Leading the security industry through innovation

Annual and Sustainability Report 2018

Leading the transformation

Securitas is leading the transformation of the global security industry, from traditional guarding to a wide range of protective services, including on-site, mobile and remote guarding, electronic security, fire and safety, and corporate risk management. Founded in Helsingborg, Sweden in 1934, we have a long and successful track record. We are located in 58 countries in Europe, North America, Latin America, Africa, the Middle East and Asia and have 370 000 employees.

Securitas serves a wide range of clients of all sizes in a variety of industries and client segments. With our long experience and in-depth security knowledge, we can respond to our clients complex security needs through tailor-made security solutions. We have 44 Securitas Operation Centers around the world that help us mitigate risks and take action for our clients 24/7. Through increased data-driven and intelligent service solutions, we can be more proactive in our security work. At the same time, we pride ourselves on having the best team in the industry, with a culture and values that guide our way of working in an ethical manner. We believe that the combination of people, knowledge and technology will enable Securitas to meet the security challenges of tomorrow.

370 000
employees

Operations in
58
countries

Total
101 467
sales, MSEK

Earnings per share
8.26
SEK

Free cash flow
0.13
to net debt ratio

Proposed
4.40
dividend, SEK

More than
150 000
clients
excluding monitoring-only clients

Global
140
clients

Client
91%
retention rate

SECURITAS 2018

ABOUT SECURITAS

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This is a translation of the original Swedish Annual Report. In the event of differences between the English translation and the Swedish original, the Swedish Annual Report shall prevail.

Year in brief

2018 was a strong year for Securitas. We achieved a milestone as sales reached over MSEK 100 000 for the first time. Organic sales growth increased to 6 percent (5) and the operating margin improved to 5.2 percent (5.1).

HIGHLIGHTS DURING THE YEAR

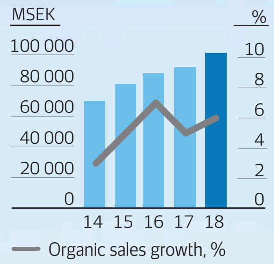
- Sales of security solutions and electronic security were 20 percent of total sales, an increase with 21 percent compared with 2017
- Two major transformation programs in the further digitization of the company were initiated
- Important acquisitions of electronic security companies, such as Automatic Alarm in France and Kratos Public Safety and Security in the US
- New tools to improve communication and knowledge sharing between employees worldwide were introduced, for example Workplace by Facebook

KEY RATIOS

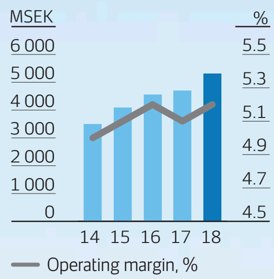
MSEK	2016	2017	2018
Sales	88 162	92 197	**101 467**
Organic sales growth, %	7	5	6
Operating income before amortization	4 554	4 697	**5 304**
Operating margin, %	5.2	5.1	5.2
Income before taxes	3 764	4 018	**4 028**
Net income for the period	2 646	2 751	**3 021**
Earnings per share, SEK	7.24	7.53	**8.26**
Free cash flow	1 721	2 290	**1 884**
Free cash flow to net debt ratio	0.13	0.19	0.13
Dividend per share, SEK	3.75	4.00	**4.40***

* Proposed dividend

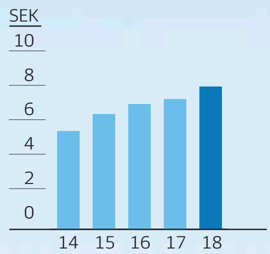
TOTAL SALES AND ORGANIC SALES GROWTH



OPERATING INCOME BEFORE AMORTIZATION AND OPERATING MARGIN

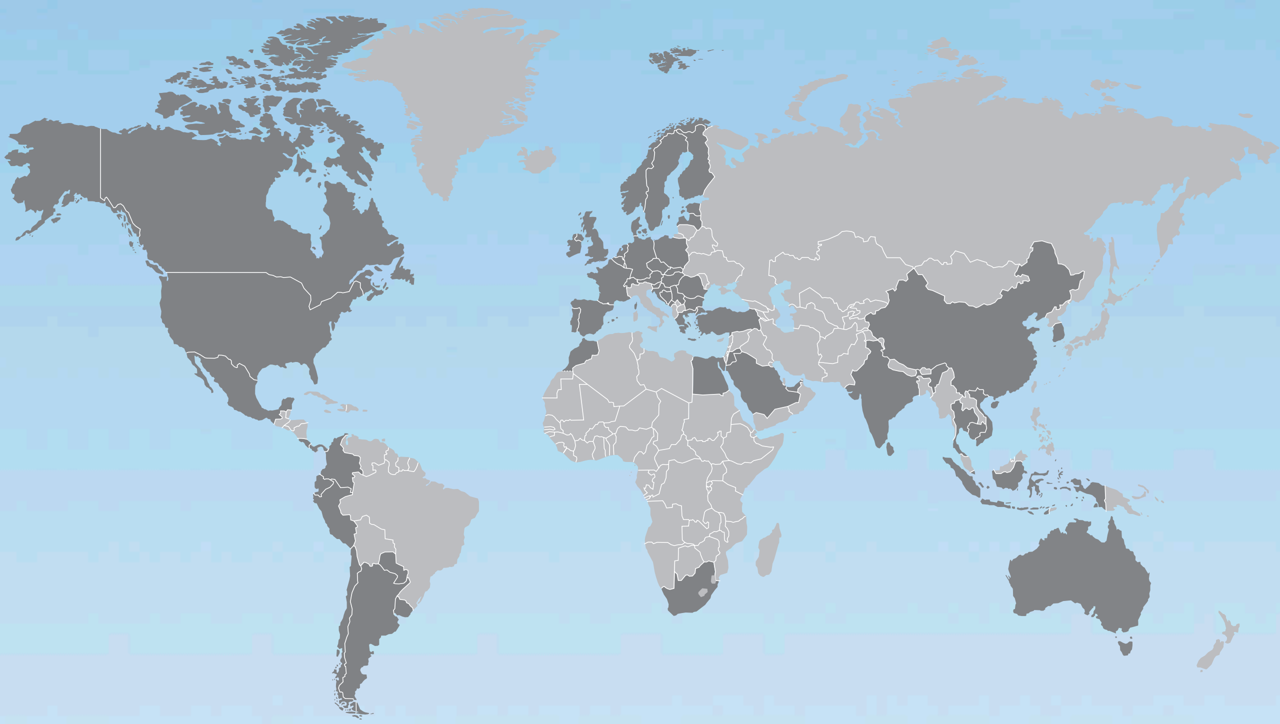


EARNINGS PER SHARE



STRONG GLOBAL PRESENCE

Securitas combines global reach with extensive local expertise in our 1 400 branch offices, which promotes close and long-term relationships with our clients.



NORTH AMERICA
- Sales in 2018: MSEK 42 366
- Number of employees: 122 000
- Organic sales growth increased to 6 percent (5)
- Security solutions and electronic security sales represented 17 percent (15) of total sales
- The operating margin improved to 6.1 percent (5.9)
- Solid client retention rate of 91 percent (91)

EUROPE
- Sales in 2018: MSEK 45 040
- Number of employees: 128 000
- Organic sales growth increased to 4 percent (2)
- Security solutions and electronic security sales represented 21 percent (20) of total sales
- The operating margin was 5.6 percent (5.6)
- The client retention rate increased to 93 percent (91)

IBERO-AMERICA
- Sales in 2018: MSEK 12 315
- Number of employees: 63 000
- Organic sales growth was 12 percent (13)
- Security solutions and electronic security sales represented 27 percent of total sales (24)
- The operating margin increased to 4.5 percent (4.2)
- Client retention rate was 92 percent (91)

AMEA
- Accelerated growth and increased market share in the AMEA region
- The acquisition in Australia has been successfully integrated
- Growing number of global clients
- Technology capacity is being built in the region
- The AMEA division is included under Other in our segment reporting

Strong momentum

Securitas has the best offering of protective services in the security industry, and we are growing faster than the market. Our solid growth across all divisions in 2018 is proof not only of a strong portfolio of services but also that our clients value the work we do. Looking at our progress over the last five years, we are delivering on our Vision 2020 strategy to become a leader in protective services. Looking ahead, our strong guarding capability and presence, in combination with technology and data, creates leverage to drive innovation and the creation of intelligent security services.

THE POWER OF PRESENCE

2018 was my first year as President and CEO and I have spent considerable time with both our clients and our employees to gain a deeper understanding of Securitas' history, our present situation and the future. We have operations in 58 countries and 370 000 employees. With outstanding people across a vast footprint, our presence – together with our ability to combine different protective services into security solutions – creates a strong platform for future long-term growth.

During 2018, we initiated a strategy review to ensure that we deliver on our Vision 2020 goals, but also to start shaping the strategy beyond 2020. Looking back at the last five years, we have greatly strengthened our offering, adding a broad range of protective services, and we now have a significant electronic security and solutions capability. Looking forward to the next phase, our plan is to emphasize client centricity, how to continuously strengthen our core guarding services, and how we can lead the industry through innovation and enhanced knowledge in a more data-driven, intelligent security future. We are also emphasizing our purpose as a company and involved thousands of employees around the world to create engagement. We play an important role in society when it comes to providing security and safety, and this is a role that we are proud of.

The vision for beyond 2020 is to become the leader in intelligent security. With our outstanding people and strong protective services offering, we already have a solid presence and capability. The next phase is about increasing knowledge, and we will do this by using data and smart data processing to create client value in all our protective services. To realize this ambition, and to be able to scale up, we need to modernize our information systems and IT capabilities. With our strong presence and the large quantities of data available, we are best positioned to continue to lead the industry and create higher value for our clients and shareholders.

HEALTHY GROWTH IN 2018

We experienced strong market momentum in 2018, reaching organic sales growth of 6 percent (5). We achieved a sales milestone of more than SEK 100 billion and improved profitability, while at the same time we continued our investments in the security services of tomorrow. We continue to drive our strategy of combining different protective services into security solutions for our clients. Security solutions and electronic security sales grew by 21 percent compared with 2017 and represented 20 percent of total Group sales. The operating margin improved to 5.2 percent (5.1). We have loyal but demanding clients who believe in our direction, which is manifested in an excellent client retention rate. Our average client retention rate in 2018 was 91 percent.

Security Services North America delivered solid growth and profitability improvement. We enjoyed stronger growth in Security Services Europe compared with last year, but we were not satisfied with the operating margin in Europe and identified some improvement areas. We initiated a cost savings program that will contribute to the operating result of the business segment going forward. We experienced a favorable overall development in Security Services Ibero-America and continued strong growth in our AMEA (Africa, the Middle East and Asia) division.

Earnings per share improved by 12 percent, after adjustments for changes in exchange rates, items affecting comparability and the impact of the US tax reform.

During 2018, we continued our efforts and investments to strengthen our protective services offering. We completed several important electronic security acquisitions in the US, France, the Netherlands and Hong Kong, and are happy to welcome these teams to Securitas. Through these acquisitions, we have further strengthened our capability in electronic security across key markets.

INCREASED CLIENT FOCUS

We have approximately 150 000 clients globally, excluding monitoring-only clients. 140 of these are global clients with complex cross-border security solutions. Our strong, loyal client base gives us significant growth opportunities.

One of Securitas' key focus areas in the short term is client engagement. We work close to our clients and continuously develop both our services and client relationships. As a trusted security advisor, we are also specialized in the security challenges within different client segments, such as airport and port security, retail and data centers.

We are in a good position to leverage our global presence to offer attractive client value propositions. We should be the number one choice for multinational companies who want to engage with a quality provider with a global footprint.

STRONG EMPHASIS ON ETHICS AND COMPLIANCE

We want to be a good company. Our owners, leaders and employees have built and developed the business over a long period of time, and we place a strong emphasis on conducting our operations in an ethical and compliant manner. As a signatory of the UN Global Compact, Securitas commits to its ten principles. Our core values together with our key policies, such as Securitas' Values and Ethics Code, provide guidance for our daily business and our way of working. All employees are trained in Securitas' Values and Ethics.

There is also a client perspective. We work with large and small clients, well-known global brands and local companies. More and more of our clients are discovering the importance of working with a compliant company with strong values, and we also aim to be the supplier of choice in this area.

ACCELERATING THE PACE OF CHANGE

Our market growth is generated by all of the outstanding people within Securitas who are delivering quality services and continuously developing the relationships with our clients. We have a strong foundation as a company, and I see very exciting opportunities ahead when it comes to driving the development towards intelligent security. We envision a future where we offer better security and safety to our clients through higher knowledge, enabled by a more innovation- and data-driven approach, which will allow us to better assess risk and to prevent crimes before they happen.

While we are driving these changes, it is important that we protect and develop our Securitas DNA, with a strong emphasis on our culture and values. These are focused around working close to our clients, and having a flat organization and sound business principles.

In 2018, we took important steps and initiatives to put Securitas in an even stronger position. We have established good momentum as a company and team, and are now accelerating the pace of change to lead the transformation of the global security services industry.

Magnus Ahlqvist
President and CEO
Securitas AB
March 18, 2019

A growing market

The global security services market will continue to grow at a pace of approximately 5-6 percent per year in the coming years. The US will remain the largest market, but the strongest growth will be found in developing markets, and especially in China and in India. In mature markets, the best opportunity for growth will be for security providers that can offer security solutions including electronic security.

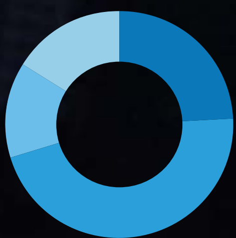
MARKET SIZE FOR SECURITY SERVICES 2018*

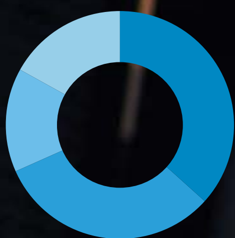
29	**36**	**32**	**19**	**12**
USD BILLION	USD BILLION	USD BILLION	USD BILLION	USD BILLION
NORTH AMERICA	**EUROPE**	**ASIA***	**LATIN AMERICA**	**AFRICA/MIDDLE EAST**

*Outsourced guarding: includes markets where Securitas is not present. Asia excluding Japan

FEW GLOBAL PLAYERS

In many of our markets, our main competitors are small or medium-sized local players. Our main global competitors are G4S, Allied Universal and Prosegur.





Source: Securitas and Freedonia

Trends impacting the security industry

The development of the security market is driven by global trends, and Securitas has identified five trends in particular that are currently impacting our business and the direction of our strategy.

Societal tensions

While conventional crime is actually on the decline in several mature markets and growing more slowly or declining in many developing countries, the perception of crime remains high. This is due to a heightened awareness of threats and crime and a rise of geopolitical and societal tensions leading to security breaches and more non-conventional crimes, such as terrorism.

MARKET DRIVERS

The perception that crime rates and threats to society, including terrorism, are increasing drives the demand for security solutions. Authorities are increasingly outsourcing some services to the private security industry as they face new and more complex threats, particularly in times of budget restraints.

SECURITAS' RESPONSE

Securitas can offer support in a number of areas traditionally handled by the public sector, for example by providing on-site guarding to public areas and at events where a great deal of manpower is required. We can also offer professional risk analysis and risk management services.

Digital transformation

Artificial intelligence and the Internet of Things are changing the product mix and offerings available within the industry.

MARKET DRIVERS

The digital transformation is bringing new opportunities, particularly in the area of intelligent services and predictive security. Developed regions in particular represent long-term opportunities for growth as more end users begin to invest in electronic monitoring and integrated security systems. The data that is captured will provide a bank of valuable information that can lead to more efficient and effective ways of handling security.

SECURITAS' RESPONSE

We believe that future market leadership will be driven by the ability to capture, analyze and respond to rich data and are developing the scope of our electronic security. Securitas is at the forefront of this development. Advanced analysis of this data at our Securitas Operation Centers will also help us react faster and even prevent crimes from happening.

Globalization of the economy

Globalization of the economy has enabled companies to expand their economies of scale well beyond national borders, with technology making it possible to connect complex and interoperable security systems from anywhere in the world.

MARKET DRIVERS
Economic activity and prosperity, especially in developing countries, is driving the underlying demand for security services as there are more assets to protect, and more end users with the resources to buy security services.

SECURITAS' RESPONSE
Securitas is a global leader with both the technology know-how and the manpower to meet the demands of a global economy. We are able to provide a strong local presence, offering the same high-quality service and solutions to our 140 global clients regardless of country as well as to our thousands of national and local clients. This unmatched presence gives us a competitive edge.

Urbanization

In the coming decade, the urban population is expected to grow faster than the total world population. Cities often have higher rates of both real and perceived crime, and there tends to be more criminal activity in denser populations with growing socioeconomic inequalities.

MARKET DRIVERS
Especially in many emerging economies, urbanization often entail a growing middle class, which contributes to driving up the demand for private security services. The increased confidence in private security providers to protect people and property also impacts the demand.

SECURITAS' RESPONSE
Securitas is currently present in 58 countries and continues to expand its presence – particularly in the urban areas of the world – to ensure close proximity to clients. In 2018, we expanded our footprint both organically and through acquisitions and by the end of the year, we had over 1 400 branch offices in our countries of operation.

Sensitive production processes

Modern production processes are increasingly multinational and sensitive to disruptions. Among other things, they are dependent on well-functioning infrastructure.

MARKET DRIVERS
The increased vulnerability and cost for disruptions is creating a growing demand for innovative and qualitative security solutions and services for, for example, manufacturing industries, airports, ports, data centers and public transport.

SECURITAS' RESPONSE
Securitas possesses in-depth security knowledge from client segments such as manufacturing, logistics, public transport and ports. We also have the expertise to create complex cross-border security solutions and a strong aviation presence, providing advanced security services and solutions to airports around the world.

Our value creation in society

WHY CHOOSE SECURITAS?

We are an established and responsible security player with a wide service offering and a strong global and local presence.

OUR OFFERING

Securitas offers different combinations of protective services for clients of all sizes and industries.

PEOPLE
Our most valued asset is our workforce of 370 000 employees in 58 countries around the world. We strive to have the best team in the security services industry. Our employees are guided by a common set of core values – Integrity, Vigilance and Helpfulness – related to our way of working and how we manage and operate our client relationships.

KNOWLEDGE
With our many years of experience and knowledge, we can offer our clients a higher degree of security and more advanced security solutions as the world becomes increasingly dependent on having stable and uninterrupted operations. This is changing the role of our security officers, triggering the need to expand from only providing on-site guarding to offering a wide portfolio of protective services, including electronic security and corporate and risk management.

TECHNOLOGY
Significant investments in technology make it possible for us to offer value-added services to our clients, and at the same time as it renders work more efficient for our employees. This puts Securitas in a leading position for protective services. We will continue to lead the transformation of the security industry through data-driven innovation that, in line with our strategy, will also make us the leader in intelligent services from 2020 and beyond.

HOW WE CONTRIBUTE

We provide several social, economic and environmental benefits.

CLIENTS
› Increased security with fewer business interruptions
› Added value through tailored security solutions
› Clients can focus on their core business

SOCIETY
› Safer cities and communities
› Fewer interruptions in critical functions
› Reduced risk of violence
› Reduced costs for disruptions

EMPLOYEES
› Safe working conditions
› More qualified assignments
› Higher job satisfaction

SHAREHOLDERS
› Enhanced shareholder value
› More attractive investment
› Long-term stable company

Leading the transformation

Securitas has experienced solid growth over the past five years and is growing faster than the security market in general. We believe that part of this success can be attributed to our strategy and view of how the industry will develop over the next 10 to 15 years. It is a development that will make us an even stronger partner in the long term.

Our strategy is based on our efforts to be the leader in three areas: security services; protective services; and intelligent services. Since the 1990s, Securitas has been the global leader in security services, with a wide presence when it comes to on-site guarding. We continue to build on this strong foundation and now we are well into the second phase of our strategy: to be the leader in protective services. Our goal for 2020 and beyond is to complement these two phases and become the leader in intelligent services through data-driven innovation.

LEADER IN SECURITY SERVICES

On-site guarding is the foundation of our business and remains a crucial part of the value we create for our clients. We are expanding our footprint organically and through acquisitions as we believe in the power of presence when it comes to gaining a competitive edge. By offering competitive salaries, decent working conditions, training and an attractive workplace with opportunities for learning and career development, we can attract and retain the best people.

LEADER IN PROTECTIVE SERVICES

The demand for electronic security solutions is growing along with the demand for on-site guarding. Since 2013, we have been building up our electronic capabilities and extended our offering from on-site guarding to a range of different protective services. These services comprise on-site, mobile and remote guarding, electronic security, fire and safety solutions and corporate risk management. When we combine different services into a packaged offering, we are able to offer a security solution that enhances client value and strengthens our position and profitability.

In 2018, security solutions and electronic security accounted for 20 percent of our Group sales, and 80 percent was represented by on-site guarding services. Increasing our sales of security solutions and electronic security is at the core of our strategy, and we have achieved double-digit growth annually since 2013.

Our acquisition strategy focuses predominantly on electronic security companies to help us expand our offering globally. In 2018, we acquired a number of such companies including Automatic Alarm in France, Alphatron Security Systems in the Netherlands and Kratos Public Safety and Security in the US.

LEADER IN INTELLIGENT SERVICES

Data-driven innovation is taking us into the next phase of our strategy, which is to be the leader in intelligent services beyond 2020. We are moving from reactive security to predictive security. The foundation for predictive security comes from digitization, which is enabling us to gather large amounts of data from incident reports, camera feeds, sensors and access control. Combining this information with data from external sources, such as crime statistics, provides advanced analytics that can help us predict criminal activities and stop them before they happen. We are investing in capturing, analyzing and responding to this data, which will further enhance client value and increase operational efficiencies.

Today, we have 44 Securitas Operation Centers located in key markets around the world to oversee all activities and officers in the field. In total, we have close to 740 000 client connections. Through highly advanced integration systems, we can act and respond quickly to incoming alarms and dispatch help. As we enter more data-driven security and predictive risk analyses, these operation centers will become even more critical as the center of connectivity within the operations.

WHY INTELLIGENT SECURITY AND WHAT IS OUR INTELLIGENT SECURITY VISION?

