – | – | – |
| **Operating income after amortization** | **2 187** | **2 103** | **465** | **–361** | **–** | **4 394** |
| Financial income and expenses | – | – | – | – | – | –376 |
| **Income before taxes** | **–** | **–** | **–** | **–** | **–** | **4 018** |

[1] Comparatives have been restated as an effect of a change in accounting principle IFRS 15. Refer to notes 1 and 2 for further information.

# Notes

## NOTE 1 ACCOUNTING PRINCIPLES

This full year report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The full year report comprises pages 1–32 and pages 1–16 are thus an integrated part of this financial report.

Securitas' consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 1 Supplementary Accounting Rules for Groups. The most important accounting principles under IFRS, which is the basis for the preparation of this full year report, can be found in note 2 on pages 65 to 71 in the Annual Report for 2017. The accounting principles are also available on the Group's website www.securitas.com under the section Investors – Financial data – Accounting Principles.

The Parent Company's financial statements are prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 2 Accounting for Legal Entities. The most important accounting principles used by the Parent Company can be found in note 39 on page 119 in the Annual Report for 2017.

***Adoption and impact of new and revised IFRS that have been applied as from January 1, 2018***

Two new accounting standards, IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customers, have been applied by Securitas as of January 1, 2018. The effects of the transition to these standards are described briefly below. For further information, refer to note 2 on page 65 in Securitas' Annual Report 2017 as well as to notes 2 and 4 in this full year report.

Regarding IFRS 9 Financial instruments, Securitas' transition to IFRS 9 has not entailed any restatement of the comparative figures. The impact on the financial statements from hedge accounting under IFRS 9 compared with the previous hedge accounting under IAS 39 has been minimal. The application of the expected credit loss model for impairment testing of financial assets has had only a limited impact on the financial statements.

Regarding IFRS 15 Revenue from Contracts with Customers, Securitas' transition to IFRS 15 has been based on a full retrospective application without use of any practical expedients. The revenue recognition under IFRS 15 has not been materially impacted compared to revenue recognition under previous standards. A disaggregation of Securitas' revenue on type of revenue as well as a description of these can be found in note 4 in this full year report. Revenue split by segment is accounted for in the segment overviews as well as in note 4.

The main impact on Securitas due to the transition to IFRS 15 is that certain costs to obtain contracts have been capitalized in accordance with IFRS 15. The effects of restating the comparative year 2017 due to this change in accounting principle is accounted for in note 2 in this full year report. The restatement has had no effect on the Group´s segments, as they have continued with the principle of expensing costs to obtain contracts as they are incurred. The effects of the restatement are thus accounted for under Other in the Group´s segment overviews.

***Adoption and impact of IFRS that have been applied as from July 1, 2018***

As of July 1, 2018, Securitas has adopted IAS 29 Financial reporting in hyperinflationary economies for our operations in Argentina. This includes the subsidiaries with functional currency in ARS as well as consolidated goodwill that is translated into SEK from ARS. IAS 29 has been adopted without restatement of any of the consolidated financial statements in the Group's presentation currency SEK. This is based on IAS 21 § 42 (b).

The balance sheet items not already expressed in terms of the measuring unit current as of July 1, 2018 have been remeasured by applying a general price index. Due to the lack of one index covering the whole period for which remeasurement is needed, Securitas has used the consumer price index, National congress price index or the Internal Price Index related with Commercial/Production of Products. Securitas believes that this gives a reasonable level of accuracy. As of July 1, 2018, the index was 9.17 with the base period being January 2003. As of December 31, 2018, the index was 11.15 with the same base period. The financial statements subject to remeasurement are based on the historical cost approach.

The initial remeasurement of all relevant balance sheet items has been recognized as part of other comprehensive income on the line Remeasurement for hyperinflation net of tax. Where relevant, deferred tax has been considered. Subsequent measurement of the consolidated goodwill balance as of December 31, 2018 is also recognized as part of other comprehensive income. This is based on the fact that goodwill would be offset in equity if pushed down to subsidiary level. Also, it does not contribute to any changes in the net monetary position of the subsidiary. Subsequent remeasurement of the balances on subsidiary level is part of the net monetary gain or loss recognized in the statement of income as part of financial income and expenses.

After remeasurement of the financial statements, including both the statement of income and the balance sheet for the operations in Argentina, they have been translated at the closing rate as of the most recent balance sheet date each quarter. For the income statement this applies to the period July 1 to December 31, 2018, and all subsequent periods.

None of the other published standards and interpretations that are mandatory for the Group's financial year 2018 have had any impact on the Group's financial statements.

***Introduction and effect of new and revised IFRS that are effective as from 2019***

IFRS 16 Leases came into force on January 1, 2019 and has been adopted by Securitas as of that date. Securitas has adopted IFRS 16 by recognizing the cumulative effect of the application on January 1, 2019 without restatement of the comparative periods.

Securitas' 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 (included in tangible non-current assets) and long-term and short-term lease liabilities (included in interest-bearing liabilities) in the consolidated balance sheet. The lease liabilities on January 1, 2019 have been measured at the present value of remaining lease payments, discounted by using the incremental borrowing rate for each country. These rates are based on the interbank offered rate (IBOR) of the relevant currency to achieve an all-in cost of IBOR plus the intra-group margin applied for internal funding purposes. The rates are further adjusted to consider the contract duration of each lease agreement. The Group´s average incremental borrowing rate on lease liabilities recognized in the balance sheet on January 1, 2019 is approximately 3.9%. A specification of the range for the discount rates within each segment is disclosed below.

| **Segment** | ***% per annum*** |
|---|---|
| Security Services North America | *4.4–5.1* [1] |
| Security Services Europe | *1.3–6.1* [2] |
| Security Services Ibero-America | *1.7–14.0* [3] |
| Other | *1.7–9.8* [4] |

[1] Excluding Mexico 10.1%
[2] Excluding Turkey 34.0%
[3] Excluding Argentina 57.0%
[4] The operations in Africa, the Middle East and Asia are included in Other.