By generating and capturing large data sets from multiple sources and transforming this information into intelligence we will enhance existing operations and create new business opportunities through:

The officer of tomorrow
Technology enhances the officers' capabilities

The future of sensors
Built-in intelligence to analyze complex situations

Crime prediction
Advanced real-time analysis

The intelligent Securitas Operation Center
Machine learning to automate the best response to an incident

We will take the position as the global intelligent security company, leading the transformation of the security industry from low-tech to high-tech

From 2020
Leader in Intelligent Services
Data-driven innovation

From 2015
Leader in Protective Services
Integration of solutions

From 1990
Leader in Security Services
Guarding and security capabilities

Targets and targets fulfillment

FINANCIAL TARGETS

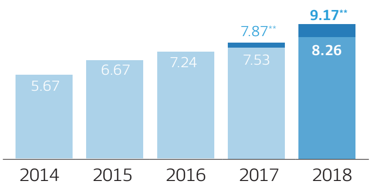
EARNINGS PER SHARE IMPROVEMENT

TARGET: An annual average increase of 10 percent

Outcome 2018:

12%*

2017: 9 percent



* Real change, adjusted for items affecting comparability
** Adjusted for items affecting comparability

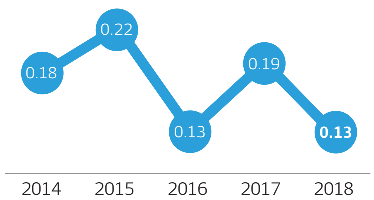
FREE CASH FLOW TO NET DEBT RATIO

TARGET: A free cash flow to net debt ratio of at least 0.20

Outcome 2018:

0.13

2017: 0.19



SUSTAINABILITY TARGETS

22%

SHARE OF WOMEN IN THE TOTAL WORKFORCE

TARGET: By 2021, the share of female managers at all levels should be at least the same as the share of women in the total workforce

1.7

INJURY RATE

TARGET: 5 percent annual decrease of the Group injury rate

WE CONTRIBUTE TO UN'S SUSTAINABLE DEVELOPMENT GOALS

Through the United Nation's Sustainable Development Goals (SDGs) and across all sectors of society people are mobilizing efforts to end all forms of poverty, fight inequalities and tackle climate change to 2030. Securitas supports the SDGs and we take the chosen SDGs into consideration into our strategy work and in our daily operations. Through our work to improve labor conditions, promote and protect human rights and the environment across our value chain, our greatest opportunity to contribute to the SDGs lies in the following areas.

THE GLOBAL GOALS
For Sustainable Development

5 GENDER EQUALITY

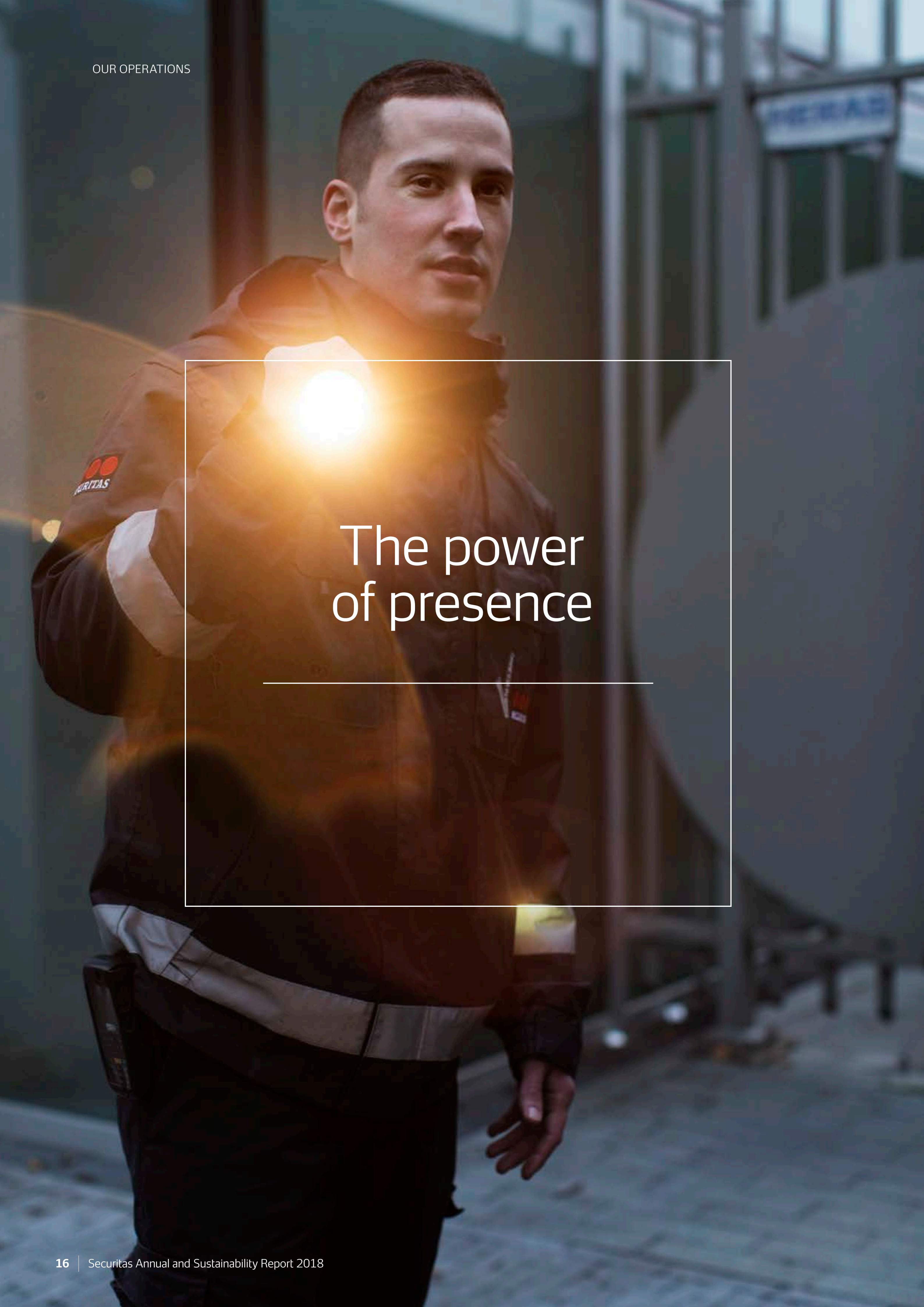
Achieve gender equality and empower all women and girls.
Securitas is an equal opportunity employer and all employees are to be treated fairly and equally. Discrimination of women and discrimination based on other characteristics in hiring, compensation, training, promotion, termination or retirement is never acceptable. We believe that diverse work groups contribute to better business and we aim to increase the number of women in management positions at all levels in the company.

8 DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
Securitas is a large employer with operations in many countries around the world. We strive to be a stable and responsible employer that offers good working conditions and opportunities to grow. Decent labor practices, the right to organize and human rights are all vital to Securitas, our employees and our clients. We work actively with health and safety issues and our security officers receive training, instruction and equipment in line with the assignment, to minimize the health and safety risks. We do not accept any form of child labor or forced labor.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
Safety and stability is key in a well-functioning society. In an increasingly unpredictable world, Securitas' role is to help companies, infrastructure and government authorities to operate the way they are intended, without interruptions. The protection of workplaces, public areas and properties, carried out in a responsible way, plays an important part in how we contribute to a safer and more sustainable and productive society. Securitas also has a zero-tolerance policy against all forms of bribery and corruption.



The power of presence

Global reach, local expertise

Securitas has a leading position in the security services industry with a strong local and global market presence. We currently operate in 58 countries. Our operations have been organized in a decentralized structure and include three business segments: Security Services North America, Security Services Europe and Security Services Ibero-America. We also have operations in Africa, the Middle East and Asia, which form the AMEA division. This division is reported as "Other" in our segment reporting.

Securitas has both global reach and an extensive local presence through its approximately 1 400 branch offices. Regardless of location, Securitas can offer a broad portfolio of protective services in addition to traditional on-site guarding. These services comprise mobile guarding, remote guarding, electronic security, fire and safety services and corporate risk management. Our security services are managed and coordinated through 44 Securitas Operation Centers (SOC), where operators can quickly address our clients' security issues. The information gathered by our SOCs provides our clients with high-quality security around the clock, along with analytics, analysis and client reports.

SECURITY SERVICES NORTH AMERICA

Security Services North America provides protective services in the US, Canada and Mexico and comprises 15 business units: the national and global accounts organization, five geographical regions and seven specialized business units in the US - critical infrastructure services, healthcare, Pinkerton Corporate Risk Management, mobile, manufacturing, oil and gas and Securitas Electronic Security – plus Canada and Mexico. In total, there are approximately 720 branch managers and 122 000 employees.

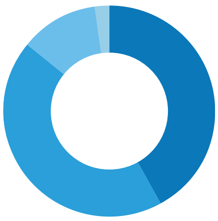
SECURITY SERVICES EUROPE

Security Services Europe provides security services for large and medium-sized clients in 28 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 770 branch managers and 128 000 employees.

SECURITY SERVICES IBERO-AMERICA

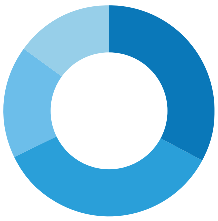
Security Services Ibero-America provides security services for large and medium-sized clients in nine Latin American countries as well as in Portugal and Spain in Europe. Security Services Ibero-America has a combined total of approximately 170 branch managers and 63 000 employees.

SALES PER SEGMENT
of Group total



- Security Services North America 42%
- Security Services Europe 44%
- Security Services Ibero-America 12%
- Other (incl. AMEA) 2%

EMPLOYEES PER SEGMENT
of Group total



- Security Services North America 33%
- Security Services Europe 35%
- Security Services Ibero-America 17%
- Other (incl. AMEA) 15%

SECURITAS' MARKETS

North America
- Canada
- Mexico
- USA

Europe
- Austria
- Belgium
- Bosnia and Herzegovina
- Bulgaria
- Croatia
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Latvia
- Luxembourg
- Montenegro
- The Netherlands
- Norway
- Poland
- Romania
- Serbia
- Slovakia
- Slovenia
- Sweden
- Switzerland
- Turkey
- The United Kingdom

Ibero-America
- Argentina
- Chile
- Colombia
- Costa Rica
- Ecuador
- Panama
- Paraguay
- Peru
- Portugal
- Spain
- Uruguay

Africa, Middle East and Asia (AMEA)
- Australia
- Cambodia
- China
- Egypt
- Hong Kong
- India
- Indonesia
- Jordan
- Morocco
- Saudi Arabia
- Singapore
- South Africa
- South Korea
- Sri Lanka
- Thailand
- The United Arab Emirates
- Vietnam

NORTH AMERICA

2018 marked another strong performance in North America. Our sales growth continued to outpace the industry, as did our client retention. Our emphasis on integrated guarding solutions continues to be well received. We further enhanced our integrated guarding capabilities and our electronic security footprint in the US through the acquisition of Kratos Public Safety and Security.

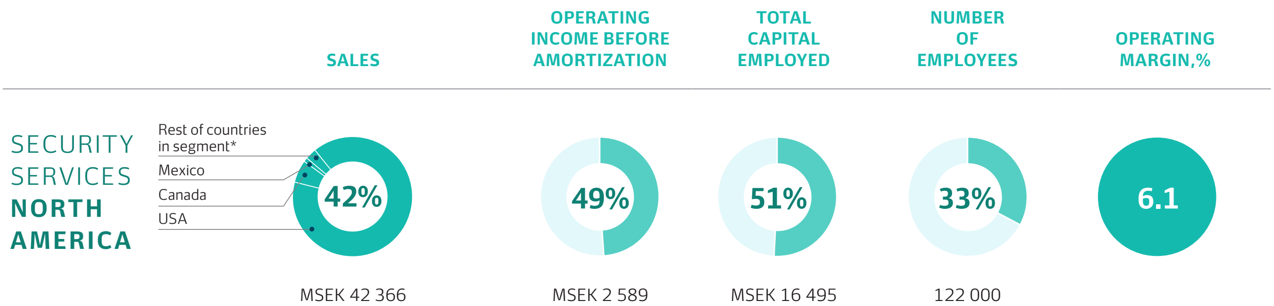
Our approach to risk-based solution design gives us a competitive advantage and continues to shape the industry. Clients are also increasingly recognizing the value of our unique specialized business units, such as healthcare, critical infrastructure and mobile, as well as our newest unit: manufacturing. Collectively, these approaches offer solutions and alternatives not otherwise available in the industry.

We are committed to continually integrating and increasing sustainability throughout our operations. In 2018, Securitas in the US launched the multi-phased program, Securitas Commitment. This program focuses on three key commitments. First, to our employees, a commitment to provide opportunities to develop professionally, personally and to promote and support personal wellness. Secondly, to our clients, a commitment to attract, retain and develop the best professionals in the industry and to reduce turnover. And finally, to our industry, to lead and raise the standard for security officers.

We believe a continued strong financial performance is ours for the taking. To do so, we are increasing our emphasis on being the most locally focused provider in our industry. This includes our launch of a major IS/IT transformation program that will significantly enhance our technology tools and processes while enabling more productive client engagement. Being exceptionally close to our clients helps us understand their operational needs which, in turn, enables us to build more valuable solutions for them.

SANTIAGO GALAZ Divisional President
Security Services North America

SECURITY SERVICES **NORTH AMERICA**



* Pertains to Pinkerton Corporate Risk Management

EUROPE

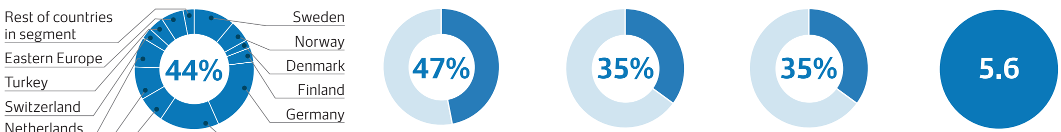
Our focus on providing high-quality services has made us the leader in the European security market, and we experienced good organic growth in the business segment in 2018. At the same time, we have not been satisfied with our operating margin in Europe and therefore launched a cost-saving program during the summer that was implemented during the second half of 2018. We identified areas for improvement in about half of the countries in Security Services Europe and the savings generated will mainly take effect in 2019. Some of the savings will be re-invested in intelligent security capacity that will benefit our clients and the company in the long run.

Sustainability is an important focus area for Security Services Europe and an increasingly important requirement from our clients. In the UK, Securitas is working closely with the Living Wage Foundation to end low pay in the lowest paid service sectors. Securitas UK offers a "Living Wage" option to all prospective and current clients in the hope that more people will see its benefits.

We are also working to reduce our carbon dioxide emissions by 1 000 tons from 2015 to 2020, for example by shifting from fossil fuel-driven vehicles to electric vehicles for our mobile service personnel in urban areas. Going forward, we aim to create closer client relationships through our Client Excellence Program and by improving our capabilities when it comes to differentiating our competitive edge. We intend to continue to lead the market with our combination of protective services that meet client needs and will improve coordination between the countries in order to further improve efficiency.

MAGNUS AHLQVIST Divisional President Security Services Europe

Peter Karlströmer assumed the position as Divisional President, Security Services Europe on March 4, 2019. Magnus Ahlqvist left the position in connection with this.



	SALES	OPERATING INCOME BEFORE AMORTIZATION	TOTAL CAPITAL EMPLOYED	NUMBER OF EMPLOYEES	OPERATING MARGIN,%
SECURITY SERVICES **EUROPE**	44% MSEK 45 040	47% MSEK 2 511	35% MSEK 11 417	35% 128 000	5.6

IBERO-AMERICA

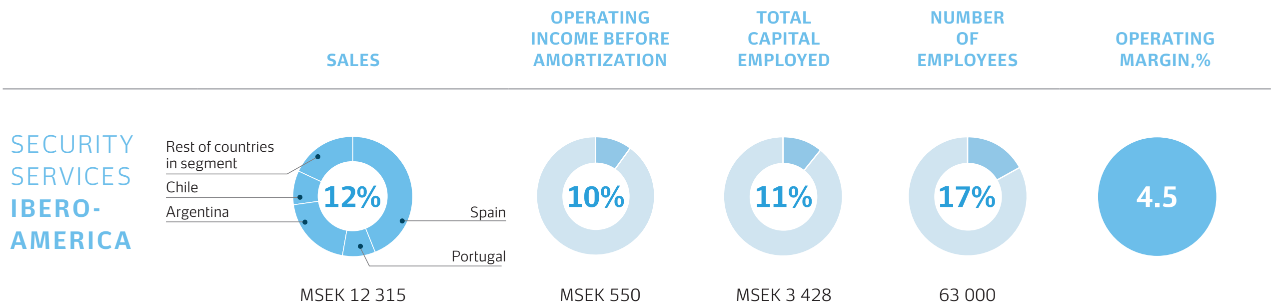
In 2018, the consolidation trend in the Iberian market changed, as it increased. Spain continued to display favorable growth in general and particularly within mobile guarding services. Other protective services also experienced a positive trend.

Latin America has continued to grow at a good pace despite the unfavorable economic situation in some countries, especially Argentina. We have continued growing in all countries and our clients value our specialization and mix of service offerings. Our security solutions and electronic security concept performed very well in all markets in the region. We have Securitas Operation Centers located in all countries in the business segment and these will be increasingly important to add value to our services.

In accordance with the strategy of selective growth based on client segment, we continued to develop and grow in aviation, particularly in Argentina, Colombia and Peru. We focus on offering our clients differentiated and specialized services – and on being a model of change for employees in the region. We offer our employees continuous training and we implement clear business practices in less developed markets.

Our ambition is to assume a proactive role in the development of sustainability initiatives in our markets, where we also see this as a strong competitive advantage. We promote labor inclusion both internally and among our clients, for example by hiring employees with disabilities. We are also working on activities to improve the gender balance within the segment.

LUIS POSADAS Divisional President
Security Services Ibero-America



AFRICA, MIDDLE EAST & ASIA

2018 was a strong year for Securitas in the AMEA region. We accelerated our growth and increased our market share by working in close partnership with our key clients, at the same time as the overall client retention rate improved. This was achieved mainly by improved service delivery and client management.

Our recent market entry into Australia has been well received by the local industry and clients, leading to strong growth. An acquisition in Hong Kong in the beginning of 2018 has further strengthened our monitoring and security solution capabilities.

The AMEA region is the largest guarding services market in the world and a large part of the global growth over the coming five years is expected to come from the countries within the region, with China and India leading the way. Other emerging markets are Indonesia, Thailand and Vietnam. We are in a strong position to meet our clients' demand for compliant, productive and efficient security services in these markets and to serve our global clients. Securitas has also built technology capacity in the region to be able to deliver effective solutions combining manpower and technology.

In 2018, we initiated a project to create a framework for attracting, developing, retaining employees and working on talent management. As a start, we have selected a number of employees that have been invited to participate in divisional projects to show their capabilities under the guidance of divisional management staff.

To become the leader in electronic security and security solutions across AMEA, we will continue to digitize our client experience and guard force management, increase our capabilities in electronic security and start utilizing the collected data to proactively improve our service delivery.

ANDREAS LINDBACK Divisional President
Africa, Middle East and Asia (AMEA)

The AMEA division is included under Other in our segment reporting.

Facing a new reality

Solving today's and tomorrow's security challenges

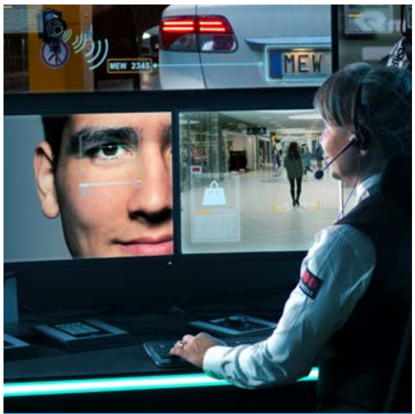
The security needs of our clients are evolving, and we are facing a new reality that requires a holistic approach to security. With sensors, analytics and the knowledge of experienced employees on site, we can mitigate risks before they become threats, act in real time when needed, and provide our clients with added value and peace of mind. A combination of people, knowledge and technology is required in order to solve today's industry challenges and those of the future.

People

Everything we do starts with people. People will always be at the center of the security delivery. Our experienced employees are committed to providing and strengthening security in accordance with client needs. Unity and collaboration are key to ensuring that we think globally and act locally.

Knowledge

Our holistic approach to providing security through a combination of protective services and the best-trained people in the industry will keep people and businesses safe. Our access to a wealth of in-depth knowledge and experience on a global level is enabling us to lead the transformation of the security industry towards more intelligent security. As we move further into digitization, we can provide our clients with superior analytics, risk assessments and solutions for predictive security.



Technology

Securitas is partnering with well-known global companies to develop innovative products that will take the company into the next phase of its strategy – to be the number one intelligent security company beyond 2020. Providing our clients with the right technology, in combination with our people and their knowledge, makes security more effective and cost efficient.

Our security officers matter most

We believe that future market leadership is about having the strongest presence in the market combined with the ability to capture, analyze and respond to rich data. While technology is becoming increasingly important in the security industry, we also fully recognize the value of our security officers and their collective competence. They are the foundation of Securitas' operations. They remain our most valuable asset, and they also provide us with strength through their sheer numbers – 340 000 employees, located in 58 countries around the world.

FAIR WAGES AND WORK ENVIRONMENT

Securitas aims to be the employer of choice in an industry where employee turnover is high in some countries. We want to attract and retain people who share our values and can provide the best client service in the market. By offering fair wages and ensuring a good work environment, we can attract the best and most engaged talent in the industry.

It is important for us to offer fair wages wherever we operate in the world in order to have the highest caliber of staff. In the UK, for example, Securitas works closely with the Living Wage Foundation to end low pay in the lowest paid service sectors. Securitas UK offers a "Living Wage" option to all prospective and current clients in the hope that more people will appreciate the benefits.

We also prioritize good working conditions in our many diverse markets and are involved in discussions with clients, unions and industry associations, for example the National Association of Security Companies (NASCO) in the US. These are all important stakeholders for improving workers' conditions across markets.

It is equally important that we ensure good working conditions for our employees when they are on assignments at client sites. Prior to accepting a contract, we evaluate the working conditions at the client site to ensure decent practices and a healthy working environment. If we see that conditions are inadequate, or we cannot come to a mutual agreement on how to improve, we will not accept the assignment.

WORKING TOGETHER

Dialog with unions is crucial for strong employee relations. Securitas has entered into a global framework agreement with UNI Global Union and the Swedish Transport Workers' Association. UNI represents more than 20 million workers from over 900 trade unions in skills and services sectors, including security services. We also have a framework agreement with the European Workers' Council (EWC) in our European division.