The right of use assets on January 1, 2019 have been measured at an amount equal to the lease liabilities. Extension clauses are evaluated for each lease agreement and are applied based on our best estimate at each closing. Leases for which the lease term ends within 12 months of the date of initial application have been accounted for as short-term leases and are thus excluded from the lease liabilities accounted for under IFRS 16.

In the consolidated statement of income, depreciation of the right of use assets is accounted for on the lines production expenses and selling and administrative expenses. Interest expenses are accounted for on the line financial income and expenses. The Group's operating income in 2019 is expected to improve due to lower leasing costs in operating income compared with the accounting for lease contracts under IAS 17. Financial expenses in 2019 are expected to increase compared with the accounting for lease contracts under IAS 17, due to the financial element in the lease calculations. In the Group´s segment overviews, the effects of the adoption of IFRS 16 are accounted for under each segment.

The estimated effects on the consolidated balance sheet and the consolidated statement of income from the adoption of IFRS 16 are specified in the tables below:

| **Consolidated balance sheet, BSEK** | **Jan 1, 2019** |
|---|---|
| Tangible non-current assets | 3.4 |
| **Total assets** | **3.4** |
| | |
| Lease liabilities, long-term and short-term | 3.4 |
| **Total liabilities** | **3.4** |

# Notes

| Consolidated statement of income, BSEK | Jan–Dec 2019 |
|---|---|
| Operating income before amortization | 0.1 |
| Financial income and expenses | –0.1 |
| **Income before taxes** | **0.0** |

As a consequence of adopting IFRS 16 on the level of reportable segments, the Group will change the level of impairment testing for goodwill from the country level to the reportable segment level in 2020.

Amendments to IAS 19 Employee Benefits came into force on January 1, 2019 and has been adopted by Securitas as of that date. The amendments clarify the accounting for defined benefit plan amendments, curtailments and settlements. They are not expected to have any material impact on the Group's financial statements.

None of the other published standards and interpretations that are mandatory for the Group's financial year 2019 are assessed to have any impact on the Group's financial statements.

***Introduction and effect of new and revised IFRS that are effective as from 2020 and onwards***
The effect on the Group's financial statements from standards and interpretations that are mandatory for the Group's financial year 2020 or later remain to be assessed.

***Usage of key ratios not defined in IFRS***
For definitions and calculations of key ratios not defined in IFRS, refer to notes 5 and 6 in this full year report as well as to note 3 in the Annual Report 2017.

## NOTE 2 RESTATED COMPARATIVES DUE TO CHANGES IN ACCOUNTING PRINCIPLES

The tables below show restated comparative figures for the Group. The restatement is done to reflect that the Group has adopted IFRS 15 as of January 1, 2018. This change has had effect only on total Group level and thus had no effect on segment level. The effects of the restatement are thus accounted for under Other in the Group´s segment overviews. For further information, refer to note 1 in this report as well as to note 2 on page 65 in Securitas Annual Report 2017.

The tables below show the lines in the consolidated financial statements that have been affected by the transition to IFRS 15. Lines that have not been affected by IFRS 15 are not included. The lines in the tables below consequently do not add up to the total amounts. Refer to Securitas' published interim reports 2017 as well as Securitas' Annual Report 2017 for the numbers before restatement for IFRS 15.

### CONSOLIDATED STATEMENT OF INCOME

The restatement impact on the consolidated statement of income is recognized on the line selling and administrative expenses and constitutes the net of the period's capitalized and amortized costs to obtain a contract. The tax effect is recognized on the line deferred taxes.

| Restatement, MSEK | Q1 2017 | Q2 2017 | H1 2017 | Q3 2017 | 9M 2017 | Q4 2017 | FY 2017 |
|---|---|---|---|---|---|---|---|
| Selling and administrative expenses | 5.1 | 5.1 | 10.2 | 5.1 | 15.3 | 5.1 | 20.4 |
| **Operating income before amortization** | **5.1** | **5.1** | **10.2** | **5.1** | **15.3** | **5.1** | **20.4** |
| *Operating margin, %* | *0.0* | *0.0* | *0.0* | *0.1* | *0.0* | *0.0* | *0.0* |
| **Operating income after amortization** | **5.1** | **5.1** | **10.2** | **5.1** | **15.3** | **5.1** | **20.4** |
| **Income before taxes** | **5.1** | **5.1** | **10.2** | **5.1** | **15.3** | **5.1** | **20.4** |
| *Net margin, %* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.1* |
| Deferred taxes | –1.6 | –1.6 | –3.2 | –1.6 | –4.8 | –1.5 | –6.3 |
| **Net income for the period** | **3.5** | **3.5** | **7.0** | **3.5** | **10.5** | **3.6** | **14.1** |
| **Whereof attributable to:** | | | | | | | |
| Equity holders of the Parent Company | 3.5 | 3.5 | 7.0 | 3.5 | 10.5 | 3.6 | 14.1 |
| Earnings per share before and after dilution (SEK) | 0.01 | 0.00 | 0.02 | 0.01 | 0.03 | 0.01 | 0.04 |
| Earnings per share before and after dilution and before items affecting comparability (SEK) | 0.01 | 0.00 | 0.02 | 0.01 | 0.03 | 0.01 | 0.04 |