In countries where Securitas does not have collective bargaining agreements or union representation, we encourage other ways of maintaining open dialog with our employees, including workplace meetings, employee ombudsmen, call centers, and channels for reporting concerns, such as the Securitas Integrity Line.

INCLUSION AND NON-DISCRIMINATORY PRACTICES

Securitas is firmly committed to non-discriminatory practices and equal opportunity for everyone. One of our challenges is to increase gender diversity in a male-dominated industry. This is a growing priority for both Securitas and our stakeholders and we are working to achieve a better balance.

For more than a decade, Securitas in Latin America has been working on inclusion by employing people with disabilities. In Colombia, we carry out our inclusive employment initiatives in alliance with the Arcángeles Foundation, dedicated to improving the rights of people with disabilities. Other operations in the Security Services Ibero-America division have joined this initiative as well. In 2018, the division had 249 disabled employees.

OCCUPATIONAL HEALTH AND SAFETY

Securitas makes extensive efforts to ensure the health and safety of its security officers. Our security officers are trained not only to protect themselves, but also to help others while on assignment, for example by performing first aid and CPR as well as and ensuring fire safety. Health and safety aspects can vary depending on the assignment, and client sites are therefore assessed from a health and safety perspective. Security officers receive training, instruction and equipment in line with the assignment. In many countries, the security officers are trained at least annually, and often even quarterly.

We work actively with occupational health and safety issues in all countries, for example through formal health and safety committees that meet regularly. 19 countries of operation have received OHSAS 18001/ISO 45001 certification. An important part of our risk assessment revolves around safety issues. Most of our operations have a "near-miss" reporting system, which helps us identify and scope out safety hazards. Our learnings from our approach have also become part of the services we offer our clients.


SECURITAS

Investing in knowledge

Our clients are demanding a higher degree of security and more advanced security solutions as the world becomes increasingly dependent on stable and uninterrupted operations. This is changing the role of our security officers, triggering the need to expand from strictly providing on-site guarding to offering a wide portfolio of protective services, including electronic security and corporate risk management.

As the variety of tasks increases, we need to ensure that employees have the necessary competence to continue providing our clients with high-quality security services based on deep knowledge. Investing in knowledge, which is an important part of our strategy, will help us deliver to our clients. At the same time, improving the knowledge and skills of employees will contribute to their own professional growth and understanding of the security profession – and encourage employee retention.

TRAINING CENTERS

Securitas has its own training centers in most countries where it operates. A number of different courses and programs are available, and training is conducted in classrooms or through e-learning, to reach as many employees as possible. All employees, including security officers, managers and office staff, undergo basic introduction training. Most security officers also receive training in fire safety and life support.

We offer specialized training to employees working in specific client segments in order to increase the level of professionalism within the industry. Today, for example, we have teams around the world that are dedicated to aviation security. We aim to increase our specialization training to gain a better understanding of our different client segments. Such know-how will help us deliver improved and more targeted client solutions.

Further opportunities to grow and learn are provided through the Melker Schörling Scholarship, which was established in 1992 to offer employees an opportunity to develop professional knowledge and international experience in a country where Securitas operates. Each year, the scholarship is awarded to three or four employees who consistently make a difference for Securitas' clients by acting as "everyday heroes" in their work, for example by preventing losses, damage or harm while on assignment.

INTELLIGENT SECURITY

Our transition to protective services has required another layer to the knowledge needed today and as we move ahead with our strategy towards intelligent security in 2020 and beyond, we need to invest in further knowledge.

Our ambition is to use both historical and real-time data generated by our security officers when they are out in the field and by equipment at client sites, such as cameras and sensors, to improve our fact-based risk analysis. Although we are at the beginning of our intelligent technology journey, client demand for our risk analysis competence is growing – and with every risk analysis we perform, we increase our knowledge.

Continuing to invest in our security officers through knowledge will help Securitas maintain its competitive edge.

EXPERIENCE SECURITY

We have experience centers in several places around the world. They offer a way for us to share our knowledge about security and solutions with our clients, employees and other stakeholders. The centers illustrate, for example, realistic scenarios in order to demonstrate how our solutions work. Visitors can test the equipment and solutions themselves, for example how biometrics are used in security applications or how technology such as thermal imaging is being used to predict incidents and stop criminals in their tracks.


MEW 2345
MEW

Innovate to stay ahead

Securitas is working with global partners to develop innovative products such as augmented reality patrol systems and virtual reality fire training systems. Investments in technology make it possible for us to offer value-added services to our clients, putting Securitas in a leading position for protective services. We will continue to lead the technology transformation of the security industry through data-driven innovation that, in line with our strategy, will also make us the leader in intelligent services from 2020 and beyond.

CRIME PREDICTION
The enormous amounts of data that Securitas generates and captures from multiple sources can be leveraged to help us gain insights and advance from being reactive to working proactively. This will help us deliver better security to our clients through crime prediction and prevention, generating new business opportunities. The data we gather can also enhance efficiency within our own operations.

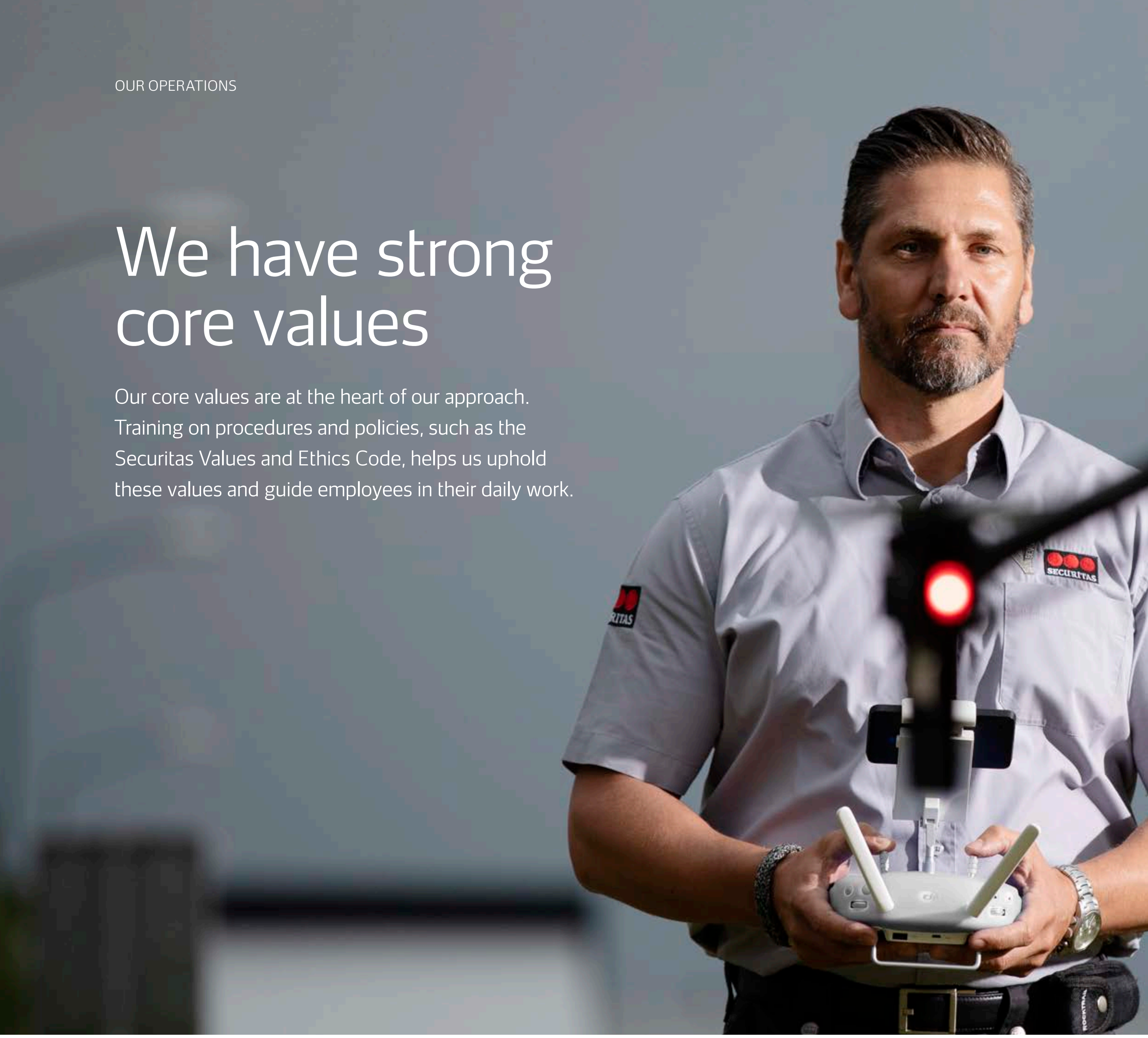
SECURITAS OPERATION CENTERS
Our 44 Securitas Operation Centers (SOC) are the center of connectivity within our operations, handling more than one million actions per month. Buildings, cars, objects and people are remotely monitored from the SOCs. We also offer active video monitoring services where we verify and follow up alerts from smart cameras and other remote sensors, and immediately respond to unusual activity based on real-time data and human behavior.

SENSORS
Much of the technology that we foresee is still emerging, but it is developing quickly. The remote security solutions of the future will be able to do more than simply record and detect incidents. They will also analyze, draw conclusions and suggest appropriate actions. Wearables, smart cameras with built-in intelligence, drones and sensors can help provide a more detailed picture of complex situations and enable the trained employees at our SOCs to evaluate a situation and respond in the best way.

TECHNOLOGY AND OUR PEOPLE
Technological solutions are growing, but the need for people and knowledge is not going to diminish. The security officers of tomorrow will be equipped with sensors that capture data and enhance their guarding capabilities. Officers will also be connected to each other, to technology installed at client sites, and to the SOCs in real time so they can be guided to the most suitable response in a scenario. The presence and strength of our more than 340 000 security officers will remain a unique differentiator for Securitas.

PROTECTING INFORMATION
As we invest in increasingly sophisticated electronic security solutions, there is an added responsibility to ensure trust in the technology and deploy it properly. It is vital that we protect data that we process on behalf of our clients or that we process regarding our employees or other stakeholders. Any such data that constitutes personal data is only processed in accordance with applicable local law, having the individuals' privacy rights in mind.

Securitas has policies, processes and training to protect all kinds of data, including personal data. These were developed in accordance with the European General Data Protection Regulation (GDPR), which is applicable from May 25, 2018, and according to local laws and regulations.



We have strong core values

Our core values are at the heart of our approach. Training on procedures and policies, such as the Securitas Values and Ethics Code, helps us uphold these values and guide employees in their daily work.

Securitas strives to have the best team in the security services industry. This team is guided by a common set of core values related to our way of working and how we manage and operate our client relationships – Integrity, Vigilance and Helpfulness. We have a flat, non-hierarchal organization that fosters an environment of openness, accessibility and empowerment.

CLIENT RELATIONS

Client focus and engagement are crucial in order to gain trust in our offering, our brand and the way we work. Despite our large global presence, clients can expect a similar way of working, approach and company culture anywhere in the world. Having in-depth knowledge and understanding of our clients' needs and their industry-specific challenges helps us provide clients with optimal and cost-effective security solutions. Our 91-percent client retention rate proves that client satisfaction is high.

Securitas is a member of local and international industry organizations, such as the International Security Ligue, that play a vital role in defining and establishing a framework for high ethical and professional standards in the private security industry. Securitas has also been a signatory of the United Nations Global Compact since 2015. Our emphasis on employee safety and fair labor practices and wages also helps ensure that we are meeting the sustainability requirements of our clients.

ETHICAL BUSINESS PRACTICES

We conduct our business within the framework of the laws and regulations of the countries where we operate, and in accordance with international conventions such as the United Nations Universal Declaration of Human Rights, the ILO's Declaration on Fundamental Principles and Rights at Work and the OECD's Guidelines for Multinational Enterprises. Our core values form the foundation for the entire company when it comes to our high ethical standards and responsibilities, and Securitas' Toolbox management model conveys our corporate culture.

All employees and business partners must comply with Securitas' Value and Ethics Code and other key policies, which

set the minimum requirements to ensure compliance with applicable local and extraterritorial laws. We have zero tolerance for all forms of bribery and corruption, and relevant managers and administrative staff are required to complete a detailed e-learning course on our anti-corruption policy. All of our employees are trained in Securitas' Values and Ethics Code. We also have training requirements for other key policies.

Securitas encourages all employees to report incidents of non-compliance with Securitas' Values and Ethics Code or any irregularities that they encounter in their work. This can be done through various channels, for example the Group's Securitas Integrity Line reporting system, which is publicly available at www.securitasintegrity.com.

LONG-TERM PROFITABLE GROWTH

Our culture is based on values, ownership and long-term achievement, and we share a great sense of responsibility towards our clients and a commitment to delivering high-quality services. Sustainability is well integrated into our operations, which we believe will help secure long-term and profitable growth, especially as we see an increasing emphasis on ethics and compliance among our clients. At the same time, we are aware of certain risks that can affect our long-term growth. These include restrictions on private security companies operating in a certain market, increased insourcing of security services and diminished confidence in private security companies.

Corporate governance report

Corporate Governance and Management 32-52

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COMPLIANCE WITH THE SWEDISH CORPORATE GOVERNANCE CODE (THE CODE)

The corporate governance report, which has been prepared in accordance with Chapter 6, Section 6 and 8 of the Swedish Annual Accounts Act, provides key information concerning compliance with the Swedish Corporate Governance Code (the Code), shareholders, the Annual General Meeting, Nomination Committee, Board of Directors and their work, including committees, remuneration and the division of responsibilities throughout the governance structure. This section also covers Securitas' system of internal control and risk management, which is the responsibility of the Board of Directors according to the Swedish Companies Act and the Swedish Corporate Governance Code. This description does not form part of the Annual Report.

In the Internal control section pertaining to risk, we have opted to widen the scope of our description and explain how enterprise risk management works in the broader perspective regardless of the type of risk, which means that our focus is not confined to risk related to internal controls over financial reporting. Fulfilling our strategies and objectives while maintaining an appropriate risk level is imperative, which is why risk management procedures span all levels of the organization.

Read more at www.securitas.com/corporate-governance

Securitas has published its principles for corporate governance in previous annual reports. A separate section on the Group website contains the Articles of Association and other key company documents.

Securitas complies with the Code principle of "comply or explain" and has two deviations to explain for 2018.

Code rule 2.4 Neither the company chair nor any other member of the Board may chair the Nomination Committee.

Comment: Investment AB Latour has appointed Carl Douglas as Chairman of the Nomination Committee. The Committee considers it important to have a representative from the major shareholders as Chairman of the Committee.

Code Rule 9.7 For share-based incentive programs, the vesting period, or the period from the commencement of an agreement to the date on which the shares are acquired, is to be no less than three years.

Comment: Securitas' share-based incentive scheme was implemented in 2010 and has been renewed annually since then. It was based on the then-existing bonus structure of the Securitas Group. In simple terms, the bonus potential was increased in exchange for a one-time salary freeze and one-third of the cash bonus outcome was to be received in shares in March of the year following the year in which the cash bonus would have been paid out, provided that the person remained employed by Securitas at such time.

Since the program replaces an immediate cash bonus payout and is not granted in addition to already existing bonus rights, the Board deems that the two-year period from the commencement of the program until the release of the shares is well motivated and reasonable in order to achieve the purpose of the program.

COMMENTS BY THE CHAIRMAN

"Securitas plays an important role in ensuring the security and safety of the society at large.

Securitas is now in the middle of the journey to transform the global security industry and to become the leader in protective services. We have been a leading security services company for many years, with a strong position in the guarding business. This has created a stable platform for future growth and continued value creation – a platform based on a long-term strategic focus, stable ownership, strong management, loyal clients and a clear foundation in the form of our core values. We are also a sustainable supplier to our clients and play an important role in ensuring the security and safety of society at large.

The Board of Directors supports this strategic journey by working for Securitas' long-term development in the best interests of all our stakeholders. Together with Securitas' management, we make overall decisions on how Securitas' assets are to be used for investments, acquisitions and dividends. All our decisions are well founded and thoroughly discussed to ensure that we are moving in a direction that is in line with our strategy, always taking a long-term perspective into consideration and promoting responsible and sustainable business. Currently, the focus is on further strengthening our technology capability, consolidating the IT infrastructure, providing innovative client solutions and adding additional competencies within big data, digitization and artificial intelligence to support the strategy going forward.

Sound corporate governance is a prerequisite to achieve this. To facilitate this purposeful work, we have comprehensive systems, routines and procedures in place for monitoring targets, internal control and risk management. In addition to formal Board meetings and committee work, the Board is committed and engaged in Securitas' operations through site visits and continuous interaction with our President and CEO Magnus Ahlqvist and Group management. We continuously evaluate the Board's composition and combined expertise and in recent years we have reinforced our know-how in important areas. Bringing new competence to the table has been beneficial in our strategic planning for the future development of Securitas.

In addition to being well on our way to becoming the leader in protective services, a few years ago we also began focusing on the next step in our strategic plan – to become the leader in intelligent security in 2020 and beyond, building on our strong foundation in delivering security services.

On behalf of the Board of Directors, I would like to express our appreciation to all Securitas employees for their commitment and good work during 2018. Special thanks to Magnus Ahlqvist for his first successful year as President and CEO.

Stockholm, March 18, 2019

Marie Ehrling
Chairman of the Board
Securitas AB

Solid system for governance and management

Securitas' structure for governance serves to protect the long-term interests of our stakeholders, ensure value creation and encourage an entrepreneurial corporate culture. A sound corporate governance model also creates the foundation for responsible and sustainable business.

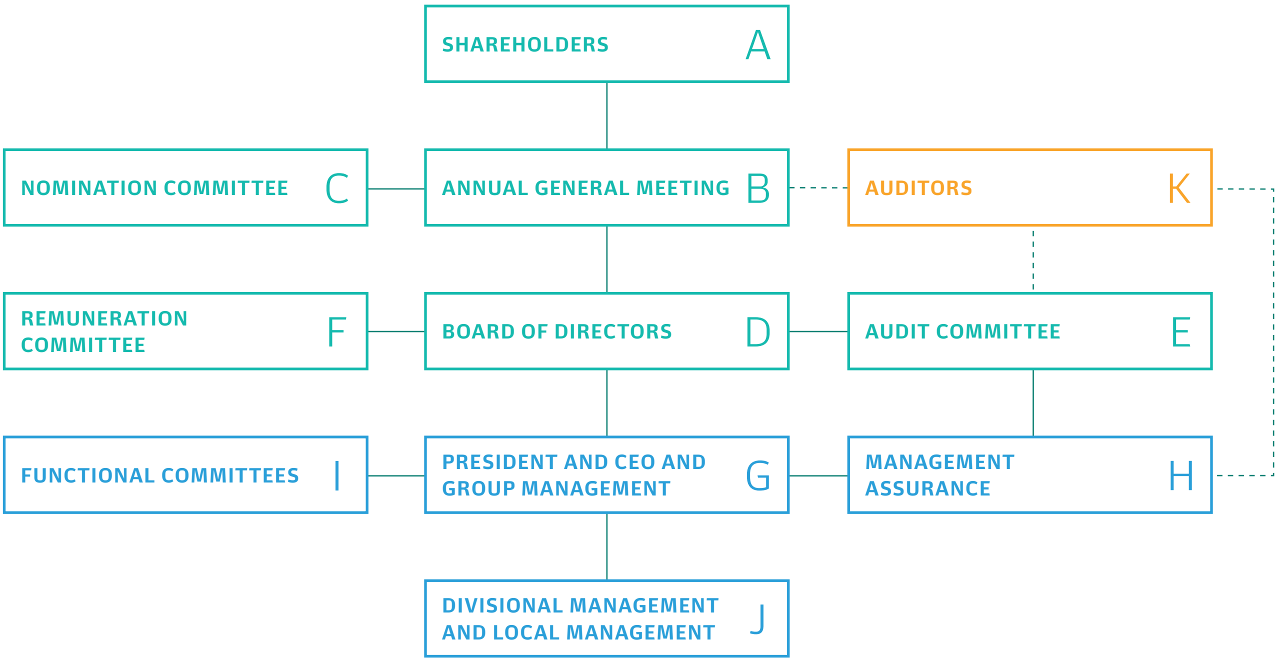
Securitas has a decentralized organizational model that promotes entrepreneurship and focuses on the approximately 1 700 branch managers who run the company's daily operations in 58 countries. The company's offerings improve when decisions are made in close proximity to clients and the employees who perform the services. Local decisions are therefore encouraged but require a solid governance and management system. To facilitate this work, Securitas has systems, routines and procedures in place for monitoring targets, internal control and risk management.

As a global company, Securitas operates in many different markets where laws, regulations, environmental requirements and social conditions may differ. Therefore, it is vital that we always act transparently and ethically. Sustainability is well integrated into Securitas' everyday work. Securitas' sustainability work is based on our fundamental values – Integrity, Vigilance and Helpfulness – and guided by our key corporate policies and principles, such as Securitas' Values and Ethics Code.

SECURITAS VALUES ARE STRONGLY LINKED to its management model – The Securitas Toolbox. A key function of the Toolbox is to convey our corporate culture and create a shared platform through our values. Securitas' Toolbox management model has a methodical structure that includes several well-defined areas or "tools" that serve as a framework at all levels, and is maintained through continuous training and discussion forums. The different areas of the model describe how Securitas' managers are to conduct themselves in various aspects and stages of the company's operations. The model also describes the approach we are expected to take with regard to the market, our clients and employees. All Securitas employees are expected to assume responsibility for the clients and operations and for our shared values. Responsibility is clarified through the measurement and systematic evaluation of results.

As part of our decentralized management approach, we are required to set and follow up on strict financial targets by continuously measuring and monitoring the Group's performance. Financial control is not simply about implementing controls, it also functions as an incentive for those employees who are in a position to personally influence Securitas' financial results.

THE FINANCIAL FRAMEWORK AND MODEL continuously measure the Group's performance, from the branch offices through to Group level. The aim of the Group's financial reporting is to produce the most timely and accurate information possible to enable managers and employees to make the decisions necessary for achieving profitable growth in line with Securitas' strategies, and to control risks to ensure that the company's objectives are achieved. Financial reporting also forms the basis for sound internal control. The financial model makes it possible to monitor a number of key figures that can be understood by all managers. Each branch has its own statement of income, for which it is fully responsible. It also helps managers to understand the connection between risks and opportunities, and how various factors impact their areas of responsibility as well as how we can monitor and control these factors. It visualizes the direct link between income and expenses in the statement of income, capital employed in the balance sheet and the generation of free cash flow. Refer to pages 54-55 for more information.