| After restatement, MSEK | Q1 2017 | Q2 2017 | H1 2017 | Q3 2017 | 9M 2017 | Q4 2017 | FY 2017 |
|---|---|---|---|---|---|---|---|
| Selling and administrative expenses | –2 832.2 | –2 929.2 | –5 761.4 | –2 773.7 | –8 535.1 | –3 058.7 | –11 593.8 |
| **Operating income before amortization** | **1 056.2** | **1 136.7** | **2 192.9** | **1 234.9** | **3 427.8** | **1 269.4** | **4 697.2** |
| *Operating margin, %* | *4.7* | *4.9* | *4.8* | *5.5* | *5.0* | *5.3* | *5.1* |
| **Operating income after amortization** | **989.4** | **1 067.1** | **2 056.5** | **1 168.7** | **3 225.2** | **1 168.5** | **4 393.7** |
| **Income before taxes** | **887.1** | **973.4** | **1 860.5** | **1 082.5** | **2 943.0** | **1 075.1** | **4 018.1** |
| *Net margin, %* | *3.9* | *4.2* | *4.1* | *4.8* | *4.3* | *4.5* | *4.4* |
| Deferred taxes | –48.4 | –23.3 | –71.7 | –32.8 | –104.5 | –217.7 | –322.2 |
| **Net income for the period** | **627.0** | **693.7** | **1 320.7** | **783.1** | **2 103.8** | **647.7** | **2 751.5** |
| **Whereof attributable to:** | | | | | | | |
| Equity holders of the Parent Company | 628.2 | 691.7 | 1 319.9 | 783.4 | 2 103.3 | 646.4 | 2 749.7 |
| Earnings per share before and after dilution (SEK) | 1.72 | 1.89 | 3.62 | 2.15 | 5.76 | 1.77 | 7.53 |
| Earnings per share before and after dilution and before items affecting comparability (SEK) | 1.72 | 1.89 | 3.62 | 2.15 | 5.76 | 2.11 | 7.87 |

# Notes

**CONSOLIDATED CAPITAL EMPLOYED AND FINANCING**

The restatement impact on consolidated capital employed and financing constitutes the net amount of capitalized and amortized costs to obtain a contract, classified as an intangible asset, and recognized as an increase of operating capital employed. This increase is partly offset by the related deferred tax liability, which reduces operating capital employed. The net impact after taxes of adoption of IFRS 15 is recognized in retained earnings as an increase of shareholders´equity.

| Restatement, MSEK | Mar 31, 2017 | Jun 30, 2017 | Sep 30, 2017 | Dec 31, 2017 |
|---|---|---|---|---|
| **Operating capital employed** | **278.2** | **281.7** | **285.2** | **288.8** |
| *Operating capital employed as % of sales* | *1* | *0* | *0* | *0* |
| *Return on operating capital employed, %* | *–2* | *–3* | *–2* | *–3* |
| **Capital employed** | **278.2** | **281.7** | **285.2** | **288.8** |
| **Shareholders' equity** | **278.2** | **281.7** | **285.2** | **288.8** |
| *Net debt equity ratio, multiple* | *–0.02* | *–0.02* | *–0.02* | *–0.02* |

| After restatement, MSEK | Mar 31, 2017 | Jun 30, 2017 | Sep 30, 2017 | Dec 31, 2017 |
|---|---|---|---|---|
| **Operating capital employed** | **7 848.9** | **8 117.3** | **8 106.0** | **7 559.8** |
| *Operating capital employed as % of sales* | *9* | *9* | *9* | *8* |
| *Return on operating capital employed, %* | *62* | *61* | *62* | *64* |
| **Capital employed** | **28 865.8** | **28 742.5** | **28 087.7** | **27 871.5** |
| **Shareholders' equity** | **15 183.1** | **14 203.2** | **14 481.7** | **15 539.0** |
| *Net debt equity ratio, multiple* | *0.90* | *1.02* | *0.94* | *0.79* |

**CONSOLIDATED BALANCE SHEET**

The restatement impact on the consolidated balance sheet constitutes the net amount of capitalized and amortized costs to obtain a contract, classified as an intangible asset, and the related deferred tax liability, recognized on the line non-interest-bearing provisions. The net impact after taxes of adoption of IFRS 15 is recognized in retained earnings as an increase of shareholders´equity.

| Restatement, MSEK | Mar 31, 2017 | Jun 30, 2017 | Sep 30, 2017 | Dec 31, 2017 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Other intangible assets | 395.7 | 400.8 | 405.9 | 411.1 |
| **Total non-current assets** | **395.7** | **400.8** | **405.9** | **411.1** |
| **TOTAL ASSETS** | **395.7** | **400.8** | **405.9** | **411.1** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | | |
| **Shareholders' equity** | | | | |
| Attributable to equity holders of the Parent Company | 278.2 | 281.7 | 285.2 | 288.8 |
| **Total shareholders' equity** | **278.2** | **281.7** | **285.2** | **288.8** |
| **Long-term liabilities** | | | | |
| Non-interest-bearing provisions | 117.5 | 119.1 | 120.7 | 122.3 |
| **Total long-term liabilities** | **117.5** | **119.1** | **120.7** | **122.3** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **395.7** | **400.8** | **405.9** | **411.1** |

| After restatement, MSEK | Mar 31, 2017 | Jun 30, 2017 | Sep 30, 2017 | Dec 31, 2017 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Other intangible assets | 922.0 | 971.6 | 1 013.5 | 1 079.0 |
| **Total non-current assets** | **27 792.9** | **27 394.5** | **26 744.9** | **27 199.1** |
| **TOTAL ASSETS** | **48 903.7** | **48 917.8** | **47 832.9** | **49 543.4** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | | |
| **Shareholders' equity** | | | | |
| Attributable to equity holders of the Parent Company | 15 163.9 | 14 184.1 | 14 463.9 | 15 517.8 |
| **Total shareholders' equity** | **15 183.1** | **14 203.2** | **14 481.7** | **15 539.0** |
| **Long-term liabilities** | | | | |
| Non-interest-bearing provisions | 3 263.5 | 3 172.2 | 3 127.1 | 3 206.8 |
| **Total long-term liabilities** | **16 649.9** | **16 671.5** | **16 415.9** | **16 469.1** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **48 903.7** | **48 917.8** | **47 832.9** | **49 543.4** |

# Notes

## NOTE 3 REMEASUREMENT FOR HYPERINFLATION

The impact on the Group´s financial position from the adoption and application of IAS 29 Financial reporting in Hyperinflationary economies, as described in note 1 Accounting principles, is illustrated below. The tables show the lines in the consolidated financial statements that have been affected by the adoption and application of IAS 29. The SEK/ARS rate as of July 1, 2018 was 0.33 and per December 31, 2018 it was 0.23.

**Remeasurement impact in the Group´s balance sheet as of July 1, 2018**

| MSEK | July 1, 2018 |
|---|---|
| **ASSETS** | |
| **Non-current assets** | |
| Goodwill | 235.7 |
| Acquisition related intangible assets | 4.8 |
| Other intangible assets | 4.4 |
| Tangible non-current assets | 39.9 |
| **Total non-current assets** | **284.8** |
| **Current assets** | |
| Non-interest-bearing current assets | 5.5 |
| **Total current assets** | **5.5** |
| **TOTAL ASSETS** | **290.3** |

| MSEK | July 1, 2018 |
|---|---|
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | |
| **Shareholders' equity** | |
| Attributable to equity holders of the Parent Company | 274.9 |
| **Total shareholders' equity** | **274.9** |
| **Current liabilities** | |
| Non-interest-bearing current liabilities and provisions | 15.4 |
| **Total current liabilities** | **15.4** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **290.3** |

**Remeasurement impact in the Group´s capital employed and financing as of July 1, 2018**

| MSEK | July 1, 2018 |
|---|---|
| **Operating capital employed** | **34.4** |
| Goodwill | 235.7 |
| Acquisition related intangible assets | 4.8 |
| **Capital employed** | **274.9** |
| **Shareholders' equity** | **274.9** |

**Remeasurement impact recognized in other comprehensive income for the period July–December 2018**

| MSEK | Jul–Dec 2018 |
|---|---|
| Remeasurement July 1, 2018 | 274.9 |
| Remeasurement July 1 to December 31, 2018 | 39.3 |
| **Total remeasurement for hyperinflation, net of taxes** | **314.2** |

**Net monetary gain recognized in the Group´s statement of income July–December 2018**

| MSEK | Jul–Dec 2018 |
|---|---|
| Financial income and expenses | 22.9 |
| **Total net monetary gain** | **22.9** |

# Notes

## NOTE 4 REVENUE

| MSEK | Oct–Dec 2018 | % | Oct–Dec 2017 | % | Jan–Dec 2018 | % | Jan–Dec 2017 | % |
|---|---|---|---|---|---|---|---|---|
| Guarding services | 20 749.4 | 77 | 18 914.1 | 78 | 79 567.1 | 79 | 74 238.6 | 81 |
| Security solutions and electronic security | 5 636.8 | 21 | 4 702.7 | 20 | 20 439.8 | 20 | 16 697.3 | 18 |
| Other | 437.8 | 2 | 407.4 | 2 | 1 459.8 | 1 | 1 260.9 | 1 |
| **Total sales** | **26 824.0** | **100** | **24 024.2** | **100** | **101 466.7** | **100** | **92 196.8** | **100** |
| Other operating income | 7.5 | 0 | 5.9 | 0 | 29.6 | 0 | 23.8 | 0 |
| **Total revenue** | **26 831.5** | **100** | **24 030.1** | **100** | **101 496.3** | **100** | **92 220.6** | **100** |

***Guarding services***
This comprises on-site and mobile guarding, which is services with the same revenue recognition pattern. Revenue is recognized over time, as the services are rendered by Securitas and simultaneously consumed by the customers. Such services cannot be reperformed.

***Security solutions and electronic security***
This comprises two broad categories regarding security solutions and electronic security.

Security solutions are a combination of services such as on-site and/or mobile guarding and/or remote guarding. These services are combined with a technology component in terms of equipment owned and managed by Securitas and used in the provision of services. The equipment is installed at the customer site. The revenue recognition pattern is over time, as the services are rendered by Securitas and simultaneously consumed by the customers. A security solution normally constitutes one performance obligation.

Electronic security consists of the sale of alarm installations comprising design and installation (time, material and related expenses). Revenue is recognized as per the contract, either upon completion of the conditions in the contract, or over time based on the percentage of completion. Remote guarding (in the form of alarm monitoring services), that is sold separately and not as part of a security solution, is also included in this category. Revenue recognition is over time as this is also a service that is rendered by Securitas and simultaneously consumed by the customers. The category further includes maintenance services, that are either performed upon request (time and material) with revenue recognition at a point in time (when the work has been performed), or over time if part of a service level contract with a subscription fee. Finally there is also a to a limited extent product sales (alarms and components) without any design or installation. The revenue recognition is at a point in time (upon delivery).