A

SHAREHOLDERS

Securitas is listed on Nasdaq Stockholm in the Large Cap segment since 1991. The shareholders influence the overall direction of the company at the top of the governance structure. Strong principal shareholders provide considerable attention and interest in our business and establish commitment to the success of the business.

On December 31, 2018, the principal shareholders in Securitas were Gustaf Douglas who, through his family and Investment AB Latour Group, held 10.9 percent (10.9) of the capital and 29.6 percent (29.6) of the votes, and Melker Schörling who, through his family and Melker Schörling AB, held 4.5 percent (5.4) of the capital and 11.0 percent (11.6) of the votes. For more detailed information about shareholders, see the table on page 163.

NUMBER OF SHAREHOLDERS 2014–2018

Year	No. of shareholders
2014	24 274
2015	25 734
2016	31 221
2017	33 913
2018	**32 197**

B

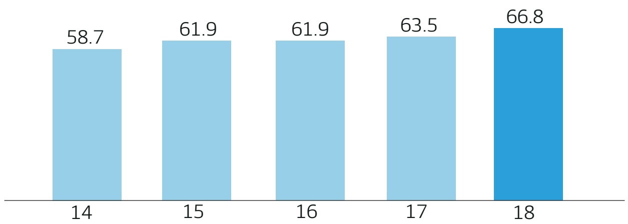
ANNUAL GENERAL MEETING

All shareholders are able to exercise their influence at the Annual General Meeting, which is the company's highest decision-making body. The Annual General Meeting decides on changes to the Articles of Association. The Articles of Association contain no limitation on the number of votes that each shareholder may exercise at a shareholders' meeting. Each shareholder may thus vote for all shares held at the shareholders' meeting.

The Annual General Meeting of Securitas AB was held on May 2, 2018, and the minutes are available on www.securitas.com, where all resolutions passed can be found. One of the resolutions passed in 2018 was the authorization for the Board to resolve upon acquisition of the company's own shares. Shareholders representing 66.8 percent (63.5) of the votes attended either personally or by proxy. For information about election and remuneration of Board members, see the Board of Directors section (D).

ATTENDANCE 2014–2018

% of voting rights



THE WORK OF THE BOARD OF DIRECTORS

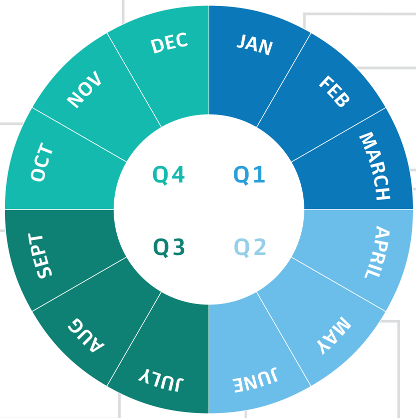
MEETING
Business update
Strategy

Q3 MEETING[1]
Q3 interim report
Update from Audit Committee
Business Plan 2019
Securitas Intelligent Services

MEETING
Operational visit and presentations

Q2 MEETING[1]
Q2 interim report
Update from Audit Committee
Strategy and aquisitions
Investor update 2018
Approval of new Group policy

MEETING
Strategy



Q4 MEETING[1]
Q4 and full-year report
Update from Audit Committee
Audit report
Remuneration
AGM preparation
Dividend

MEETING[2]
Change of President and CEO

MEETING[2]
Annual Report

MEETING[2]
Remuneration guidelines
Share bonus scheme proposal
Notice convening the AGM 2018
Proposal regarding acquisition of own shares

Q1 MEETING[1]
Q1 interim report
Update from Audit Committee
Approval of Group Policies
Strategy

STATUTORY MEETING
Appointment of committee members
Authorization to sign for the company
Work procedures (Board, Audit and Remuneration Committees)

1 In addition to the topics listed, other areas are discussed continuously, such as operational performance, updates from divisions, strategy, market and competition, acquisitions, insurance, credit risk, tax matters, legal matters and funding.
2 Held per capsulam.

C

NOMINATION COMMITTEE

The Nomination Committee is a body established by the Annual General Meeting with the task of preparing motions regarding the election of Board members, the Chairman of the Board and remuneration to Board members and Board committees.

As a basis for its motions, the Nomination Committee takes into account the complete outcome of the evaluation of the Board and its work as well as the competence needed in the future. The Nomination Committee applies rule 4.1 of the Swedish Corporate Governance Code as its diversity policy and the committee has endeavored to establish a Board composition with an equal gender distribution, characterized by diversity and breadth regarding the qualifications, experience and background of the Board members. The 2018 Annual General Meeting resolved to appoint Board members in accordance with the Nomination Committee's proposal.

At the moment, the Board of Directors consists of three women and five men, meaning that the percentage of women on the Board is 37.5 percent, which is in line with the target level stipulated by the Swedish Corporate Governance Board. It is the ambition of the Nomination Committee to continue working to create an equal gender distribution on the Board. The Committee has adopted working instructions that govern its work.

Before each Annual General Meeting, during which the election of auditors takes place, the Nomination Committee also prepares motions regarding the election of auditors and decisions about fees to auditors and other related matters, in consultation with the Board of Directors and the Audit Committee.

At the 2018 Annual General Meeting, it was decided that the principles for appointing the Nomination Committee would be changed. The 2018 Annual General Meeting resolved that the Nomination Committee shall be composed of representatives of the five largest shareholders in terms of voting rights registered in the shareholders' register as of August 31 in the year prior to the Annual General Meeting. Refer to the AGM minutes for more information on the procedure for replacing members of the Nomination Committee who leave before its work is concluded or due to changes in the shareholder structure. The Chairman of the Board, Marie Ehrling, shall convene the first meeting of the Nomination Committee and shall also be co-opted to the Nomination Committee. Based on these principles, the Nomination Committee consists of the following members.

NOMINATION COMMITTEE PRIOR TO 2019 AGM

Elected member	Shares of votes as of August 31, 2018
Carl Douglas, Investment AB Latour, Chairman	29.58%
Mikael Ekdahl, Melker Schörling AB	10.99%
Maria Nordqvist, Lannebo Fonder	2.60%
Johan Sidenmark, AMF Försäkring och Fonder	2.52%
Jan Andersson, Swedbank Robur Fonder	1.85%
Share of votes not represented in the Nomination Committee	52.46%

The Nomination Committee is to hold meetings as often as necessary to fulfill its duties. However, the Nomination Committee is to hold at least one meeting annually. The previously elected Nomination Committee held two meetings prior to the 2018 Annual General Meeting. The current Nomination Committee held one meeting during 2018.

D BOARD OF DIRECTORS

According to the Articles of Association, the Board of Directors should have between five and ten Board members elected by the Annual General Meeting, with no more than two Deputy Directors. The Directors and Deputy Directors are elected by the Annual General Meeting for the period up to and including the first Annual General Meeting to be held in the year after the Director or Deputy Director was elected. Securitas' Board of Directors has eight members elected by the Annual General Meeting, three employee representatives and one deputy employee representative.

The Annual General Meeting re-elected Marie Ehrling as Chairman of the Board and Carl Douglas as Vice Chairman. For further information about the members of the Board of Directors including remuneration, see pages 39-41.

Responsibilities of the Board of Directors

The Board of Directors is responsible for the organization and administration of the company and the Group in accordance with the Swedish Companies Act and also appoints the President and CEO, the Audit Committee and the Remuneration Committee.

In addition, the Board of Directors determines the President and CEO's salary and other remuneration. The Board meets a minimum of six times annually.

The Board of Directors of Securitas AB has approved a number of policies that apply to governance. Examples of such policies are found on page 49.

The Board ensures the quality of financial reporting through Group policies, procedures and frameworks, clear structures with defined responsibilities and through documented delegation of authority, which is further described in the enterprise risk management and internal control report, beginning on page 44. The Board has formed an Audit Committee (see section E) and a Remuneration Committee (see section F).

The work of the Board of Directors

The activities of the Board of Directors and the division of responsibility between the Board and Group Management are governed by formal procedures documented in a written instruction, which is adopted by the Board each year after the Annual General Meeting. According to these procedures, the Board should determine, among other things, the Group's overall strategy, corporate acquisitions and property investments above a certain level, and establish a framework for the Group's operations through the Group's business plan. The Board also plays an important role in the ongoing process of identifying and evaluating significant risks faced by the Group.

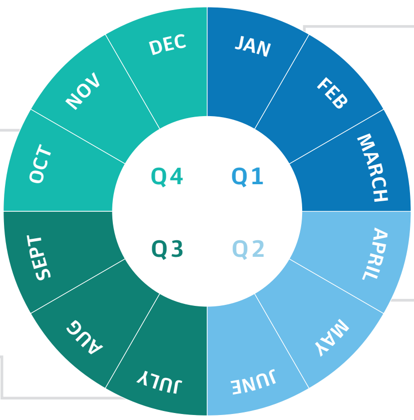
The procedures include a work instruction for the President and CEO, as well as instructions for financial reporting. The procedures also prescribe that an annual evaluation of the work of the Board of Directors should be carried out. On a yearly basis, all Board members submit their answers to a questionnaire issued by the Nomination Committee about the quality of the work in the Board. Based on this report, an evaluation is made in the Board and in the Nomination Committee.

The Board held eleven meetings in 2018, of which three were held per capsulam. The auditors participated in the Board meeting that was held in conjunction with the yearly closing of the books, in February 2018, where they presented the audit.

THE WORK OF THE AUDIT COMMITTEE

Q3 MEETING
Q3 interim report
Updates[1]
Impairment test
Corporate governance report
Internal audit function assessment
External auditor early warning and internal control report
Internal (MA) Q3 2018 audit activities

Q2 MEETING
Q2 interim report
Updates[1]
External auditor half-year report
Internal (MA) Q2 2018 audit activities



Q4 MEETING
Q4 interim report and full-year report
Updates[1]
Corporate governance report
Yearly summary of employee benefits (pensions)
External auditor report
Internal (MA) Q4 2017 audit activities

Q1 MEETING
Q1 interim report
Updates[1]
External auditor audit plan
Internal (MA) Q1 2018 audit activities
Internal (MA) audit plan 2018

1 Topics based on a set rolling agenda format with updates on accounting, treasury, acquisitions, risk/insurance, legal, tax, internal control, sustainability, enterprise risk management, follow-up of on site visits, audit/consultancy costs and auditor independence.

(MA) Management Assurance

E

AUDIT COMMITTEE

The Board of Directors has established and appointed an Audit Committee, which operates under the instructions for the Audit Committee and meets with Securitas' auditors at least four times per year. The Committee supports the Board's quality-control work in terms of financial reports, and its internal control over financial reporting.

Specifically, the Committee monitors the financial reporting, the effectiveness of internal control, internal audit activities and the risk management system. The Committee also stays informed about annual statutory audits. It assesses the external auditor's independence and receives information of, and approves the performance of, significant non-audit services.

The Committee presents its findings and proposals to the Board, prior to the Board's decision. The Committee met four times during 2018. The major topics discussed are listed on the previous page.

F

REMUNERATION COMMITTEE

The Board has formed a Remuneration Committee to prepare decisions related to salaries, bonuses, share-based incentive schemes and other forms of compensation for Group Management, as well as other management levels if the Board of Directors so decides. The Committee presents its proposals to the Board, for the Board's decision. The Committee held two meetings during 2018.

A share-based incentive scheme was adopted at the Annual General Meeting 2018, enabling the Group to gradually have approximately 2 500 of Securitas' top managers as shareholders. The scheme strengthens employee commitment to Securitas' future success and development for the benefit of all shareholders. In principal, the adopted incentive scheme entails that one-third of any annual bonus, earned under the performance-based cash bonus schemes, is converted into a right to receive shares, with delayed allotment and subject to continued employment in Securitas. The scope and content of the incentive scheme is unchanged compared to the share-based incentive scheme that was adopted at the Annual General Meetings in 2010 and forward.

For more information on the actual outcome of the share-based incentive scheme in 2018, see note 12 on page 102.

The guidelines for remuneration to senior management that were adopted at the Annual General Meeting 2018 primarily entailed that remuneration to senior management and their terms of employment should be competitive and comply with market conditions, to ensure that Securitas is able to attract and keep competent senior management employees. The total remuneration to Group Management should consist of a fixed basic salary, variable remuneration, pensions and other benefits.

Thus, in addition to a fixed annual salary, Group Management may also receive variable remuneration, which shall be based on the outcome in relation to financial goals within the individual area of responsibility (Group or division) and which shall be aligned with the interest of the shareholders.

The variable remuneration should amount to a maximum of 60 percent of the fixed annual salary for the President and CEO, and a maximum of 42 to 200 percent of the fixed annual salary for other members of Group Management. The cost of the company for 2018 in terms of its obligations to pay variable remuneration to the Group Management is established to not exceed a total of MSEK 84 at maximum outcome. The complete guidelines for remuneration can be found on www.securitas.com.

Additional information on remuneration to the Board of Directors and Group Management, including the outcome, is disclosed in the Notes and comments to the consolidated financial statements 2018. See note 9 on pages 94-97.

G

PRESIDENT AND CEO AND GROUP MANAGEMENT

The President and CEO and Group Management are charged with overall responsibility for conducting the business of the Securitas Group in line with the strategy and long-term goals adopted by the Board of Directors of Securitas AB. The primary tool used by President and CEO and Group Management to measure the execution of strategies and to guide the employees and organization toward achieving its objectives is the financial framework and the financial model.

In 2018, Group Management comprised the President and CEO and 10 executives with representatives from the divisions. For further information on Group Management, see pages 42-43.

H

MANAGEMENT ASSURANCE

The Management Assurance staff function operates as the Group's internal audit function and reports to the Senior Vice President Finance with an open line of communication to the Audit Committee.

This function prepares an annual plan for its work, which is approved by the Audit Committee. The results of the function's work, which includes the execution and coordination of internal audit related activities during the year, are presented at the Audit Committee meetings. The Management Assurance Director participated in all Audit Committee meetings during 2018.

For more information on the current responsibilities of the Management Assurance function, refer to www.securitas.com.

I

FUNCTIONAL COMMITTEES

The Group has established a number of functional committees and work groups, including the functions for Finance/Tax and Assurance, Corporate Finance/Treasury and Legal/Risk and Insurance. These committees include the CFO, Senior Vice President Finance, Senior Vice President General Counsel and the appropriate functional area experts. The main purpose of these functional committees is to determine appropriate policies, communicate the policies and ensure local understanding (including training) of the policies, as well as monitoring key issues within each area of responsibility. Quarterly meetings are held with the President and CEO, at which topics that will be reported to the Audit Committee are discussed.

J

DIVISIONAL AND LOCAL MANAGEMENT

Securitas' philosophy is to work in a decentralized environment where local management is primarily responsible for monitoring and ensuring compliance by local units with the Group Policies, including any division-specific policies and guidelines. Local management is responsible for the establishment and continued operations of a system of procedures and controls that ensures the reliability of the company's management and financial reporting information in the most economical and efficient manner possible. This includes ensuring a minimum of basic and supervisory controls in order to mitigate relevant risks. Local management reports to Group Management through divisional management on operational matters and local controllers report through divisional controllers on financial reporting matters.

AUDITORS

The Annual General Meeting 2018 elected PricewaterhouseCoopers AB (PwC) as the Group's audit firm, with authorized public accountant Patrik Adolfson as auditor in charge, for a period of one year.

The auditors' work is based on an audit plan, which is agreed upon in consultation with the Audit Committee and the Board of Directors. The auditors participate in all meetings of the Audit Committee and present their findings from the annual audit at the Board meeting held in February. In addition, the auditors should inform the Audit Committee on an annual basis of any services rendered, other than audit assignments, and any auditing fees received for such services or other circumstances that might affect the evaluation of the auditors' independence. The auditors should also participate in the Annual General Meeting to present the audit report and its conclusions.

The audit is performed in compliance with the Swedish Companies Act, generally accepted auditing standards in Sweden and International Standards on Auditing (ISA).

For audit fees and reimbursement to auditors, see note 11 and 45 on page 101 and 134.

AUDITOR IN CHARGE

Patrik Adolfson, born 1973, Authorized Public Accountant, Auditor in charge, Pricewaterhouse-Coopers AB. Patrik Adolfson has been auditor in charge of Securitas AB since 2015. Other audit assignments: AcadeMedia AB (publ), Attendo AB (publ), Nordstjernan Investment AB, Pandox AB (publ) and Bonava AB (publ). Member of Far.

Auditor Patrik Adolfson

COMPOSITION OF THE BOARD AND ATTENDANCE IN 2018

Board member	Position: Board of Directors	Position: Audit Committee	Position: Remuneration Committee	Attendance: Board meetings (11)	Attendance: Audit Committee meetings (4)	Attendance: Remuneration Committee meetings (2)	Total fee[1], SEK	Independent to company (8)	Independent to shareholders (6)
Marie Ehrling	Chairman	–	Chairman	11	–	2	2 100 000	Yes	Yes
Carl Douglas	Vice Chairman	–	Member	11	–	2	895 000	Yes	No
Ingrid Bonde	Member	Member[3]	–	11	2[3]	–	760 000	Yes	Yes
John Brandon	Member	–	–	11	–	–	580 000	Yes	Yes
Anders Böös	Member	Member	–	11	4	–	760 000	Yes	No
Fredrik Cappelen	Member	Chairman	–	10	4	–	865 000	Yes	Yes
Sofia Schörling Högberg	Member	Member	–	11	4	–	760 000	Yes	No
Dick Seger	Member	–	–	11	–	–	580 000	Yes	Yes
Susanne Bergman Israelsson[2]	Member	–	–	10	–	–	0	–	–
Åse Hjelm[2]	Member	–	–	9	–	–	0	–	–
Jan Prang[2]	Member	–	–	11	–	–	0	–	–

1 Total fee includes fees for committee work. In total, SEK 975 000 was paid out for committee work, of which SEK 150 000 for Remuneration Committee work and SEK 825 000 for Audit Committee work. For more details, refer to the minutes of the Annual General Meeting 2018 on Securitas' website: www.securitas.com.

2 Employee representatives, appointed members of the Board of Directors at the Annual General Meeting. Deputy employee representative is Thomas Fanberg. Thomas Fanberg (b. 1961) has been Deputy Director of Securitas AB since 2008. Employee Representative, Chairman of Salaried Employees' Union local branch, Securitas Norrland.

3 Appointed member of the Audit Committee at the statutory meeting on May 2, 2018.

For comparative information about remuneration to the Board of Directors and senior management, please see note 9 on pages 94-97.

BOARD OF DIRECTORS

MARIE EHRLING

Chairman, b. 1955
Director of Securitas AB since 2006 and Chairman since 2016
Principal education: BSc in Economics and Business Administration
Chairman of Telia Company AB, Vice Chairman of Axel Johnson AB and Director of Axel Johnson International
Previously: President of Telia Sonera Sverige, Deputy CEO of SAS AB, responsible for SAS Airlines and other executive positions at SAS
Shares in Securitas: 7 000 Series B shares

CARL DOUGLAS

Vice Chairman, b. 1965
Deputy Director of Securitas AB since 1992, Director since 1999 and Vice Chairman since 2008
Principal education: Bachelor of Arts, Doctor of Letters (h.c.)
Vice Chairman of ASSA ABLOY AB, Director of Investment AB Latour
Shares in Securitas: 12 642 600 Series A shares and 27 190 000 Series B shares[1]

INGRID BONDE

Member, b. 1959
Director of Securitas AB since 2017
Principal education: BSc in Business and Economics
Chairman of Hoist Finance AB, The Swedish climate policy council and Director of Loomis AB, Danske Bank AS and Swedish corporate governance board
Previously: Director, CFO and deputy CEO of Vattenfall AB, President and CEO of AMF Pensionsförsäkringar AB, Vice President Finance of SAS AB and Director General of the Swedish Financial Supervisory Authority
Shares in Securitas: 2 600 Series B shares

SOFIA SCHÖRLING HÖGBERG

Member, b. 1978
Director of Securitas AB since 2005
Principal education: BSc in Economics and Business Administration
Director of Melker Schörling AB, Hexagon AB and ASSA ABLOY AB
Shares in Securitas: 4 500 000 Series A shares and 12 071 998 Series B shares[2]

DICK SEGER

Member, b. 1953
Director of Securitas AB since 2017
Principal education: Master of Science
Previously: CEO, Chairman of the Board and Director of Verisure Group (previous Securitas Direct).
Shares in Securitas: 26 Series B shares

Alf Göransson left his position as President, CEO and member of the Group Management and Board of Directors as of March 1, 2018.

1 Private holdings and through Investment AB Latour Group.
2 Private holdings and through Melker Schörling AB. In addition, related parties hold 4 800 Series B shares.
All figures refer to holdings on December 31, 2018.