***Other***
Other comprises mainly corporate risk management services that are either recognized over time or at a point in time as well as other ancillary business.

***Other operating income***
Other operating income consists in its entirety of trade mark fees for the use of the Securitas brand name.

***Revenue per segment***
The Group's business segments follow the same accounting principles for revenue recognition as the Group. The disaggregation of revenue by segment is shown in the table below. Total sales agree to total sales in the segment overviews.

| | Security Services North America | | Security Services Europe | | Security Services Ibero-America | | Other | | Eliminations | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| MSEK | Oct–Dec 2018 | Oct–Dec 2017 | Oct–Dec 2018 | Oct–Dec 2017 | Oct–Dec 2018 | Oct–Dec 2017 | Oct–Dec 2018 | Oct–Dec 2017 | Oct–Dec 2018 | Oct–Dec 2017 | Oct–Dec 2018 | Oct–Dec 2017 |
| Guarding services | 9 037 | 7 881 | 9 039 | 8 366 | 2 254 | 2 319 | 425 | 350 | -6 | -2 | 20 749 | 18 914 |
| Security solutions and electronic security | 2 048 | 1 551 | 2 686 | 2 348 | 857 | 767 | 46 | 36 | – | – | 5 637 | 4 702 |
| Other | 438 | 408 | – | – | – | – | – | – | – | – | 438 | 408 |
| **Total sales** | **11 523** | **9 840** | **11 725** | **10 714** | **3 111** | **3 086** | **471** | **386** | **-6** | **-2** | **26 824** | **24 024** |
| Other operating income | – | – | – | – | – | – | 7 | 6 | – | – | 7 | 6 |
| **Total revenue** | **11 523** | **9 840** | **11 725** | **10 714** | **3 111** | **3 086** | **478** | **392** | **-6** | **-2** | **26 831** | **24 030** |

| | Security Services North America | | Security Services Europe | | Security Services Ibero-America | | Other | | Eliminations | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| MSEK | Jan–Dec 2018 | Jan–Dec 2017 | Jan–Dec 2018 | Jan–Dec 2017 | Jan–Dec 2018 | Jan–Dec 2017 | Jan–Dec 2018 | Jan–Dec 2017 | Jan–Dec 2018 | Jan–Dec 2017 | Jan–Dec 2018 | Jan–Dec 2017 |
| Guarding services | 33 541 | 31 182 | 35 402 | 32 632 | 9 045 | 9 138 | 1 588 | 1 292 | -9 | -5 | 79 567 | 74 239 |
| Security solutions and electronic security | 7 365 | 5 665 | 9 638 | 8 071 | 3 270 | 2 833 | 167 | 128 | – | – | 20 440 | 16 697 |
| Other | 1 460 | 1 261 | – | – | – | – | – | – | – | – | 1 460 | 1 261 |
| **Total sales** | **42 366** | **38 108** | **45 040** | **40 703** | **12 315** | **11 971** | **1 755** | **1 420** | **-9** | **-5** | **101 467** | **92 197** |
| Other operating income | – | – | – | – | – | – | 29 | 24 | – | – | 29 | 24 |
| **Total revenue** | **42 366** | **38 108** | **45 040** | **40 703** | **12 315** | **11 971** | **1 784** | **1 444** | **-9** | **-5** | **101 496** | **92 221** |

# Notes

## NOTE 5 ORGANIC SALES GROWTH AND CURRENCY CHANGES

The calculation of real and organic sales growth and the specification of currency changes on operating income before and after amortization, income before taxes, net income and earnings per share are specified below. The impact from remeasurement for hyperinflation due to the adoption and application of IAS 29 is included in currency change.

| MSEK | Oct–Dec 2018 | Oct–Dec 2017 | Oct–Dec % | Jan–Dec 2018 | Jan–Dec 2017 | Jan–Dec % |
|---|---|---|---|---|---|---|
| **Total sales** | **26 824** | **24 024** | ***12*** | **101 467** | **92 197** | ***10*** |
| Currency change from 2017 | –788 | – | | –1 826 | – | |
| **Currency adjusted sales growth** | **26 036** | **24 024** | ***8*** | **99 641** | **92 197** | ***8*** |
| Acquisitions/divestitures | –691 | 0 | | –1 760 | –1 | |
| **Organic sales growth** | **25 345** | **24 024** | ***5*** | **97 881** | **92 196** | ***6*** |
| **Operating income before amortization*** | **1 475** | **1 269** | ***16*** | **5 304** | **4 697** | ***13*** |
| Currency change from 2017 | –109 | – | | –169 | – | |
| **Currency adjusted operating income before amortization** | **1 366** | **1 269** | ***8*** | **5 135** | **4 697** | ***9*** |
| **Operating income after amortization*** | **1 144** | **1 169** | ***–2*** | **4 469** | **4 394** | ***2*** |
| Currency change from 2017 | –97 | – | | –137 | – | |
| **Currency adjusted operating income after amortization** | **1 047** | **1 169** | ***–10*** | **4 332** | **4 394** | ***–1*** |
| **Income before taxes*** | **990** | **1 075** | ***–8*** | **4 028** | **4 018** | ***0*** |
| Currency change from 2017 | –88 | – | | –186 | – | |
| **Currency adjusted income before taxes** | **902** | **1 075** | ***–16*** | **3 842** | **4 018** | ***–4*** |
| **Net income for the period*** | **743** | **648** | ***15*** | **3 021** | **2 751** | ***10*** |
| Currency change from 2017 | –57 | – | | –127 | – | |
| **Currency adjusted net income for the period** | **686** | **648** | ***6*** | **2 894** | **2 751** | ***5*** |
| **Net income attributable to equity holders of the Parent Company*** | **738** | **646** | ***14*** | **3 016** | **2 750** | ***10*** |
| Currency change from 2017 | –57 | – | | –127 | – | |
| **Currency adjusted net income attributable to equity holders of the Parent Company** | **681** | **646** | ***5*** | **2 889** | **2 750** | ***5*** |
| Number of shares | 365 058 897 | 365 058 897 | | 365 058 897 | 365 058 897 | |
| **Currency adjusted earnings per share** | **1.87** | **1.77** | ***5*** | **7.91** | **7.53** | ***5*** |