JOHN BRANDON

Member, b. 1956
Director of Securitas AB since 2017
Principal education: Bachelor of Arts in History
Director of Hexagon AB
Previously: Vice President of Apple International, Vice President of Apple Americas and Asia, and President and CEO of Academic Systems.
Shares in Securitas: 10 000 Series B shares

ANDERS BÖÖS

Member, b. 1964
Director of Securitas AB since 2016
Principal education: Economic studies Upper Secondary School
Director of Investment AB Latour and Stronghold Invest AB
Previously: CEO of H&Q AB and Drott AB, Chairman of IFS AB and Cision AB, Director of Haldex AB and Niscayah AB
Shares in Securitas: 25 000 Series B shares

FREDRIK CAPPELEN

Member, b. 1957
Director of Securitas AB since 2008
Principal education: BSc in Business Administration
Chairman of Terveystalo Oy, Dometic Group AB and Transcom AB
Previously: President and Group Chief Executive of Nobia, Chairman of Dustin Group AB, Byggmax Group AB and Sanitec Oy, Vice Chairman of Munksjö AB
Shares in Securitas: 4 000 Series B shares

EMPLOYEE REPRESENTATIVES

SUSANNE BERGMAN ISRAELSSON

Member, b. 1958
Director of Securitas AB since 2004
Employee Representative, Chairman of Swedish Transport Workers' Union local branch 19, Norra Mälardalen
Shares in Securitas: 0

ÅSE HJELM

Member, b. 1962
Director of Securitas AB since 2008
Deputy Director of Securitas AB since 2007
Employee Representative, Vice Chairman of Salaried Employees' Union local branch, Norrland, Chairman of the Securitas Council for Salaried Employees
Shares in Securitas: 120 Series B shares

JAN PRANG

Member, b. 1959
Director of Securitas AB since 2008
Employee Representative, Chairman of Swedish Transport Workers' Union local branch, Securitas Göteborg
Shares in Securitas: 0

GROUP MANAGEMENT

1
MAGNUS AHLQVIST

President and CEO of Securitas AB and Divisional President,
Security Services Europe
Born: 1974
Employed: 2015
Shares in Securitas: 108 989 Series B shares[1], 200 000 share options[2]

2
BART ADAM

Chief Financial Officer
Born: 1965
Employed: 1999
Shares in Securitas: 37 027 Series B shares[1]

3
MARTIN ALTHÉN

Chief Information Officer
Born: 1968
Employed: 2016
Shares in Securitas: 1 544 Series B shares[1]

4
WILLIAM BARTHELEMY

Chief Operating Officer,
Security Services North America
Born: 1954
Employed: 1999
Shares in Securitas: 62 109 Series B shares[1]

5
SANTIAGO GALAZ

Divisional President,
Security Services North America
Born: 1959
Employed: 1995
Shares in Securitas: 238 406 Series B shares[1]

6
JAN LINDSTRÖM

Senior Vice President, Finance
Born: 1966
Employed: 1999
Shares in Securitas: 11 395 Series B shares[1]

7
AIMÉ LYAGRE

Chief Operating Officer and Chief Technology Officer,
Security Services Europe
Born: 1959
Employed: 2004
Shares in Securitas: 26 510 Series B shares[1]

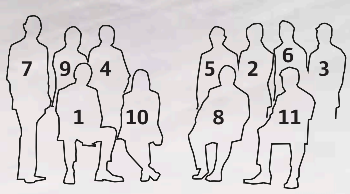
8
MARC PISSENS

President Aviation
Born: 1950
Employed: 1999
Shares in Securitas: 62 022 Series B shares[1]

9
LUIS POSADAS
Divisional President,
Security Services Ibero-America
Born: 1958
Employed: 1995
Shares in Securitas: 45 149 Series B shares[1]

10
FRIDA ROSENHOLM
Senior Vice President, General Counsel
Born: 1974
Employed: 2018
Shares in Securitas: 0

11
HENRIK ZETTERBERG
Chief Operating Officer, Security Services Europe
Born: 1976
Employed: 2014
Shares in Securitas: 2 544 Series B shares[1], 45 000 share options[2]



Alf Göransson left his position as President, CEO and member of the Group Management and Board of Directors as of March 1, 2018. He was replaced as President and CEO by Magnus Ahlqvist. Magnus Ahlqvist holds a Master of Science in Economics and Business Administration from the Stockholm School of Economics, and a leadership exam from Harvard Business School. Previously he has held various management positions in Motorola Mobility, Sony and Sony Ericsson Mobile Communications.

Gisela Lindstrand left her position as Senior Vice President, Corporate Communications and Public Affairs as of May 15, 2018. Helena Andreas has been appointed Senior Vice President Brand, Communications and Public Relations of Securitas AB and assumed this position on February 1, 2019. She will be a member of Securitas Group Management.

Peter Karlströmer has been appointed Divisional President Security Services Europe and member of Group Management. He assumed this position on March 4, 2019. Magnus Ahlqvist left the position in connection with this.

For more information about Group Management, visit www.securitas.com / group-management

1 The actual allocation of shares to Group Management under the Securitas share-based incentive scheme 2017 can be found on page 97, and the total potential allocation of shares to Group Management under the Securitas share-based incentive scheme 2018 can be found on page 95.

2 Share options regarding acquisition of Securitas Series B shares, issued by Melker Schörling AB and Investment AB Latour.

Proactive Risk Management and Internal Control

Securitas' internal control system is designed to manage, rather than eliminate, the risk of failing to achieve business objectives. The system provides reasonable, but not absolute, assurance against material misstatement or loss, as well as compliance with the main policies.

Internal control over financial reporting is included as a part of the overall internal control of Securitas and constitutes a central part of the Group's corporate governance. The description below covers a broader perspective on how Securitas' internal control is organized, using a structure based on the COSO model, but also makes specific reference to items pertaining directly to internal control over financial reporting. On pages 48-51 we describe Securitas' enterprise risk management process (ERM), which sets the overall process for Securitas' proactive and continuous work with risk management and internal control. Securitas' insurance and claims strategy is to "act as if uninsured". Refer to page 49 for more information about insurance as a risk management tool.

CONTROL ENVIRONMENT

The key features of the control environment include: clear terms of reference for the Board and each of its committees, a clear organizational structure with documented delegation of authority documented in an approval matrix, from the Board to President and CEO and further to Group Management. It also includes the competence of employees and a series of Group policies, procedures and frameworks.

Emphasis lies on the competence and abilities of the Group's employees, with continuous training and development actively encouraged through a wide variety of training programs.

The Group has three fundamental values – Integrity, Vigilance and Helpfulness – to help its employees exercise good judgment and make decisions on a consistent basis.

Policies that apply to internal control over financial reporting are described in Securitas' Group Policies, which include the company's model for financial control (for more detailed information on the model, refer to pages 54-55), and in the Securitas Reporting Manual, which specifically focuses on reporting matters to ensure compliance with reporting requirements and rules. This creates an environment that supports reliable and accurate reporting.

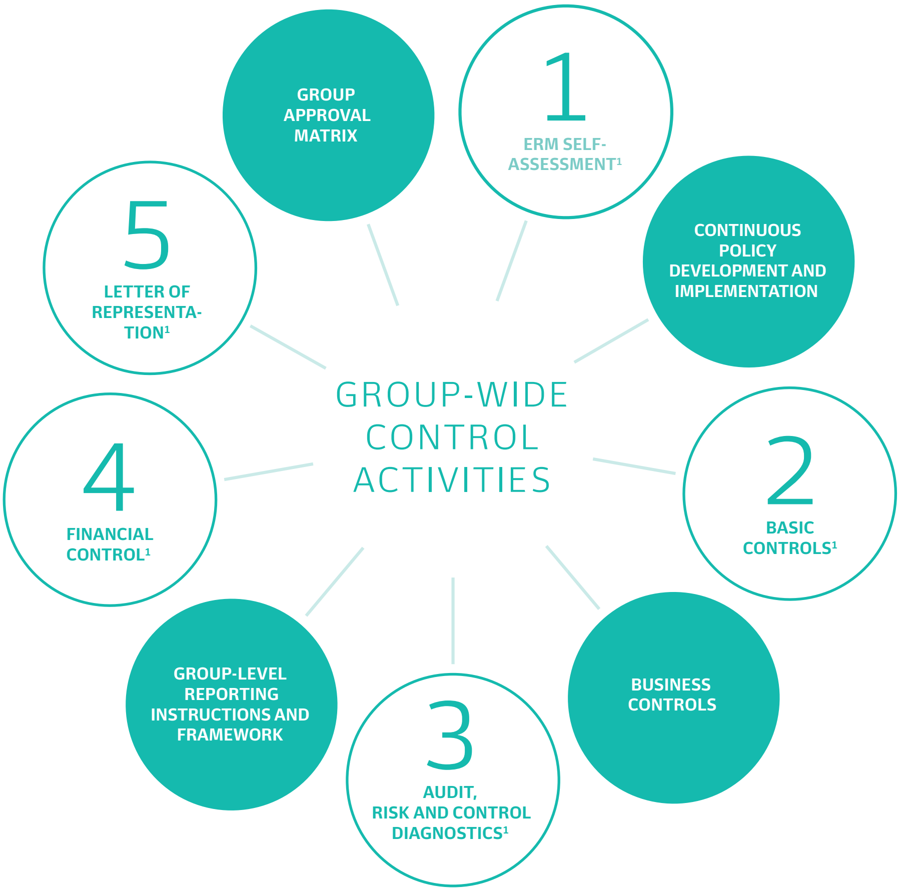
RISK ASSESSMENT

At the highest level, the Board considers where future strategic opportunities and risks lie and helps shape the corporate strategy. Balanced and focused risk management is necessary for the fulfillment of Securitas' strategies and the achievement of its corporate objectives.

Enterprise risk management (ERM) is an integral component of Securitas' operations, and risk awareness is part of the company culture. Risk assessments are conducted within the framework of the Securitas ERM process, further described on page 48-51, regardless whether the assessments pertain to operational risks or financial reporting risks. Securitas does not classify compliance risk as a separate category. Instead, it is included in the operational category. Risk assessment is a dynamic process that aims to identify and analyze risks in relation to Securitas' objectives. It serves as the basis for implementing mitigating actions after considering the controls in place (reduce, transfer/share or accept the risk in question).

GROUP-WIDE CONTROL ACTIVITIES

Internal control covers all divisions and subsidiaries in the Group. Internal control activities are established by policies and processes, which help ensure that all management directives to manage risks are executed. Controls are performed on several levels within the organization and are established based on the process concerned.



This illustration shows an overview of the key Group-wide control activities.

1 Described in further detail below.

1 ERM SELF-ASSESSMENT

Every major country throughout the Group performs an annual self-assessment, which is a part of the process to manage enterprise-wide risks. It covers key risks, including financial reporting risks, measures taken and compliance with Securitas Group Policies and Securitas Reporting Manual. The content is updated on a continuous basis to reflect the risks that Securitas is facing, which includes ensuring that risks related to the strategy and development of the technology offering are incorporated as appropriate.

The self-assessments promote control awareness and accountability and results are signed off by each country president. The answers are compiled at the divisional and Group levels to support benchmarking within and between divisions. The answers are also used as input for further audit or review procedures, or other risk management activities. Group and division create action plans and activities to follow up and support the countries. Each reporting country is responsible for acting on any deviations.

2 BASIC CONTROLS

Detailed controls in financial reporting processes such as revenue, payroll and IT, are included as one component of Securitas' overall Group-wide control framework called "basic controls". Basic controls set the minimum Group requirement regarding what needs to be in place based on risk assessment. Supplementary controls ensure full protection of the company's assets and assure accurate and reliable financial reporting tailored to the entity's company's specific conditions. These controls can include manual, application or general IT controls.

Key areas covered:
> protection of company assets
> completeness and timeliness of client invoicing
> credit collection procedures
> contract management
> HR/payroll
> IT (including information security)
> business continuity planning
> validity of payments to third parties
> accuracy of general ledger
> timeliness and accuracy of Group reporting compliance with local requirements

3 AUDIT, RISK AND CONTROL DIAGNOSTICS

One important audit activity is the country diagnostics. The diagnostics comprise a work program covering IFRS compliance, as well as key controls within financial reporting processes, contract management and IT security. These reviews are usually conducted within the first year after an acquisition has been made and a follow-up is performed during the second year, provided that significant areas for improvement have been identified. The Group also performs risk and control diagnostics in functional areas which, by nature, have a high degree of inherent risk. These diagnostics aim to ensure compliance with key policies such as the Client contract policy and the Securitas' Values and Ethics Code. Securitas develops this audit and review process on a continuous basis using both internal and external resources.

4 FINANCIAL CONTROL

Control activities specifically aimed at managing risks related to financial reporting include methods and activities for securing assets, controlling the accuracy and reliability of internal and external financial reports, and ensuring compliance with defined guidelines.

Regular analyses of the financial results at the various levels of the organization using the financial model ensure that financial information maintains a high level of quality. Securitas' financial reporting is based on the following foundations:

> Securitas Group Policies for financial planning and reporting, long-term financing and treasury, risks and insurance, communications, branding, legal issues and IT
> Guidelines in Securitas' financial model, which create the framework for a simple and clear internal reporting method, including timely and accurate follow-up of financial key figures (Securitas Six Fingers)
> Securitas' Reporting Manual, which provides all managers and financial staff with detailed instructions and definitions for financial reporting
> The controller, who is responsible for continuously ensuring that the financial information provided is accurate, transparent, relevant and up to date. The controller receives continuous feedback from the Group regarding reporting quality, which is an effective tool for enhanced reporting. In addition, each division has a divisional controller with corresponding responsibilities at the divisional level.

5 LETTER OF REPRESENTATION

The Group has a representation process in which operating unit presidents and controllers sign a letter of representation in connection with the year-end report, stating their opinion on whether the internal control over financial reporting and the reporting packages give a true and fair view of the financial position.

The letter also covers the broader perspective of internal control, including compliance with Securitas Group Policies related to financial reporting.

INFORMATION AND COMMUNICATION

Securitas' channels for information and communication are constantly developed to ensure that all employees are given clear objectives and are made aware of the parameters that constitute acceptable business practices, as well as the expectations of the Board in managing risks. This provides a clear definition of the Group's purpose and goals, accountabilities and the scope of permitted activities of employees.

Systems and procedures have been implemented that support complete, accurate and timely financial reporting and provide management with the necessary reports on business performance relative to the established objectives. The Group reporting department regularly issues guidance on reporting matters and the reporting manual is available in a Group-wide database. Reporting units regularly prepare financial and management reports that are discussed at review meetings at different levels. These include an analysis of financial performance and risks for the organization to understand its responsibility with regard to internal control and its impact in relation to risks, goals and objectives.

MONITORING

Monitoring is performed at different levels and by different functions within the organization depending on whether it is related to operational or financial reporting matters. Key functions include the Board of Directors, the Audit Committee, Group Management, functional committees, Management Assurance, the Group risk organization, and local and divisional management.

Four-step process for managing enterprise risk

Securitas' process for enterprise risk management (ERM) is well integrated into in the business and seeks to identify, prioritize and manage the key risks to our operations at all levels and in all parts of the organization.

Securitas is exposed to various types of risks in its daily business. When providing security services, Securitas manages not only its own risks, but also risks on behalf of its clients. It is important to us to minimize the risk of loss occurring as it also protects our stakeholders. Securitas' risks have been classified into three main categories: **contract and acquisition risks, operational assignment risks and financial risks**. The categories are based on the natural flow of our business – entering into a contract, execution of the assignment and the financial result. Similar risk categories are also relevant for acquisitions, but are then classified as acquisition risks, operational integration risks and financial integration risks.

CONTRACT AND ACQUISITIONS RISKS

The contract risks (and acquisition risks) category includes risks related to entering into a client contract and risks related to the acquisition of a new business.

OPERATIONAL ASSIGNMENT RISKS

The operational assignment risks (and operational integration risks) category includes risks that are associated with our daily operations and the services we provide to our clients. This category also covers all risks related to the infrastructure necessary for running the business as well as sustainability risks. Examples are assignment execution risks, Securitas' Values and Ethics compliance risk and health and safety risks and operational risks, such as IT failure, business continuity, information security and data protection, as well as employee attraction and retention.

FINANCIAL RISKS

The financial risks (and financial integration risks) category includes risks related to financial reporting, as well as financial risks related to external financing needs and currency exposure. To allow the divisions, countries and regions to focus fully on their operations, the management of certain risks such as financing and currency is centralized to the Group Treasury Centre. Other examples within this category are fraud and error risk, management estimates assumptions risk, credit and cash flow risk and regulatory reporting risk.

All the risks in these categories can impact the Group's financial performance and position if they are not managed in a structured way. Therefore, Securitas has developed its four-step process approach for managing enterprise risks.

To support the ERM work, Securitas has implemented a web-based governance, risk and compliance (GRC) system that cover all four steps in Securitas' enterprise risk management process and gathers the ERM information in one database. It is used to streamline the ERM work by structuring and automating processes and workflows, such as reports. The aim is to improve the overall quality of the ERM work and have one single point of information.

1 The process starts with risk identification and prioritization during the ERM planning process. As part of the overall annual business plan process, each level of the organization prepares an ERM business plan, which sets the focus and priorities for operational risk management within countries, divisions and the Group for the coming year. The yearly risk assessment process is coordinated by the Group risk organization. The Group function is also responsible for maintenance of the risk register, which is updated annually primarily based on the country ERM business plans, but also on other sources of input.

2 The next step in the process is to assess whether new policies need to be created or existing policies need to be updated. Securitas Group policies, which is one of the cornerstones of Securitas' ERM process, establish the framework for all policies and compliance monitoring in the Group. The Group policies are developed by management and key policies are approved by the Board of Directors. A general policy update is released after the statutory Board meeting in May every year, but specific policies are also issued or updated when necessary throughout the year. Some of the key policies adopted that are relevant for governance perspectives are Client Contract policy, Securitas' Values and Ethics Code, Communication policy, Competition law compliance policy, Privacy policy and Insider policy.

3 The third step of the process is the risk management activities. The Board of Directors has the ultimate responsibility for governance of risk management while the accountability for managing risks and for implementing and maintaining control systems in accordance with Group policies is clearly assigned to management at Group, divisional and local level. Specifically, divisional management are responsible for all aspects of the operations in their divisions, including operational risk management and risk minimization as well as creating risk awareness throughout the division. Operating unit managers and country risk managers are responsible for ensuring that risk management is part of the local corporate culture at all levels within a country.

4 The identified risks and adopted policies set the structure for the forth step of the process - Risk-based monitoring. Key risks are monitored through self-assessments, audits, risk and control diagnostics (described on page 45-46), legal reviews, sustainability reviews and/or are subject to other monitoring activities throughout the year. Monitoring permeates all levels throughout the organization and is performed by different functions depending on whether it is related to operational or financial reporting matters.

More information on each step of the process is to be found on www.securitas.com

INSURANCE AS A RISK MANAGEMENT TOOL

STRATEGY

Securitas' insurance and claims strategy is to "act as if uninsured." This means that while external insurance is used to protect the balance sheet and minimize fluctuations in earnings, our day-to-day task is to perform our assignment as if we do not have any insurance in place.

One important part of our risk management work involves taking a proactive approach to contracts and assignment instructions to prevent claims from occurring. From a risk management perspective, it is important that the contract clearly defines the assignment to be performed by Securitas and that our employees' assignment instructions mirror the contract.

IMPORTANCE OF ACTIVE CLAIMS MANAGEMENT

Another significant part of Securitas' risk management work involves active claims management, as well as ongoing claims analysis of frequent and large losses with the aim of identifying the underlying driving forces. The claims are analyzed to find out if there are certain types of services, contracts, regions and so forth that cause insurance claims. As the Group's external insurance premiums are partly determined by the historic loss record, a favorable loss record will contribute to lower premiums and a lower cost of risk.

PROCUREMENT STRATEGY

Insurance programs are procured with the objective of creating a balanced and cost-efficient protection against negative financial impact. Securitas seeks to achieve economies of scale through coordinated insurance programs and the optimal utilization of the Group's insurance captives. The strategy is to cover the more frequent claims arising in Securitas' own books. Using insurance captives gives the Group an opportunity to handle part of the claims process internally and provides Group Management with an option to establish some independence from the cyclical nature of commercial insurance markets.

BENEFITS FOR OUR CLIENTS

An important advantage of our Global insurance programs is that our clients can be confident that Securitas' high-quality insurance cover is consistent in all markets.

SECURITAS KEY RISKS

Securitas' risk register contains about 50 risks. Out of the 50 risks, 14 are selected as top risks that will be subjected to monitoring activities during the year. Out of these, seven risks are currently considered key Group risks and have been assigned primary focus during the year. For information on our key risks and how they are managed, refer to the table below.

	Client contract risk	Securitas' Values and Ethics compliance risk	Information security risk
INPUT AND RISK IDENTIFICATION 1	Risk that unreasonable obligations and risks are undertaken in the contract, resulting in unbalanced terms for the type of assignment in question, such as excessive liability, unrealistic service levels or unfavorable pricing mechanisms.	Risk of non-compliance with Securitas' Values and Ethics Code (the Code) can ultimately result in reputational damage, lost revenues, penalties, fines, difficulties in recruiting, etc.	Risk of failing to protect the confidentiality, integrity and/or availability of data and data processing, which may result in operational losses, reputational damage, third-party liabilities and/or regulatory fines.
POLICY DEVELOPMENT 2	The Group has formal policies and guidelines for defining the approval process and authorization levels for new contracts as well as how to manage existing contracts. All relevant employees receive training in these policies. In addition, operations are protected by a customized Securitas insurance program, should unforeseen events occur. Read more about Securitas' insurance and claims strategy on the previous page.	The Code is one of the key corporate policies that ensures the company upholds and promotes the highest ethical business standards. Securitas' basic requirement is to act within the framework of laws and international conventions, such as the United Nations Universal Declaration of Human Rights. In addition to the Code, the Group has adopted several policies as a complement to the Values and Ethics Code, such as an anti-corruption policy, emission policy, supplier and subcontracting policy, and competition law policy.	The Group's information security policy sets forth Group Management's ambition, expectations and directions for information security across the Securitas Group as a further level of detail to supplement the information security strategy established by the Board of Directors.
RISK MANAGEMENT ACTIVITIES 3	To manage contract risks in a structured way in the operations, we use a business risk evaluation model known as the Scale, which is part of Securitas' management model, "The Toolbox". The model evaluates the assignment, risk, contract terms and financial aspects. All employees involved in the contract management process receive training in the model.	All our employees are trained in the Code. In addition, we also have training requirements for the policies related to the Code, such as the anti-corruption policy, competition law policy, and supplier and subcontractor policy.	Information security risk management will remain a focus area over the next few years as the cyber security threat landscape evolves. In 2018, Securitas created a leadership role at Group level to lead the further definition and rigorous implementation of the Group's information security risk management system. A Securitas-wide awareness program concerning information security was launched and additional dedicated resources have been mobilized to support further policy implementation.
RISK-BASED MONITORING 4	Since contract risk is a key risk, Securitas monitors this through reviews (called diagnostics) to test the effectiveness of controls in the contract management process. Contract risk is also monitored through the ERM self-assessments and business plan process.	The risk is monitored through sustainability reviews, audits, the ERM self-assessments and business plan process. The Group has a Sustainability Steering Committee, which establishes the principles for Securitas' sustainability work and closely follows up cases of alleged non-compliance with the Code, reported through Securitas Integrity Line or other reporting channels.	The implementation of the information security policy and strengthening of relevant capabilities in this domain are monitored using different sources of assurance, such as reviews, audits, ERM self-assessments as well as local country monitoring activities.