* Comparatives have been restated as an effect of a change in accounting principle IFRS 15. Refer to notes 1 and 2 for further information.

## NOTE 6 DEFINITIONS AND CALCULATION OF KEY RATIOS

The calculations below relate to the period January–December 2018.

***Interest coverage ratio***
Operating income before amortization (rolling 12 months) plus interest income (rolling 12 months) in relation to interest expenses (rolling 12 months).
Calculation: (5 303.6 + 56.8) / 503.2 = 10.7

***Free cash flow as % of adjusted income***
Free cash flow as a percentage of adjusted income (operating income before amortization adjusted for financial income and expenses, excluding revaluation of financial instruments, and current taxes).
Calculation: 1 884.3 / (5 303.6 – 440.6 – 2.4 – 962.2) = 48%

***Free cash flow in relation to net debt***
Free cash flow (rolling 12 months) in relation to closing balance net debt.
Calculation: 1 884.3 / 14 513.5 = 0.13

***Net debt to EBITDA ratio***
Net debt in relation to operating income after amortization (rolling 12 months) plus amortization of acquisition related intangible assets (rolling 12 months) and depreciation (rolling 12 months).
Calculation: 14 513.5 / (4 469.0 + 259.9 + 1 693.5) = 2.3

***Operating capital employed as % of total sales***
Operating capital employed as a percentage of total sales adjusted for the full-year sales of acquired entities.
Calculation: 9 198.6 / 102 474.5 = 9%

***Return on operating capital employed***
Operating income before amortization (rolling 12 months) plus items affecting comparability (rolling 12 months) as a percentage of the average balance of operating capital employed.
Calculation: (5 303.6 – 454.8) / ((9 198.6 + 7 559.8) / 2) = 58%

***Return on capital employed***
Operating income before amortization (rolling 12 months) plus items affecting comparability (rolling 12 months) as a percentage of closing balance of capital employed.
Calculation: (5 303.6 – 454.8) / 32 170.1 = 15%

***Net debt equity ratio***
Net debt in relation to shareholders' equity.
Calculation: 14 513.5 / 17 656.6 = 0.82

## NOTE 7 ACQUISITION RELATED COSTS

| MSEK | Oct–Dec 2018 | Oct–Dec 2017 | Jan–Dec 2018 | Jan–Dec 2017 |
|---|---|---|---|---|
| Restructuring and integration costs | –70.9 | –11.5 | –89.5 | –13.5 |
| Transaction costs | –6.7 | –16.1 | –25.4 | –29.9 |
| Revaluation of deferred considerations | –1.1 | –1.1 | –5.0 | –5.0 |
| **Total acquisition related costs** | **–78.7** | **–28.7** | **–119.9** | **–48.4** |

For further information regarding the Group's acquisitions, refer to the section Acquisitions.

## NOTE 8 ITEMS AFFECTING COMPARABILITY

| MSEK | Oct–Dec 2018 | Oct–Dec 2017 | Jan–Dec 2018 | Jan–Dec 2017 |
|---|---|---|---|---|
| **Recognized in the statement of income** | | | | |
| IS/IT transformation programs | –186.9 | – | –186.9 | – |
| Cost savings program, Security Services Europe | – | – | –267.9 | – |
| **Total recognized in the statement of income** | **–186.9** | **–** | **–454.8** | **–** |
| | | | | |
| **Cash flow impact** | | | | |
| IS/IT transformation programs | –51.4 | – | –51.4 | – |
| Cost savings program, Security Services Europe | –42.4 | – | –66.0 | – |
| **Total cash flow impact** | **–93.8** | **–** | **–117.4** | **–** |

## NOTE 9 FINANCIAL INSTRUMENTS AND CREDIT FACILITIES

**Revaluation of financial instruments**
Revaluation of financial instruments is recognized in the statement of income on the line financial income and expenses. Revaluation of cash flow hedges (and the subsequent recycling into the statement of income) is recognized in other comprehensive income on the line cash flow hedges. Cost of hedging (and the subsequent recycling into the statement of income) is recognized on the corresponding line in other comprehensive income.