Assignment execution risk	Compliance (regulatory and other) risk	Business continuity risk including IT failure risk	Price risk
Risk that agreed contractual requirements are not met, which in turn could adversely impact the contract portfolio churn rate, growth, client relations and reputation.	Risk that regulatory and other requirements are not met or that Securitas does not meet the compliance expectations in the market or among our clients or investors. This could result in lower quality, higher costs, loss of income, delay, penalties, fines or reputational damage.	Risk that key business processes cannot operate following an incident. Includes the risk of disruptions in the IT infrastructure which could cause significant disruption to the operations.	Risk of not being able to manage prices/wages in a desired manner, for example wage increases not reflected properly in client contracts which could lead to deteriorated margins.
The Group policy requires local human resources policies covering the areas of hiring employees, retaining employees, development and training, and compliance with relevant laws and regulations. Proper recruitment procedures and the training and supervision of security officers are important for mitigating the risk.	Risks related to compliance with laws and regulations are managed at all levels in the organization, by all employees. The guiding policy is Securitas' Values and Ethics Code, but risks are further governed in separate policies relating to specific topics/ areas.	The Group's business continuity policy requires all entities to have a written contingency plan based on the classification of key processes. The plan should also cover key IT systems and be linked to controls of IT disruptions, including disaster recovery plans. The plan should cover all relevant areas, including regular updates and testing.	Part of the Group financial reporting procedures, reporting of price/wage KPIs at Group level is mandatory as part of the monthly and quarterly reporting package.
Local procedures for security services include a process for written site instructions ensuring they are defined, up to date, known and understood.	It is mandatory that local processes include procedures to ensure compliance with relevant laws and regulations, that there is an assigned responsibility for recurring reviews and that action plans are in place for addressing any issues identified. The GDPR project has also been a key focus during the year to ensure implementation by May 25, 2018.	During the last couple of years, Securitas has carried out a Group project focusing on business continuity planning with workshops in selected countries throughout the Group to share methodologies for creating, testing and maintaining business continuity plans for critical business processes and IT systems.	The processes include measurement, communication, training and support for employees involved in the pricing of our services, at the inception of a contract and for price adjustments.
The risk is monitored through the ERM self-assessments and business plan process as well as through local branch audits.	The review procedures in the Group are designed to identify any changes in regulatory requirements that may affect Securitas' activities and to take the appropriate actions.	The risk is monitored through the ERM self-assessments and business plan process as well as through a specific "BCP project" carried out by the Group.	Price/wage increases are monitored and followed up on a monthly basis and are part of the monthly reporting package at Group level.

Stockholm, March 18, 2019

Marie Ehrling
Chairman

Carl Douglas
Vice Chairman

Ingrid Bonde
Director

John Brandon
Director

Anders Böös
Director

Fredrik Cappelen
Director

Sofia Schörling Högberg
Director

Dick Seger
Director

Susanne Bergman Israelsson
Director
Employee Representative

Åse Hjelm
Director
Employee Representative

Jan Prang
Director
Employee Representative

Magnus Ahlqvist
President and Chief Executive Officer

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

(translation of the Swedish original)

To the general meeting of the shareholders in
Securitas AB, corporate identity number 556302-7241

Engagement and responsibility
It is the Board of Directors who is responsible for the corporate governance statement for the year 2018 (on pages 32-52) and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, March 18, 2019
PricewaterhouseCoopers AB

Patrik Adolfson
Authorized Public Accountant
Auditor in charge

Madeleine Endre
Authorized Public Accountant


SECURITAS
REA

SECURITAS' FINANCIAL MODEL – SIX FINGERS

How to read and understand our finances

Securitas' model focuses on the factors that impact profit, and are clearly linked to operations. Factors are grouped into three categories: volume-related factors, efficiency-related factors and capital-usage-related factors.

SECURITAS' MODEL FOR FINANCIAL KEY FIGURES

Volume-related factors
The first two key figures, **New sales** (of contracts) and **Net change** (of contract portfolio), relate to the development of the client contract portfolio. **New sales** are newly signed contracts that will increase the monthly fixed sales. **Net change** in the client contract portfolio refers to new starts (a newly signed contract that has started) plus increased sales in existing contracts, less terminated client contracts and reduced sales in existing contracts. Price changes are measured separately and added to **Net change** to determine the period's closing balance of the contract portfolio. The closing balance is the total value of monthly invoicing on our monthly fixed contracts at the closing date for the current period. The third key figure, taken from the statement of income, is **Total sales**, which in addition to contract-based sales, includes short-term guarding assignments but also alarm installations, certain maintenance services, product sales and certain risk management services.

GROUP	OPERATIONS
	New sales
	Gross margin on new sales
	Terminations
	Gross margin on terminations
	Net change
	Price change
Organic sales growth	Organic sales growth
Acquired sales growth	
Real sales growth	
Total sales	**Total sales**

Efficiency-related factors
The efficiency-related key figures provide managers with tools to monitor service efficiency and cost trends. The fourth and fifth key figures are: **Gross margin**, which is defined as total sales less direct expenses as a percentage of total sales, and **Indirect expenses**, which pertain to the organization and include sales and administrative expenses (costs of branch, area and regional/country offices). Gross income less **Indirect expenses** equals operating income before amortization of acquisition-related intangible assets and acquisition-related costs. When this is expressed as a percentage of total sales, it indicates the Group's operating margin, which in Securitas' financial model, comes before acquisition-related items.

GROUP	OPERATIONS
	Employee turnover
	Wage cost increase
	Gross margin
	Indirect expenses
Operating margin	Operating margin
Income before tax	
Earnings per share	

Capital-usage-related factors
In general, Securitas' operations are not capital intensive. Accounts receivable tie up the most capital. The sixth key figure is **Days of sales outstanding** (DSO). Payment terms and effective collection procedures are decisive in determining how much capital is tied up in accounts receivable. These figures are followed up on an ongoing basis at all levels in the organization.

GROUP	OPERATIONS
	Days of sales outstanding
Operating capital employed as % of sales	Operating capital employed as % of sales
Cash flow from operating activities as % of operating income before amortization	Cash flow from operating activities as % of operating income before amortization
Free cash flow	
Return on capital employed	Return on capital employed
Free cash flow in relation to net debt	

These factors are then assigned key figures that are measured continuously, allowing managers to make decisions based on facts, enabling them to make quick adjustments if needed. The model is also used when analyzing acquisition targets. The factors and key figures are used throughout our operations from branch level to Group level.

Six key figures represent the backbone of the Six Fingers model (highlighted in the text and table), but there are complementary key figures used by all divisions, such as organic sales growth and operating margin. There are also complimentary key figures tailored to measure the business in prioritized areas such as within security solutions and electronic security. These key figures include volume-, efficiency- and capital-usage-related factors that hold specific bearing on the Group's progress. Examples are the number of remote video solution installations, gross margin on security solution contracts (compared with traditional guarding contracts), the investment in security equipment and order backlog for alarm installations.

RELATIONSHIP BETWEEN INCOME, CASH FLOW AND BALANCE SHEET

Statement of income
The statement of income is broken down according to function, making responsibility for each profit level clear. Managers with operational responsibility can easily see what is expected of them and concentrate on the factors they can affect. Gross margin and operating margin are key indicators, and used in reviewing operations at both divisional and Group level. Amortization of acquisition-related intangible assets, acquisition-related costs, financial items and taxes are monitored separately.

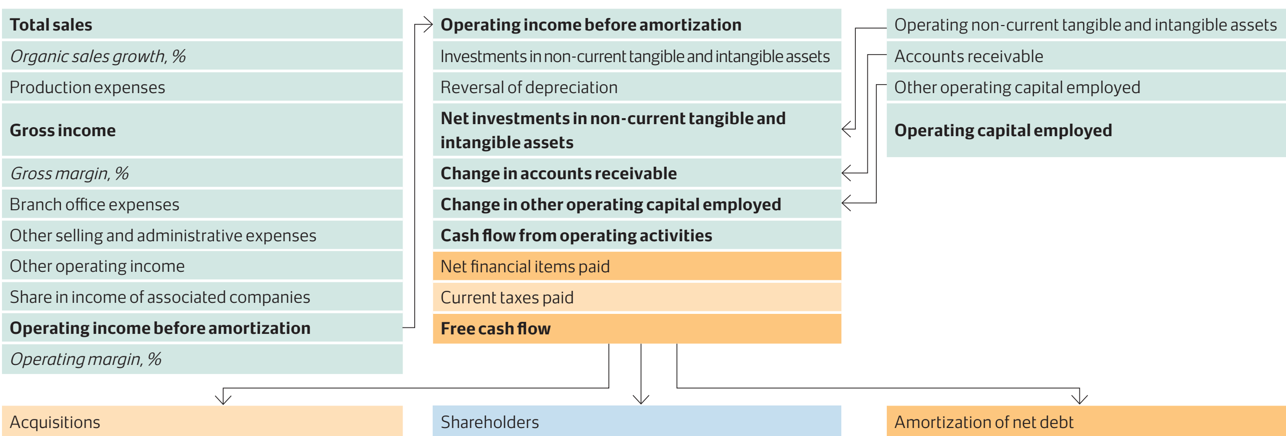
Statement of cash flow
In principle, operating income should generate the same amount of cash flow from operating activities. The cash flow is affected by investments in non-current tangible and intangible assets used in operations and by changes in working capital. Cash flow from operating activities is an important indicator at operational level. It is defined as operating income less investments in non-current tangible and intangible assets (including equipment for solution contracts) plus reversal of depreciation, change in accounts receivable and change in other operating capital employed.

Free cash flow is cash flow from operating activities less net financial items paid and current taxes paid. Cash flow for the year is arrived at when cash flow relating to acquisitions and shareholders' equity is deducted from free cash flow.

The consolidation of net debt in foreign currencies usually generates a translation difference that is reported separately. In addition, accounting standards require that certain elements of the net debt are revalued to market value after the initial recognition and this revaluation is also reported separately. The change in net debt corresponds to cash flow for the year plus the change in loans, translation differences and also the revaluation of financial instruments.

Balance sheet
Securitas uses the terms "capital employed" and "financing of capital employed" to describe the balance sheet and financial position. Capital employed consists of operating capital employed plus goodwill, acquisition-related intangible assets and shares in associated companies.

Operating capital employed, which consists of operating non-current tangible and intangible assets and working capital, is continuously monitored at the operating level to avoid unnecessary tied-up capital. Capital employed is financed by net debt and shareholders' equity.



This picture shows the connection between the statement of income, the statement of cash flow and the balance sheet. Different colors are used for the sake of clarity.
Operating items · Net-debt-related items · Goodwill, taxes and non-operating Items · Items related to shareholders' equity

The formal annual accounts and the consolidated accounts comprise pages 57–143

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Report of the Board of Directors

The Board of Directors and the President of Securitas AB (publ.), corporate registration number 556302-7241, with its registered office in Stockholm, hereby submit the Annual Report and consolidated financial statements for the 2018 financial year.

Securitas offers protective services based on client-specific needs through different combinations of on-site, mobile and remote guarding, electronic security, fire and safety and corporate risk management. Securitas operates in 58 countries in North America, Europe, Latin America, Africa, the Middle East, Asia and Australia, with 370 000 employees.

In 2018 the Securitas Group consisted of the business segments Security Services North America, Security Services Europe and Security Services Ibero-America. In addition to these business segments, the Group conducts operations in Africa, the Middle East, Asia and Australia, which are included under the heading Other in the segment report in note 10.

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 IAS 29.

The 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 clients. 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 5.2 percent (5.1), with a strong performance in North America throughout 2018. Ibero-America also improved over the full year while the operating margin in Europe improved towards the end of the year 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 clients.

The cost-savings program in Security Services Europe that was initiated during the year is progressing according to plan, with some savings achieved towards the end 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. The net debt to EBITDA ratio increased slightly to 2.3 (2.0) while the free cash flow to net debt was 0.13 (0.19).

Sales

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).

SALES JANUARY–DECEMBER

MSEK	2018	2017	%
Total sales	**101 467**	**92 197**	***10***
Currency change from 2017	-1 826	–	
Currency adjusted sales	**99 641**	**92 197**	***8***
Acquisitions/divestitures	-1 760	-1	
Organic sales	**97 881**	**92 196**	***6***

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 JANUARY–DECEMBER

MSEK	2018	2017	%
Operating income before amortization	**5 304**	**4 697**	***13***
Currency change from 2017	-169	–	
Currency adjusted operating income before amortization	**5 135**	**4 697**	***9***

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. For further information regarding acquisition related costs refer to note 11.

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. For further information regarding items affecting comparability, refer to note 11.

Operating income after amortization was MSEK 4 469 (4 394).

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 refinancing 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).

CONDENSED STATEMENT OF INCOME
ACCORDING TO SECURITAS' FINANCIAL MODEL

MSEK	2018	2017
Total sales	**101 466.7**	**92 196.8**
Organic sales growth, %	*6*	*5*
Production expenses	-83 569.5	-75 951.6
Gross income	**17 897.2**	**16 245.2**
Selling and administrative expenses	-12 654.5	-11 593.8
Other operating income	29.6	23.8
Share in income of associated companies	31.3	22.0
Operating income before amortization	**5 303.6**	**4 697.2**
Operating margin, %	*5.2*	*5.1*
Amortization of acquisition related intangible assets	-259.9	-255.1
Acquisition related costs	-119.9	-48.4
Items affecting comparability	-454.8	-
Operating income after amortization	**4 469.0**	**4 393.7**
Financial income and expenses	-440.6	-375.6
Income before taxes	**4 028.4**	**4 018.1**
Taxes	-1 007.2	-1 266.6
Net income for the year	**3 021.2**	**2 751.5**

Securitas' financial model is described on pages 54–55.

Operating items. Net debt-related items.
Goodwill, taxes and non-operating items. Items related to shareholders' equity.

Development in the Group's business segments

Security Services North America

SALES AND INCOME

MSEK	2018	2017	Change, % Total	Change, % Real
Total sales	**42 366**	**38 108**	***11***	***8***
Organic sales growth, %	*6*	*5*		
Share of Group sales, %	*42*	*41*		
Operating income before amortization	**2 589**	**2 254**	***15***	***11***
Operating margin, %	*6.1*	*5.9*		
Share of Group operating income, %	*49*	*48*		

Further information regarding the statement of income, cash flow and capital employed is provided in note 10.

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.

Security Services Europe

SALES AND INCOME

MSEK	2018	2017	Change, % Total	Change, % Real
Total sales	**45 040**	**40 703**	***11***	***6***
Organic sales growth, %	*4*	*2*		
Share of Group sales, %	*44*	*44*		
Operating income before amortization	**2 511**	**2 275**	***10***	***7***
Operating margin, %	*5.6*	*5.6*		
Share of Group operating income, %	*47*	*48*		

Further information regarding the statement of income, cash flow and capital employed is provided in note 10.

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.

Security Services Ibero-America

SALES AND INCOME

MSEK	2018[1]	2017	Change, % Total	Change, % Real
Total sales	**12 315**	**11 971**	***3***	***12***
Organic sales growth, %	*12*	*13*		
Share of Group sales, %	*12*	*13*		
Operating income before amortization	**550**	**506**	***9***	***7***
Operating margin, %	*4.5*	*4.2*		
Share of Group operating income, %	*10*	*11*		

Further information regarding the statement of income, cash flow and capital employed is provided in note 10.

1 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.

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. We are not satisfied with the situation in Argentina and have made management changes in the country. 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

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 clients 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).

CONDENSED STATEMENT OF CASH FLOW ACCORDING TO SECURITAS' FINANCIAL MODEL

MSEK	2018	2017
Operating income before amortization	**5 303.6**	**4 697.2**
Investments in non-current tangible and intangible assets	-2 187.8	-1 808.4
Reversal of depreciation	1 693.5	1 445.5
Net investments in non-current tangible and intangible assets	**-494.3**	**-362.9**
Change in accounts receivable	-1 575.0	-448.9
Change in other operating capital employed	-62.3	-48.1
Cash flow from operating activities	**3 172.0**	**3 837.3**
Cash flow from operating activities, %	*60*	*82*
Financial income and expenses paid	-431.4	-425.6
Current taxes paid	-856.3	-1 122.2
Free cash flow	**1 884.3**	**2 289.5**
Free cash flow, %	*48*	*68*
Cash flow from investing activities, acquisitions and divestitures	-1 755.2	-303.6
Cash flow from items affecting comparability	-117.4	–
Cash flow from financing activities	-375.4	-742.7
Cash flow for the year	**-363.7**	**1 243.2**

Securitas' financial model is described on pages 54–55.

Operating items. Net debt-related items.
Goodwill, taxes and non-operating items.

Capital employed and financing

Capital employed

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 clients' 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

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 7.

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 consolidated statement of comprehensive income on page 66 for further information.

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

CONDENSED CAPITAL EMPLOYED AND FINANCING ACCORDING TO SECURITAS' FINANCIAL MODEL

MSEK	2018	2017
Operating capital employed	**9 198.6**	**7 559.8**
Operating capital employed as % of sales	*9*	*8*
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
Total 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
Total financing	**32 170.1**	**27 871.5**

Securitas' financial model is described on pages 54–55.

Operating items. Net debt-related items.
Goodwill and non-operating items. Items related to shareholders' equity.

NET DEBT DEVELOPMENT

MSEK	2018	2017
Opening balance January 1	**-12 332.5**	**-13 431.3**
Cash flow from operating activities	3 172.0	3 837.3
Financial income and expenses paid	-431.4	-425.6
Current taxes paid	-856.3	-1 122.2
Free cash flow	**1 884.3**	**2 289.5**
Cash flow from investing activities, acquisitions and divestitures	-1 755.2	-303.6
Cash flow from items affecting comparability	-117.4	–
Dividend paid	-1 460.2	-1 369.0
Change in net debt before revaluation and translation	**-1 448.5**	**616.9**
Revaluation of financial instruments	26.0	-28.8
Translation differences	-758.5	510.7
Change in net debt	**-2 181.0**	**1 098.8**
Closing balance December 31	**-14 513.5**	**-12 332.5**

Acquisitions and divestitures

ACQUISITIONS AND DIVESTITURES JANUARY-DECEMBER 2018 (MSEK)

Company	Business segment[1]	Included from	Acquired share[2]	Annual sales[3]	Enterprise 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 and divestitures January–December 2018				**2 380**	**1 658**	**1 214**	**499**
Amortization of acquisition related intangible assets						–	–260
Translation 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 consolidated statement of changes in shareholders' equity and in note 29. Transaction costs and revaluation of deferred considerations can be found in note 11.

For further information regarding acquisitions and divestitures in 2018, refer to note 16.

Other significant events

Two major IS/IT 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.

Other significant events after the balance sheet date

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 clients. The client 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 clients (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 clients. The acquisition was consolidated in Securitas as of January 10, 2019.

In order to hedge the share portion of Securitas share-based incentive scheme 2018, the Group entered into a swap agreement with a third party in the beginning of March 2019.

There have been no other significant events with effect on the financial reporting after the balance sheet date.

Change in Group Management

Helena Andreas has been appointed Senior Vice President Brand, Communications and Public Relations of Securitas AB. Since June 2014, Helena Andreas has been Head of Group Marketing and Communications at Nordea with overall responsibility for the Nordea Group's client insight, branding, marketing, communication and sustainability activities. Before joining Nordea, Helena held several senior positions with the listed companies Vodafone and Tesco while based in London between 2005 and 2014. Prior to this, she was a consultant at Accenture in Stockholm. Helena has a MSc in Engineering Physics from Lund University and an MBA from INSEAD France/Singapore. Helena Andreas assumed this position on February 1, 2019 and she is a member of Securitas Group Management from this date.

Peter Karlströmer has been appointed Divisional President Security Services Europe. 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 holds a Master of Science in Business Administration and Economics, and a Master of Science in Electrical Engineering from

Lund University. Peter Karlströmer assumed his position on March 4, 2019 and he is a member of Securitas Group Management from this date.

Risk and uncertainties

Managing risk is necessary for Securitas to be able to fulfill its strategies and achieve its corporate objectives. Securitas' approach to enterprise risk management is described in more detail on pages 48–51.

Securitas' risks fall into three main categories: contract and acquisition risks, operational assignment risks and financial risks.

Contract and acquisition risks

This category encompasses the risks related to entering into a client contract and also those risks related to the acquisition of new businesses.

When entering into a contract with a client a balanced allocation of responsibilities and risks between Securitas and the client is essential. Standardized contracts are the norm. Reasonable caps on potential liability and indemnification for third-party claims are important. Significant focus is devoted to contract risks and the management of contract risks. Each segment has developed policies and procedures tailored to their specific needs. These policies are all based on the contract policies approved by the Board of Directors in the Group Policies.

In addition to organic growth resulting from new and/or increased client contracts the Group has grown by a significant number of acquisitions over the years and will, as part of the Group's strategy, continue to acquire security companies. The integration of new companies always carries certain risks. To a higher degree than previously, such acquisitions are also taking place in new markets such as Latin America, Africa, the Middle East and Asia or relate to acquisitions of security companies active within electronic security. The profitability of the acquired company may be lower than expected and/or certain costs in connection with the acquisition may be higher than expected.

The acquisitions made during 2018 are described under the heading Acquisitions and divestitures above and in note 16.

Operational assignment risks

Operational assignment risks are risks associated with daily operations and the services we provide to our clients, for example, when services do not meet the required standards and result in loss of property, damage to property or bodily injury. Proper recruitment, training and supervision of security officers are important to mitigate these risks. Another type of operational assignment risk which may impact profitability is the risk that Securitas will not be able to increase prices to be paid by clients in order to compensate fully for increases in wages and related costs.

Financial risks

Financial risks are mainly managed through continuous measurement and follow-up of financial performance, with the help of Securitas' financial model. This model identifies certain key figures that are vital to the profitability of the operations, and facilitates the detection and handling of risks. The financial model is described in more detail on pages 54–55. In addition, financial risks (other than relating to financial reporting) arise because the Group has external financing needs and operates in a number of foreign currencies. The risks are mainly interest rate risk, foreign currency risk, financing and liquidity risk and credit/counterparty risk.

The client credit risk, that is the risk of Securitas' clients not being able to fulfill their obligation of paying invoices for services being provided, is reduced by the fact that the numerous clients are spread over many business sectors and geographies, and by established routines for monitoring and collecting of accounts receivable within the organization. Further information regarding financial risk management is provided above under the section Capital employed and financing/Financing and in note 7.

The preparation of financial reports requires the Board of Directors and Group Management to make estimates and judgments. Estimates and judgments will impact the statement of income and the balance sheet, as well as disclosures such as contingent liabilities. Actual results may differ from these estimates and judgments under different circumstances and conditions. Further information regarding critical estimates and judgments is provided in note 4.

For the forthcoming twelve-month period, the financial impact of certain items affecting comparability, provisions and contingent liabilities, as described in note 11, note 32, note 35 and note 37 respectively, may vary from the current financial estimates and provisions made by management. This could affect the profitability and the financial position of the Group.

Statutory sustainability report

The statutory Sustainability Report is included in separate parts of the Securitas AB Annual Report 2018 and is not a part of the statutory Annual Report.

Securitas AB's sustainability report describes the Group's work with regards to economic, environmental and social aspects. The report is prepared according to the Sustainability Reporting Standards, issued by Global Reporting Initiative (GRI). The sustainability reporting also includes the statutory sustainability report under Chapter 6 Section 11 of the Annual Accounts Act.

Securitas is a service company with relatively low environmental impact compared with a manufacturing company. The operations of the Group do not require a permit under the Swedish Environmental Code.

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Research and development

The service offering of the Group is continuously being developed, not least as an integrated item when carrying out the service delivery to the clients. Technical solutions are an important part of the security solutions that Securitas offers. In order to support this development, a Chief Technology Officer (CTO) position with supporting staff is implemented in all major countries as well as on divisional level. The capabilities within technical solutions is also supported by a number of acquisitions within Electronic security such as the ones completed during 2018 with Kratos, Alphatron and Johnson & Thomson.

The Group's Chief Information Officer with team are leading the development of Securitas' global digitization and IS/IT transformation and are responsible for large scale global IT/business projects. As mentioned above under the heading Other significant events, the Group is now initiating two major transformation programs in the further digitization of the company. Further details can be found below under the heading Group development.

Securitas is a service company and has historically not carried out any material research and development activities as defined in IAS 38 Intangible assets. Under the responsibility of the Group's Chief Information Officer the Group has gradually invested in capabilities to develop improved data-driven and intelligence-based services for a future where scale and data availability are critical for the next big shift in the security services industry to the benefit our clients and society as a whole. A number of development projects that supports this are ongoing and as of December 31, 2018 the Group had MSEK 23 (0) in capitalized development expenditures.

Information regarding the Securitas share

Information about the Securitas share regarding the number of shares of Series A and Series B, differences between shares in Series A and Series B as well as information on major shareholders can be found in note 29. Further information regarding the Securitas share can also be found on pages 162–163.

In order to be able to contribute to shareholder value, the Board considers it beneficial for the company to be able to adjust the company's capital structure as appropriate at each point in time. The Board has therefore decided to propose to the Annual General Meeting on May 6, 2019, that the Board be authorized to be able to resolve on the acquisition of the company's shares for a period until the next Annual General Meeting, up to a maximum of ten (10) percent of the issued shares in the company. For this purpose, the Board intends to propose that any shares that have been repurchased as per such an authorization be cancelled. There is currently an authorization by the Annual General Meeting held on May 2, 2018, to the Board of Directors to repurchase Securitas shares with the same terms and limitations as proposed to the Annual General Meeting for 2019. The Board of Directors has as of the date of this Annual Report, not taken any decisions to repurchase shares.

A shareholders' agreement that among other items comprises preemption rights for the sale of Series A shares by any part exists among Gustaf Douglas, Melker Schörling and companies closely related to them. Apart from this, the Board of Directors of Securitas AB is not aware of any shareholders' agreements or other arrangements between shareholders of Securitas AB.

Group development

Securitas continue to deliver according to our Vision 2020 but is also to starting to shape the strategy beyond 2020. Much of this work focuses on client centricity, how we will strengthen our guarding core, and how we will 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 clients and society as a whole. This will also enable us to grow faster than the market and deliver profitable growth.

We have initiated 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 client 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 was recognized as items affecting comparability in the income statement in 2018. An additional amount of approximately MSEK –650 will be recognized as items affecting comparability 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 clients, 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 2019.

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.

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.

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).

Income before taxes includes dividends from subsidiaries of MSEK 1 593 (2 182), interest income of MSEK 659 (466), interest expense of MSEK -418 (-377) and other financial income and expenses, net, of MSEK 435 (-722). For further information, refer to note 47.

Net income was MSEK 2 269 (2 387).

Cash flow for the year amounted to MSEK -617 (718).

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 amounted to 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 financial statements and the accompanying notes and comments.

Proposed guidelines for remuneration to senior management in Securitas for 2019

The Board of Directors of Securitas AB proposes that the Annual General Meeting on May 6, 2019 adopts guidelines for remuneration to senior management in accordance with the following.

The fundamental principle is that remuneration and other terms of employment for senior management shall be competitive and in accordance with market conditions, in order to ensure that the Securitas Group will be able to attract and keep competent senior management employees.

The total remuneration to senior management shall consist of a fixed basic salary, variable remuneration, pensions and other benefits. In addition to a fixed annual salary the Group Management may also receive variable remuneration, which shall be based on the outcome in relation to financial goals within the individual's area of responsibility (Group or division) and which shall be aligned with the interest of the shareholders. The variable remuneration shall amount to a maximum of 60 percent of the fixed annual salary for the President and CEO and a maximum of 42–200 percent of the fixed annual salary for other individuals of the Group Management. If cash payment of variable remuneration has been effected on grounds later proven to be obviously inaccurate, the company shall have the possibility to reclaim such paid remuneration.

The Board of Directors shall each year consider whether to propose that the Annual General Meeting shall resolve upon share or share price related incentive programs. Ahead of the Annual General Meeting 2019, the Board of Directors proposes, in addition to the previously established incentive schemes, the implementation of LTI 2019/2021.

The cost of the company for 2019 in terms of its obligations to pay variable remuneration to the Group Management is estimated to not exceed a total of MSEK 99 at maximum outcome (not including potential costs for the LTI 2019/2021). Information on previously decided remuneration which has not yet been paid can be found in note 9.

Subject to applicable legislation, the entire Group Management shall be subject to defined contribution pension plans for which insurance premiums are transferred from the individual's total remuneration and paid by the company during the term of employment. In exceptional cases, the value of such insurance premiums can instead be paid as part of the remuneration to the members of the Group Management. Variable compensation shall not qualify for pension purposes unless local regulations provide otherwise.

Other benefits, such as company car, special health insurance or occupational health service shall be provided to the extent this is considered customary for senior management employees holding equivalent positions on the labor market where the senior management employee is active.

At dismissal, the notice period for all senior management employees shall amount to a maximum of twelve months with a right to redundancy payment after the end of the notice period, equivalent to a maximum of 100 percent of the fixed salary for a period not exceeding twelve months. At resignation by a senior management employee, the notice period shall amount to a maximum of six months.

These guidelines shall apply to individuals who are included in the Group Management during the term of application of these guidelines. The guidelines shall apply to agreements entered into after the adoption by the Annual General Meeting, and to changes made in existing agreements after this date. The Board shall be entitled to deviate from the guidelines in individual cases if there are specific reasons for such deviation.

Proposed allocation of earnings

The statements of income and the balance sheets of the Parent Company and the Group are subject to adoption by the Annual General Meeting on May 6, 2019.

Retained earnings in the Parent Company available for distribution:

	SEK
Hedging reserve	14 478 214
Retained earnings	18 418 431 882
Net income for the year[1]	2 268 997 276
Total	**20 701 907 372**

1 Includes Group contributions to subsidiaries of SEK 135 488 000.

The Board of Directors proposed that the earnings are allocated as follows:

	SEK
a dividend to the shareholders of SEK 4.40 per share	1 606 259 147
retained earnings to be carried forward	19 095 648 225
Total	**20 701 907 372**

Proposal on record date for dividend

As record date for dividend, the Board has proposed May 8, 2019. If the Annual General Meeting so resolves, the dividend is expected to be distributed by Euroclear Sweden AB starting May 13, 2019.

Proposed authorization to acquire the Company's own shares

The Board has further proposed that the 2019 Annual General Meeting should authorize the Board to, on one or several occasions during the time up to the Annual General Meeting in 2020, decide on the acquisition of the Company's own shares. The proposal entails that the Board may decide on the acquisition so that the maximum number of shares held by the Company at each point in time does not exceed ten (10) percent of the total number of shares outstanding in the Company.

The Board's statement on the proposed dividend and the proposed authorization to acquire the Company's own shares

The Board hereby issues the following statement regarding proposed allocation of earnings and proposed authorization to acquire the Company's own shares pursuant to Chapter 18, Section 4 and Chapter 19, Section 22 of the Swedish Companies Act.

The Company's unappropriated earnings as per December 31, 2018 amount to SEK 18 432 910 096. The net income for the year amounts to SEK 2 268 997 276 of which SEK 135 488 000 is related to Group contributions to subsidiaries and SEK 5 265 893 is the result of financial instruments being valued pursuant to Chapter 4, Section 14a of the Swedish Annual Accounts Act.

The Company's equity would have been SEK 14 582 591 lower as per December 31, 2018, if financial instruments, having been valued at fair value pursuant to Chapter 4, Section 14a of the Swedish Annual Accounts Act, had instead been valued at the lower of cost or market.

At the disposal of the Annual General Meeting is thereby a total amount of SEK 20 701 907 372 in unappropriated earnings before the decision on dividend for 2018.

Provided that the 2019 Annual General Meeting resolves to allocate the earnings in accordance with the Board's proposal, SEK 19 095 648 225 will be carried forward. After distribution of the proposed dividend and Group contributions, there will be full coverage for the Company's restricted equity.

In view of the proposed dividend and authorization to acquire the Company's own shares, the Board has considered the Company's and the Group's consolidation requirements and liquidity through a comprehensive assessment of the financial position of the Company and the Group, as well as the possibilities of the Company and the Group to discharge its obligations in the long term. The proposed dividend, the Group contributions to subsidiaries and the proposed authorization to acquire the Company's own shares does not jeopardize the Company's ability to make the investments that have been deemed necessary. The Company's financial position does not give rise to any other assessment than that the Company can continue its operations and that the Company is expected to comply with its obligations in a short as well as long term perspective. In addition to the assessment of the Company's consolidation requirements and liquidity, the Board has also taken into consideration all other known circumstances that may impact the Company's financial position.

With reference to the above, the Board makes the assessment that the proposed dividend, the Group contributions and the proposed authorization to acquire the Company's own shares are justifiable considering the requirements that the nature, scope and risks of the operations pose on the size of the Company's and the Group's equity as well as the Company's and the Group's consolidation requirements, liquidity and position in general.

As regards the Company's and the Group's result and position in general, refer to the statements of income, statements of comprehensive income, balance sheets and statements of cash flow as well as notes and comments.

Consolidated statement of income

MSEK	Note	2018	2017[1]
Sales		99 706.9	91 479.1
Sales, acquired business		1 759.8	717.7
Total sales	**6, 10**	**101 466.7**	**92 196.8**
Production expenses	11, 12, 13	-83 569.5	-75 951.6
Gross income		**17 897.2**	**16 245.2**
Selling and administrative expenses	11, 12, 13	-12 654.5	-11 593.8
Other operating income	6	29.6	23.8
Share in income of associated companies	21	31.3	22.0
Amortization of acquisition related intangible assets	18	-259.9	-255.1
Acquisition related costs	11	-119.9	-48.4
Items affecting comparability	11	-454.8	–
Operating income	**11**	**4 469.0**	**4 393.7**
Financial income	14	84.8	53.7
Financial expenses	14	-525.4	-429.3
Income before taxes		**4 028.4**	**4 018.1**
Taxes	15	-1 007.2	-1 266.6
Net income for the year		**3 021.2**	**2 751.5**
Whereof attributable to:			
Equity holders of the Parent Company		3 015.9	2 749.7
Non-controlling interests		5.3	1.8
Average number of shares before and after dilution		365 058 897	365 058 897
Earnings per share before and after dilution (SEK)	3	8.26	7.53
Earnings per share before and after dilution and before items affecting comparability (SEK)	3	9.17	7.87

Consolidated statement of comprehensive income

MSEK	Note	2018	2017[1]
Net income for the year		**3 021.2**	**2 751.5**
Other comprehensive income			
Items that will not be reclassified to the statement of income			
Remeasurements of defined benefit pension plans net of tax	31	-71.9	45.4
Total items that will not be reclassified to the statement of income		**-71.9**	**45.4**
Items that subsequently may be reclassified to the statement of income			
Remeasurement for hyperinflation net of tax	39	314.2	–
Cash flow hedges net of tax	7	62.5	-21.9
Cost of hedging net of tax	7	-44.1	–
Net investment hedges net of tax		-381.3	91.3
Other comprehensive income from associated companies, translation differences		19.0	-25.3
Translation differences		668.0	-696.5
Total items that subsequently may be reclassified to the statement of income		**638.3**	**-652.4**
Other comprehensive income	**15**	**566.4**	**-607.0**
Total comprehensive income for the year		**3 587.6**	**2 144.5**
Whereof attributable to:			
Equity holders of the Parent Company		3 582.8	2 142.5
Non-controlling interests		4.8	2.0

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

Securitas' financial model – consolidated statement of income

Supplementary information

MSEK	2018	2017[1]
Sales	99 706.9	91 479.1
Sales, acquired business	1 759.8	717.7
Total sales	**101 466.7**	**92 196.8**
Organic sales growth, %	*6*	*5*
Production expenses	-83 569.5	-75 951.6
Gross income	**17 897.2**	**16 245.2**
Gross margin, %	*17.6*	*17.6*
Expenses for branch offices	-5 428.6	-5 101.3
Other selling and administrative expenses	-7 225.9	-6 492.5
Total expenses	**-12 654.5**	**-11 593.8**
Other operating income	29.6	23.8
Share in income of associated companies	31.3	22.0
Operating income before amortization	**5 303.6**	**4 697.2**
Operating margin, %	*5.2*	*5.1*
Amortization of acquisition related intangible assets	-259.9	-255.1
Acquisition related costs	-119.9	-48.4
Items affecting comparability	-454.8	–
Operating income after amortization	**4 469.0**	**4 393.7**
Financial income and expenses	-440.6	-375.6
Income before taxes	**4 028.4**	**4 018.1**
Net margin, %	*4.0*	*4.4*
Taxes	-1 007.2	-1 266.6
Net income for the year	**3 021.2**	**2 751.5**

Operating items. Net debt-related items. Goodwill, taxes and non-operating items. Items related to shareholders' equity.

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

Securitas' financial model is described on pages 54–55.

Consolidated statement of cash flow

MSEK	Note	2018	2017[1]
Operations			
Operating income		4 469.0	4 393.7
Adjustment for effect on cash flow from items affecting comparability	11	337.4	–
Adjustment for effect on cash flow from acquisition related costs	11	22.6	-10.2
Reversal of depreciation	18, 19, 20	1 953.4	1 700.6
Financial items received		59.2	53.8
Financial items paid		-490.6	-479.4
Current taxes paid		-856.3	-1 122.2
Change in accounts receivable		-1 575.0	-448.9
Change in other operating capital employed		-62.3	-48.1
Cash flow from operations		**3 857.4**	**4 039.3**
Investing activities			
Investments in non-current tangible and intangible assets		-2 187.8	-1 808.4
Acquisitions and divestitures of subsidiaries	16	-1 657.9	-245.0
Cash flow from investing activities		**-3 845.7**	**-2 053.4**
Financing activities			
Dividend paid to shareholders of the Parent Company		-1 460.2	-1 369.0
Proceeds from bond loans	30, 33	3 004.1	3 299.5
Redemption of bond loans	30, 33	-3 479.7	-3 307.7
Proceeds from commercial paper		2 500.0	–
Redemption of commercial paper		-1 550.0	–
Change in other interest-bearing net debt excluding liquid funds		610.4	634.5
Cash flow from financing activities	**7**	**-375.4**	**-742.7**
Cash flow for the year		**-363.7**	**1 243.2**
Liquid funds at beginning of year		3 610.6	2 414.5
Translation differences on liquid funds		-18.1	-47.1
Liquid funds at year-end	**7, 28**	**3 228.8**	**3 610.6**

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

Securitas' financial model – consolidated statement of cash flow

Supplementary information

MSEK	2018	2017[1]
Operating income before amortization	**5 303.6**	**4 697.2**
Investments in non-current tangible and intangible assets	-2 187.8	-1 808.4
Reversal of depreciation	1 693.5	1 445.5
Net investments in non-current tangible and intangible assets	**-494.3**	**-362.9**
Change in accounts receivable	-1 575.0	-448.9
Change in other operating capital employed	-62.3	-48.1
Cash flow from operating activities	**3 172.0**	**3 837.3**
Cash flow from operating activities as % of operating income before amortization	*60*	*82*
Financial income and expenses paid	-431.4	-425.6
Current taxes paid	-856.3	-1 122.2
Free cash flow	**1 884.3**	**2 289.5**
Free cash flow as % of adjusted income	*48*	*68*
Acquisitions and divestitures of subsidiaries	-1 657.9	-245.0
Acquisition related costs paid	-97.3	-58.6
Cash flow from items affecting comparability	-117.4	–
Cash flow from financing activities	-375.4	-742.7
Cash flow for the year	**-363.7**	**1 243.2**

Operating items. Net debt-related items. Goodwill. taxes and non-operating items.

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

Securitas' financial model is described on pages 54–55.

Consolidated balance sheet

MSEK	Note	2018	2017[1]	Jan 1, 2017[1,2]
ASSETS				
Non-current assets				
Goodwill	17	21 061.3	18 719.1	19 379.6
Acquisition related intangible assets	18	1 458.2	1 172.8	1 356.1
Other intangible assets	6, 19	1 449.9	1 079.0	917.5
Buildings and land	20	305.7	304.2	283.5
Machinery and equipment	20	3 448.2	3 184.9	3 054.3
Shares in associated companies	21	452.0	419.8	419.5
Deferred tax assets	15	961.3	1 004.0	1 347.9
Interest-bearing financial non-current assets	22	499.0	499.7	411.7
Other long-term receivables	23	782.8	815.6	769.1
Total non-current assets		**30 418.4**	**27 199.1**	**27 939.2**
Current assets				
Inventories	24	459.6	388.3	353.1
Accounts receivable	25	15 603.5	13 349.3	13 352.6
Current tax assets	15	581.2	606.9	490.4
Other current receivables	26	5 056.3	4 224.5	4 052.9
Other interest-bearing current assets	27	121.1	164.7	189.2
Liquid funds	28	3 228.8	3 610.6	2 414.5
Total current assets		**25 050.5**	**22 344.3**	**20 852.7**
TOTAL ASSETS		**55 468.9**	**49 543.4**	**48 791.9**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital		365.1	365.1	365.1
Other capital contributed		7 362.6	7 362.6	7 362.6
Other reserves		-326.1	-650.7	1.9
Retained earnings		10 229.8	8 440.8	7 032.3
Shareholders' equity attributable to equity holders of the Parent Company		**17 631.4**	**15 517.8**	**14 761.9**
Non-controlling interests		**25.2**	**21.2**	**20.7**
Total shareholders' equity	**29**	**17 656.6**	**15 539.0**	**14 782.6**
Long-term liabilities				
Long-term loan liabilities	30	15 973.8	13 024.6	12 806.9
Other long-term liabilities	30	336.3	237.7	258.1
Provisions for pensions and similar commitments	31	1 116.1	1 072.8	1 177.0
Deferred tax liabilities	15	570.7	1 027.9	1 035.1
Other long-term provisions	32	840.5	1 106.1	1 069.8
Total long-term liabilities		**18 837.4**	**16 469.1**	**16 346.9**
Current liabilities				
Short-term loan liabilities	33	2 388.6	3 582.9	3 639.8
Accounts payable		1 832.7	1 698.8	1 332.4
Current tax liabilities	15	1 362.3	335.5	401.4
Other current liabilities	34	12 027.3	10 865.6	10 960.3
Short-term provisions	35	1 364.0	1 052.5	1 328.5
Total current liabilities		**18 974.9**	**17 535.3**	**17 662.4**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**55 468.9**	**49 543.4**	**48 791.9**

1 Comparatives have been restated as an effect of a change in accounting principle IFRS 15. Refer to note 2 for further information.
2 Disclosed due to change in accounting principle IFRS 15.

Securitas' financial model – consolidated capital employed and financing

Supplementary information

MSEK	2018	2017[1]	Jan 1, 2017[1,2]
Operating capital employed			
Other intangible assets	1 449.9	1 079.0	917.5
Buildings and land	305.7	304.2	283.5
Machinery and equipment	3 448.2	3 184.9	3 054.3
Deferred tax assets	961.3	1 004.0	1 347.9
Other long-term receivables	782.8	815.6	769.1
Inventories	459.6	388.3	353.1
Accounts receivable	15 603.5	13 349.3	13 352.6
Current tax assets	581.2	606.9	490.4
Other current receivables	5 056.3	4 224.5	4 052.9
Total assets	**28 648.5**	**24 956.7**	**24 621.3**
Other long-term liabilities	336.3	237.7	258.1
Provisions for pensions and similar commitments	1 116.1	1 072.8	1 177.0
Deferred tax liabilities	570.7	1 027.9	1 035.1
Other long-term provisions	840.5	1 106.1	1 069.8
Accounts payable	1 832.7	1 698.8	1 332.4
Current tax liabilities	1 362.3	335.5	401.4
Other current liabilities	12 027.3	10 865.6	10 960.3
Short-term provisions	1 364.0	1 052.5	1 328.5
Total liabilities	**19 449.9**	**17 396.9**	**17 562.6**
Total operating capital employed	**9 198.6**	**7 559.8**	**7 058.7**
Goodwill	21 061.3	18 719.1	19 379.6
Acquisition related intangible assets	1 458.2	1 172.8	1 356.1
Shares in associated companies	452.0	419.8	419.5
Total capital employed	**32 170.1**	**27 871.5**	**28 213.9**
Operating capital employed as % of sales	*9*	*8*	*8*
Return on capital employed, %	*15*	*17*	*16*
Net debt			
Interest-bearing financial non-current assets	499.0	499.7	411.7
Other interest-bearing current assets	121.1	164.7	189.2
Liquid funds	3 228.8	3 610.6	2 414.5
Total interest-bearing assets	**3 848.9**	**4 275.0**	**3 015.4**
Long-term loan liabilities	15 973.8	13 024.6	12 806.9
Short-term loan liabilities	2 388.6	3 582.9	3 639.8
Total interest-bearing liabilities	**18 362.4**	**16 607.5**	**16 446.7**
Total net debt	**14 513.5**	**12 332.5**	**13 431.3**
Net debt equity ratio, multiple	*0.82*	*0.79*	*0.91*
Shareholders' equity			
Share capital	365.1	365.1	365.1
Other capital contributed	7 362.6	7 362.6	7 362.6
Other reserves	-326.1	-650.7	1.9
Retained earnings	10 229.8	8 440.8	7 032.3
Non-controlling interests	25.2	21.2	20.7
Total shareholders' equity	**17 656.6**	**15 539.0**	**14 782.6**
Total financing	**32 170.1**	**27 871.5**	**28 213.9**

Operating items. Net debt-related items. Goodwill and non-operating items. Items related to shareholders' equity.