The amount disclosed in the specification of change in net debt is the total revaluation before tax in the table below.

| MSEK | Oct–Dec 2018 | Oct–Dec 2017 | Jan–Dec 2018 | Jan–Dec 2017 |
|---|---|---|---|---|
| **Recognized in the statement of income** | | | | |
| Revaluation of financial instruments | 0.6 | –0.6 | 2.4 | –0.8 |
| Deferred tax | – | – | – | – |
| **Impact on net income** | **0.6** | **–0.6** | **2.4** | **–0.8** |
| | | | | |
| **Recognized in the statement of comprehensive income** | | | | |
| Cash flow hedges | 31.4 | –6.9 | 80.2 | –28.0 |
| Cost of hedging | –100.6 | – | –56.6 | – |
| Deferred tax | 15.2 | 1.5 | –5.2 | 6.1 |
| **Total recognized in the statement of comprehensive income** | **–54.0** | **–5.4** | **18.4** | **–21.9** |
| | | | | |
| Total revaluation before tax | –68.6 | –7.5 | 26.0 | –28.8 |
| Total deferred tax | 15.2 | 1.5 | –5.2 | 6.1 |
| **Total revaluation after tax** | **–53.4** | **–6.0** | **20.8** | **–22.7** |

**Fair value hierarchy**
The methods and assumptions used by the Group in estimating the fair value of the financial instruments are disclosed in note 6 in the Annual Report 2017. Further information regarding the accounting principles for financial instruments is disclosed in note 2 in the Annual Report 2017.

There have been no transfers between any of the the valuation levels during the period.

| MSEK | Quoted market prices | Valuation techniques using observable market data | Valuation techniques using non-observable market data | Total |
|---|---|---|---|---|
| **December 31, 2018** | | | | |
| Financial assets at fair value through profit or loss | – | 15.9 | – | 15.9 |
| Financial liabilities at fair value through profit or loss | – | –10.0 | –272.3 | –282.3 |
| Derivatives designated for hedging with positive fair value | – | 355.7 | – | 355.7 |
| Derivatives designated for hedging with negative fair value | – | –126.6 | – | –126.6 |
| **December 31, 2017** | | | | |
| Financial assets at fair value through profit or loss | – | 50.6 | – | 50.6 |
| Financial liabilities at fair value through profit or loss | – | –16.2 | –167.6 | –183.8 |
| Derivatives designated for hedging with positive fair value | – | 438.7 | – | 438.7 |
| Derivatives designated for hedging with negative fair value | – | –48.0 | – | –48.0 |

# Notes

**Financial instruments by category – carrying and fair values**
For financial assets and liabilities other than those disclosed in the table below, fair value is deemed to approximate the carrying value. A full comparison of fair value and carrying value for all financial assets and liabilities is disclosed in note 6 in the Annual Report 2017.

| | Dec 31, 2018 | | Dec 31, 2017 | |
|---|---|---|---|---|
| **MSEK** | **Carrying value** | **Fair value** | **Carrying value** | **Fair value** |
| Short-term loan liabilities | – | – | 2 961.0 | 2 969.4 |
| Long-term loan liabilities | 13 939.2 | 14 064.6 | 10 463.3 | 10 721.1 |
| **Total financial instruments by category** | **13 939.2** | **14 064.6** | **13 424.3** | **13 690.5** |

**Summary of credit facilities as of December 31, 2018**

| Type | Currency | Facility amount (million) | Available amount (million) | Maturity |
|---|---|---|---|---|
| EMTN FRN private placement | USD | 85 | 0 | 2019 |
| EMTN FRN private placement | USD | 40 | 0 | 2020 |
| EMTN FRN private placement | USD | 40 | 0 | 2021 |
| EMTN FRN private placement | USD | 60 | 0 | 2021 |
| EMTN FRN private placement | USD | 40 | 0 | 2021 |
| EMTN Eurobond, 2.625% fixed | EUR | 350 | 0 | 2021 |
| EMTN Eurobond, 1.25% fixed | EUR | 350 | 0 | 2022 |
| Multi Currency Revolving Credit Facility | USD (or equivalent) | 550 | 500 | 2022 |
| Multi Currency Revolving Credit Facility | EUR (or equivalent) | 440 | 440 | 2022 |
| EMTN Eurobond, 1.125% fixed | EUR | 350 | 0 | 2024 |
| EMTN Eurobond, 1.25% fixed | EUR | 300 | 0 | 2025 |
| Commercial Paper (uncommitted) | SEK | 5 000 | 4 050 | n/a |

## NOTE 10 DEFERRED TAX ON OTHER COMPREHENSIVE INCOME

| MSEK | Oct–Dec 2018 | Oct–Dec 2017 | Jan–Dec 2018 | Jan–Dec 2017 |
|---|---|---|---|---|
| Deferred tax on remeasurements of defined benefit pension plans | 44.8 | –33.2[1] | 25.3 | –63.2[1] |
| Deferred tax on remeasurement for hyperinflation | 0.0 | – | –15.4 | – |
| Deferred tax on cash flow hedges | –7.0 | 1.5 | –17.7 | 6.1 |
| Deferred tax on cost of hedging | 22.2 | – | 12.5 | – |
| Deferred tax on net investment hedges | –3.2 | 29.8 | 107.5 | –25.8 |
| **Total deferred tax on other comprehensive income** | **56.8** | **–1.9** | **112.2** | **–82.9** |

1) Including revaluation of US net deferred tax assets MSEK –24.6 due to the tax reform in the US.

## NOTE 11 PLEDGED ASSETS

| MSEK | Dec 31, 2018 | Dec 31, 2017 |
|---|---|---|
| Pension balances, defined contribution plans | 128.7 | 124.1 |
| Finance leases | 221.7 | 191.2 |
| **Total pledged assets** | **350.4** | **315.3** |

## NOTE 12 CONTINGENT LIABILITIES

| MSEK | Dec 31, 2018 | Dec 31, 2017 |
|---|---|---|
| Guarantees | 0.4 | 3.9 |
| Guarantees related to discontinued operations | 15.4 | 15.3 |
| **Total contingent liabilities** | **15.8** | **19.2** |

For critical estimates and judgments, provisions and contingent liabilities, refer to note 4 and note 37 in the Annual Report 2017 as well as to the section Other significant events in this report.

# Parent Company

## STATEMENT OF INCOME

| MSEK | Jan–Dec 2018 | Jan–Dec 2017 |
|---|---|---|
| License fees and other income | 1 195.8 | 1 088.6 |
| **Gross income** | **1 195.8** | **1 088.6** |
| Administrative expenses | –777.5 | –751.3 |
| **Operating income** | **418.3** | **337.3** |
| Financial income and expenses | 2 268.6 | 1 549.3 |
| **Income after financial items** | **2 686.9** | **1 886.6** |
| Appropriations | –129.2 | 478.2 |
| **Income before taxes** | **2 557.7** | **2 364.8** |
| Taxes | –288.7 | 22.5 |
| **Net income for the period** | **2 269.0** | **2 387.3** |

## BALANCE SHEET

| MSEK | Dec 31, 2018 | Dec 31, 2017 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Shares in subsidiaries | 41 332.1 | 41 296.2 |
| Shares in associated companies | 112.1 | 112.1 |
| Other non-interest-bearing non-current assets | 520.1 | 315.9 |
| Interest-bearing financial non-current assets | 1 541.3 | 1 312.6 |
| **Total non-current assets** | **43 505.6** | **43 036.8** |
| **Current assets** | | |
| Non-interest-bearing current assets | 422.2 | 475.9 |
| Other interest-bearing current assets | 5 581.1 | 4 405.0 |
| Liquid funds | 1 325.7 | 1 942.6 |
| **Total current assets** | **7 329.0** | **6 823.5** |
| **TOTAL ASSETS** | **50 834.6** | **49 860.3** |
| | | |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | |
| **Shareholders' equity** | | |
| Restricted equity | 7 797.2 | 7 784.5 |
| Non-restricted equity | 20 701.9 | 19 879.6 |
| **Total shareholders' equity** | **28 499.1** | **27 664.1** |
| | | |
| **Untaxed reserves** | **454.8** | **123.3** |
| | | |
| **Long-term liabilities** | | |
| Non-interest-bearing long-term liabilities/provisions | 251.5 | 314.1 |
| Interest-bearing long-term liabilities | 15 817.7 | 12 887.3 |
| **Total long-term liabilities** | **16 069.2** | **13 201.4** |
| **Current liabilities** | | |
| Non-interest-bearing current liabilities | 743.5 | 573.5 |
| Interest-bearing current liabilities | 5 068.0 | 8 298.0 |
| **Total current liabilities** | **5 811.5** | **8 871.5** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **50 834.6** | **49 860.3** |

# Financial information

**PRESENTATION OF THE FULL YEAR REPORT**

Analysts and media are invited to participate in a telephone conference on February 7, 2019 at **9:30 a.m. (CET)** where President and CEO Magnus Ahlqvist and CFO Bart Adam will present the report and answer questions. The telephone conference will also be audio cast live via Securitas website. To participate in the telephone conference, please dial in five minutes prior to the start of the conference call:

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|---|---|
| US: | +1 855 269 2605 |
| Sweden: | +46 8 519 993 55 |
| UK: | +44 203 194 0550 |

To follow the audio cast of the telephone conference via the web, please follow the link www.securitas.com/investors/webcasts. A recorded version of the audio cast will be available at www.securitas.com/investors/webcasts after the telephone conference.

**FOR FURTHER INFORMATION. PLEASE CONTACT:**

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**FINANCIAL INFORMATION CALENDAR**

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|---|---|
| May 6, 2019, app. 1.00 p.m. (CET) | Interim Report January–March 2019 |
| May 6, 2019, 4.00 p.m. (CET) | Annual General Meeting 2019 |
| July 31, 2019, app. 1.00 p.m. (CET) | Interim Report January–June 2019 |
| November 6, 2019, 08.00 a.m. (CET) | Interim Report January–September 2019 |

For further information regarding Securitas IR activities, refer to www.securitas.com/investors/financial calendar

**ABOUT SECURITAS**

Securitas is a knowledge leader in security and offers protective services in North America, Europe, Latin America, Africa, the Middle East, Asia and Australia. The organization is flat and decentralized with three business segments: Security Services North America, Security Services Europe and Security Services Ibero-America. Securitas serves a wide range of customers of all sizes in a variety of industries and customer segments. Security solutions based on customer-specific needs are built through different combinations of on-site, mobile and remote guarding, electronic security, fire and safety, and corporate risk management. Securitas can respond to the unique and specific security challenges facing its customers, and tailor its offering according to their specific industry demands. Securitas employs more than 345 000 people in 56 markets. Securitas is listed in the Large Cap segment at Nasdaq Stockholm.

***Group strategy***

Our strategy is to offer complete security solutions that integrate all our areas of competence. Together with our customers, we develop optimal and cost-efficient solutions that are suited for the customers' needs. This brings added value to the customers and results in stronger, more long-term customer relationships and improved profitability.

***Group financial targets***

Securitas focuses on two financial targets. The first target relates to the statement of income: average growth of earnings per share of 10 percent annually. The second target relates to the balance sheet: free cash flow in relation to net debt of at least 0.20.

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This is information that Securitas AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 8.00 a.m. (CET) on Thursday, February 7, 2019.