1 Comparatives have been restated as an effect of a change in accounting principle IFRS 15. Refer to note 2 for further information.
2 Disclosed due to change in accounting principle IFRS 15.

Securitas' financial model is described on pages 54–55.

Consolidated statement of changes in shareholders' equity

MSEK	Share capital	Other capital contributed	Hedging reserve	Translation reserve	Retained earnings[2]	Total[2]	Non-controlling interests[1]	Total share-holders' equity[2]
	Shareholders' equity attributable to equity holders of the Parent Company[1]							
Opening balance 2017	**365.1**	**7 362.6**	**18.0**	**-16.1**	**6 757.6**	**14 487.2**	**20.7**	**14 507.9**
Effect of change in accounting principle IFRS 15[3]	–	–	–	–	274.7	274.7	–	274.7
Opening balance adjusted in accordance with new accounting principle	**365.1**	**7 362.6**	**18.0**	**-16.1**	**7 032.3**	**14 761.9**	**20.7**	**14 782.6**
Net income for the year	**–**	**–**	**–**	**–**	**2 749.7**	**2 749.7**	**1.8**	**2 751.5**
Other comprehensive income								
Items that will not be reclassified to the statement of income								
Remeasurements of defined benefit pension plans net of tax	–	–	–	–	45.4	45.4	–	45.4
Total items that will not be reclassified to the statement of income	**–**	**–**	**–**	**–**	**45.4**	**45.4**	**–**	**45.4**
Items that subsequently may be reclassified to the statement of income								
Cash flow hedges net of tax[4]	–	–	-21,9	–	–	-21,9	–	-21,9
Net investment hedges net of tax[5]	–	–	–	91.3	–	91.3	–	91.3
Other comprehensive income from associated companies, translation differences	–	–	–	-25.3	–	-25.3	–	-25.3
Translation differences	–	–	–	-696.7	–	-696.7	0.2	-696.5
Total items that subsequently may be reclassified to the statement of income	**–**	**–**	**-21.9**	**-630.7**	**–**	**-652.6**	**0.2**	**-652.4**
Other comprehensive income	**–**	**–**	**-21.9**	**-630.7**	**45.4**	**-607.2**	**0.2**	**-607.0**
Total comprehensive income for the year	**–**	**–**	**-21.9**	**-630.7**	**2 795.1**	**2 142.5**	**2.0**	**2 144.5**
Transactions with non-controlling interests[1]	–	–	–	–	-1.2	-1.2	-1.5	-2.7
Share-based incentive scheme[1]	–	–	–	–	-16.4	-16.4	–	-16.4
Dividend paid to shareholders of the Parent Company	–	–	–	–	-1 369.0	-1 369.0	–	-1 369.0
Closing balance 2017	**365.1**	**7 362.6**	**-3.9**	**-646.8**	**8 440.8**	**15 517.8**	**21.2**	**15 539.0**
Opening balance 2018	**365.1**	**7 362.6**	**-3.9**	**-646.8**	**8 440.8**	**15 517.8**	**21.2**	**15 539.0**
Net income for the year	**–**	**–**	**–**	**–**	**3 015.9**	**3 015.9**	**5.3**	**3 021.2**
Other comprehensive income								
Items that will not be reclassified to the statement of income								
Remeasurements of defined benefit pension plans net of tax	–	–	–	–	-71.9	-71.9	–	-71.9
Total items that will not be reclassified to the statement of income	**–**	**–**	**–**	**–**	**-71.9**	**-71.9**	**–**	**-71.9**
Items that subsequently may be reclassified to the statement of income								
Remeasurement for hyperinflation net of tax[6]	–	–	–	–	314.2	314.2	–	314.2
Cash flow hedges net of tax[4]	–	–	62.5	–	–	62.5	–	62.5
Cost of hedging net of tax	–	–	-44.1	–	–	-44.1	–	-44.1
Net investment hedges net of tax[5]	–	–	–	-381.3	–	-381.3	–	-381.3
Other comprehensive income from associated companies, translation differences	–	–	–	19.0	–	19.0	–	19.0
Translation differences	–	–	–	668.5	–	668.5	-0.5	668.0
Total items that subsequently may be reclassified to the statement of income	**–**	**–**	**18.4**	**306.2**	**314.2**	**638.8**	**-0.5**	**638.3**
Other comprehensive income	**–**	**–**	**18.4**	**306.2**	**242.3**	**566.9**	**-0.5**	**566.4**
Total comprehensive income for the year	**–**	**–**	**18.4**	**306.2**	**3 258.2**	**3 582.8**	**4.8**	**3 587.6**
Transactions with non-controlling interests[1]	–	–	–	–	-1.6	-1.6	-0.8	-2.4
Share-based incentive scheme[1]	–	–	–	–	-7.4	-7.4	–	-7.4
Dividend paid to shareholders of the Parent Company	–	–	–	–	-1 460.2	-1 460.2	–	-1 460.2
Closing balance 2018	**365.1**	**7 362.6**	**14.5**	**-340.6**	**10 229.8**	**17 631.4**	**25.2**	**17 656.6**

1 Further information is provided in note 29.
2 Comparatives have been restated as an effect of a change in accounting principle IFRS 15. Refer to note 2 for further information.
3 Refers to net impact after taxes of adoption of IFRS 15.
4 Specification can be found in note 7, in the table revaluation of financial instruments, as well as in note 15.
5 For tax amount see note 15.
6 Further information is provided in note 39.

Note
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Notes

NOTE 1 *General corporate information*

Operations

Securitas serves a wide range of clients of all sizes in a variety of industries and client segments. Security solutions based on client-specific needs are built through different combinations of on-site, mobile and remote guarding, electronic security, fire and safety and corporate risk management. Securitas operates in North America, Europe, Latin America, Africa, the Middle East, Asia and Australia and employs 370 000 employees in 58 countries.

Information regarding Securitas AB

Securitas AB, corporate registration number 556302-7241, is a Swedish public company and has its registered office in Stockholm, Sweden. The address of the head office is:

Securitas AB
Lindhagensplan 70
SE-102 28 Stockholm
Sweden

Securitas AB is listed on Nasdaq Stockholm on the Large Cap List. The Securitas share is included in for example the OMX Stockholm Price Index and the OMX Stockholm 30 Index. Securitas has been listed on the stock exchange since 1991.

Information regarding the Annual Report and the consolidated financial statements

This Annual Report including the consolidated financial statements was signed by the Board of Directors and the President and CEO of Securitas AB and also approved for publication on March 18, 2019.

The statements of income and balance sheets for the Parent Company and the consolidated financial statements for the Group included in the Annual Report are subject to adoption by the Annual General Meeting on May 6, 2019.

NOTE 2 *Accounting principles*

Basis of preparation

Securitas' consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 1 Supplementary Accounting Rules for Groups. The consolidated financial statements have been prepared in accordance with the historical cost convention method except where a fair value measurement is required according to IFRS. Examples of assets and liabilities measured at fair value are financial assets or financial liabilities (including derivatives) at fair value through profit or loss and plan assets related to defined benefit pension plans.

Estimates and judgments

Note 4

The preparation of financial reports requires the Board of Directors and Group Management to make estimates and judgments. Estimates and judgments will impact both the statement of income and the balance sheet as well as disclosures such as contingent liabilities. Actual outcome may differ from these judgments under different assumptions or conditions.

First time adoption 2018

As per July 1, 2018 Argentina is considered to be a hyperinflationary economy and consequently, Securitas has adopted IAS 29 Financial reporting in hyperinflationary economies for our operations in Argentina as of this date. This includes the subsidiaries with functional currency in ARS as well as consolidated goodwill that is consolidated 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). For further information regarding Securitas' principles for revaluation according to IAS 29, refer to the section Remeasurement for hyperinflation below in this note.

Adoption and impact of new and revised IFRS for 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 below.

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. For further information regarding Securitas' transition to IFRS 9, refer to the section Financial instruments below in this note.

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. For further information regarding Securitas' principles for revenue recognition, refer to the section Revenue recognition below in this note.

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. Consolidated balance sheets as of January 1, 2017 and December 31, 2017 that have been restated due to this change in accounting principle are disclosed on page 70. The effects of restating the comparative year 2017 is disclosed in note 6 along with a disaggregation of Securitas' revenue on type of revenue as well as a description of these.

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. Revenue split by segment is accounted for in note 6 as well as in the segment overviews in note 10.

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.

One effect on Securitas from IFRS 16 is that total assets and total liabilities have increased by BSEK 3.4 as of January 1, 2019. This is due to the fact that the majority of the Group's leasing agreements are now accounted for gross in the balance sheet as right-of-use assets and loan liabilities. The Group's operating income in 2019 is expected to improve by BSEK 0.1 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 by BSEK 0.1 compared with the accounting for lease contracts under IAS 17, due to the financial element in the lease calculations. Refer to note 11 for further information on the Group's leasing agreements 2018 as well as to note 40 for further information regarding the effects on the Group from the adoption of IFRS 16.

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.

The acquisition method (IFRS 3)

Note 11, 16, 17 and 18

The acquisition method is used to account for the acquisitions of subsidiaries and operations by the Group. All payments to acquire a business are recorded at fair value at the acquisition date, with contingent considerations and acquisition related option liabilities classified as debt subsequently remeasured through the statement of income. The Group chooses on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related transaction costs are expensed. These costs are in the Group accounted for on a line in the statement of income named acquisition related costs. Costs accounted for on this line are transaction costs, revaluation (including discounting) of contingent considerations and acquisition related option liabilities, revaluation to fair value of previously acquired shares in step acquisitions and acquisition related restructuring and integration costs.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of income.

Scope of the consolidated financial statements (IFRS 10 and IFRS 12)

Note 16 and 51

The consolidated financial statements relate to the Parent Company Securitas AB and all subsidiaries. Subsidiaries are all companies where the Group has control, which is the case where the Group is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company.

The consolidated financial statements include companies acquired with effect from the date that the Group obtains control. Companies divested are excluded with effect from the date that the Group ceases to have control.

Pricing of deliveries among Group companies is based on normal business principles. Intercompany transactions, balances and unrealized gains and losses between Group companies are eliminated.

Non-controlling interests (IFRS 3 and IFRS 10)

Note 29

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For acquisitions from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity on the line transactions with non-controlling interests in the consolidated statement of changes in shareholders' equity. Gains or losses on disposals to non-controlling interests are also recorded in equity on the same line.

The principle to treat transactions with non-controlling interests as transactions with equity owners of the Group is also applied to the valuation of options relating to non-controlling interests. This means that at both initial recognition and for any subsequent revaluation, according to the economic entity model, the transactions are recognized in equity as transactions with non-controlling interests.

Investments in associates (IAS 28)

Note 21 and 52

Associates are entities in which Securitas can exert a significant influence, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights. The equity method is used to account for these shareholdings. All payments to acquire a business are recorded at fair value on the acquisition date, with contingent considerations and acquisition related option liabilities classified as debt subsequently remeasured through the statement of income. All acquisition related transaction costs are expensed.

Share in income of associates is recognized in the consolidated statement of income. Depending on the purpose of the investment share in income of associates is included either in operating income, if it is related to associates that have been acquired to contribute to the operations, or in income before taxes as a separate line within net financial items, if it is related to associates that have been acquired as part of the financing of the Group. In both cases the share in income of associates are net of tax. All associates in the Group are currently classified as operational associates.

In the consolidated balance sheet, investments in associates are stated at cost including the cost of the acquisition that is attributed to goodwill and other acquisition related intangible assets, adjusted for dividends and the share of income after the acquisition date. Investments in associates are also adjusted for translation differences of foreign investments, to the exchange rate prevailing on the last day of the month. The translation differences are posted directly to other comprehensive income and thus do not affect net income for the year.

The consolidated financial statements include associates with effect from the date of the acquisition. Associates divested are excluded with effect from the divestment date.

Transactions, balances and unrealized gains and losses between the Group and its associates are eliminated to the extent of the Group's interest in the associate.

Translation of foreign subsidiaries (IAS 21)

Note 29

The functional currency of each Group company, that is the currency in which the company primarily generates and expends cash, is determined by the primary economic environment in which the company operates. The functional currency of the Parent Company and the presentation currency of the Group, that is the currency in which the financial statements are presented, is Swedish kronor (SEK).

When translating the financial statements of each foreign subsidiary, each month's statement of income is translated using the exchange rate prevailing on the last day of the month. This means that income for each month is not affected by foreign exchange fluctuations during subsequent periods. Balance sheets are translated using exchange rates prevailing at each balance sheet date. Translation differences arising in the conversion of balance sheets are posted directly to other comprehensive income and thus do not affect net income for the year. The translation difference arising because statements of income are translated using average rates, while balance sheets are translated using exchange rates prevailing at each balance sheet date, is posted directly to other comprehensive income.

Where loans have been raised to reduce the Group's foreign exchange/translation exposure in foreign net assets, and qualify for the hedge accounting criteria, exchange rate differences on such loans are recognized

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together with the exchange rate differences arising from the translation of foreign net assets in other comprehensive income.

The accumulated translation differences are accounted for in translation reserve in equity. When a foreign operation or part thereof is sold, such exchange differences are recognized in the statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated using exchange rates prevailing at each balance sheet date.

Remeasurement for hyperinflation (IAS 29) Note 39

The Group´s subsidiaries in countries that according to IAS 29 are classified as hyperinflationary economies are accounted for in the Group´s financial statements after remeasurement for hyperinflation. IAS 29 has been adopted for our operations in Argentina as from July 1, 2018. This includes the subsidiaries with functional currency in ARS as well as consolidated goodwill that is consolidated into SEK from ARS.

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. 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.

Transactions, receivables and liabilities in foreign currency (IAS 21) Note 11 and 14

Transactions in foreign currency are translated into the functional currency in accordance with the exchange rates prevailing at the date of the transaction. Exchange differences on monetary items are recognized in the statement of income when they arise, with the exception of net investment hedges recognized via other comprehensive income (see above under the section Translation of foreign subsidiaries). Exchange differences from operating items are recognized as either production expenses or selling and administrative expenses, while exchange differences from financial items are recognized as financial income or financial expenses.

When preparing the financial statements of individual companies, foreign currency denominated receivables and liabilities are translated to the functional currency of the individual company using the exchange rates prevailing at each balance sheet date.

Revenue recognition (IFRS 15) Note 6 and 45

The Group's revenue is generated mainly from various types of security services, as described below.

Guarding services 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 clients. Such services cannot be reperformed.

Security solutions and electronic security comprise two broad categories. 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 clients' site. The revenue recognition pattern is over time, as the services are rendered by Securitas and simultaneously consumed by the clients. 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 clients. 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 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 consists in its entirety of trade mark fees for the use of the Securitas brand name.

The segments have the principle of expensing costs to obtain contracts as they are incurred. Such costs are capitalized at Group level and amortized over the expected duration of the contract. This effect is accounted for under Other in the segment overviews and constitutes a difference between the segment's accounting principles and the Group´s accounting principles, reflecting the operating result measure reported to the chief operating decision maker.

The costs to fulfil a contract that are capitalized consist of bespoke training costs. These costs are only capitalized as contract assets under specific circumstances and conditions, the most important being that the training costs must relate directly to a specific contract, the training is specified or required to fulfill the contract, the costs are expected to be recovered and the training costs can be measured reliably. These costs are amortized over the contract duration. Other costs to fulfil a contract such as salaries and payroll overhead are normally expensed immediately as the services are rendered and consumed by the client.

Operating segments (IFRS 8) Note 10

A combination of factors has been used in order to identify the Group's segments. Most important is the characteristic of the services provided and the geographical split. The operating segments are regularly reviewed by the chief operating decision maker, which is the President and CEO.

The Group's operations are divided into three reportable segments and Other. The reportable segments are also referred to as business segments in the Group's financial reports. Refer to note 10 for further information regarding the segments.

As described above under Revenue recognition, the segments have the principle of expensing costs to obtain contracts as they are incurred. Such costs are capitalized at Group level and amortized over the expected duration of the contract. This effect is accounted for under Other in the segment overviews and constitutes a difference between the segment's accounting principles and the Group´s accounting principles, reflecting the operating result measure reported to the chief operating decision maker. This is the only difference in principles between the segments and the Group.

The assets and liabilities of each segment include only those items that have been utilized or arisen in ongoing operations. Non-operational balance sheet items, primarily current tax, deferred tax, and provisions for taxes, are accounted for under the Other heading in the table Capital employed and financing in note 10. In the table Assets and liabilities in the same note, these items are accounted for as unallocated non-interest bearing assets and unallocated non-interest bearing liabilities. Reconciliation between total segments and the Group is disclosed in note 10.

Geographical information related to sales and non-current assets is disclosed in note 10 for Sweden (which is Securitas' country of domicile) and for all individual countries where the sales or non-current assets exceed 10 percent of the total amount for the Group.

The geographical split of sales is based on the location of the sales. The location of the sales corresponds in all material aspects to the location of the clients. There are no sales to any individual client that are deemed to represent a significant portion of the Group's total sales.

Accounting for government grants and disclosure of government assistance (IAS 20)

Securitas, like other employers, is eligible for a variety of grants relating to employees. These grants relate to training, incentives for hiring new staff, reduction of working hours, etc. All grants are accounted for in the statement of income as a cost reduction in the same period as the related underlying cost.

Acquisition related restructuring and integration costs (IAS 37) — Note 11

Acquisition related restructuring costs are costs relating to the restructuring and/or integration of acquired operations into the Group. Restructuring costs can cover several activities that are necessary to prepare acquired operations for integration into the Group, such as redundancy payments, provisions for rented premises that will not be utilized or sublet below cost or other non-cancellable leasing contracts that will not be utilized. Integration costs normally cover activities that do not qualify to be recognized as provisions. Such activities could be re-branding (changing logotypes on buildings, vehicles, uniforms, etc.), but could also cover personnel costs, for example training, recruitment, relocation and travel, certain client related costs and other incremental costs to transform the acquired operation into Securitas' format. Classifying expenses as costs relating to integration of acquired operations must also fulfill the criteria below:

- The cost would not have been incurred if the acquisition not had taken place
- The cost relates to a project identified and controlled by management as part of an integration program set up at the time of acquisition or as a direct consequence of an immediate post-acquisition review

Items affecting comparability — Note 11

This item includes events and transactions with significant effects, which are relevant for understanding the Group's financial performance when comparing income for the current period with previous periods. They include capital gains and losses arising from the disposal of material cash generating units, material impairment losses and bad debt losses, litigations and insurance claims and other material income and expense items of a non-recurring nature. The latter thus also includes costs for material restructuring and transformation programs such as the European cost savings program and the transformation programs for further digitization of the company initiated during 2018, that will continue over the duration of the programs. Tax on items affecting comparability and tax items that in themselves constitute items affecting comparability are reported on the line taxes in the consolidated statement of income.

Items that are classified as items affecting comparability in a period are accounted for consistently in future periods by treating any reversal of those items as items affecting comparability.

Taxes (IAS 12) — Note 15 and 48

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

A deferred tax asset is recognized when it is probable that sufficient taxable income will arise that the deferred tax asset can be offset against. Deferred tax assets are valued as of the balance sheet date, and any potential previously unvalued deferred tax asset is recognized when it is expected to be usable, or correspondingly, reduced when it is expected to be wholly or partly unusable against future taxable income.

Current tax liabilities include provisions for taxes. Current and deferred taxes are posted directly to other comprehensive income if the relevant underlying transaction or event is posted directly to other comprehensive income in the period, or previous period if it pertains to an adjustment of an opening balance of retained earnings as the result of a change in accounting principle. Changes in current and deferred taxes that relate to exchange rate differences in the translation of the balance sheets of foreign subsidiaries are posted to translation differences in other comprehensive income.

Provisions are allocated for estimated taxes in the case dividends are anticipated and paid from subsidiaries to a Parent Company in the following year.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Impairment (IAS 36) — Note 17

The Group's assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. In addition to goodwill, these assets are limited to the brand name Securitas in one of the Group's countries of operations, where it has been acquired from a third party. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU).

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If this is the case, an impairment loss is recognized in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is measured as expected future discounted cash flows. The calculation of value in use is based on assumptions and estimates. The main assumptions concern the organic sales growth, the development of the operating margin and the necessary operating capital employed

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requirement as well as the relevant WACC (Weighted Average Cost of Capital) rate used to discount future cash flows.

Goodwill and other acquisition related intangible assets (IFRS 3, IAS 36 and IAS 38) Note 17 and 18

Goodwill and other acquisition related intangible assets are allocated to cash-generating units (CGU) per country in a segment. This allocation is also the basis for the yearly impairment testing. Goodwill is carried at cost less accumulated impairment losses.

Other acquisition related intangible assets arising from the Group's acquisitions can include various types of intangible assets such as marketing-related, client-related, contract-related, brand-related and technology-based intangible assets. Other acquisition related intangible assets normally have a definite useful life. These assets are recognized at fair value on the date of acquisition and subsequently carried at cost less accumulated amortization and any accumulated impairment losses.

Securitas' acquisition related intangible assets mainly relate to client contract portfolios and the related client relationships. The valuation of the client contract portfolios and the related client relationships is based on the Multiple Excess Earnings Method (MEEM), which is a valuation model based on discounted cash flows. The valuation is based on the churn rates and profitability of the acquired portfolio at the time of the acquisition. In the model a specific charge – a contributory asset charge – is applied as a cost or return requirement for the assets supporting the intangible asset. Cash flows are discounted using the Weighted Average Cost of Capital (WACC) adjusted for local interest rate levels in the countries of acquisition. The useful life of client contract portfolios and the related client relationships is based on the churn rate of the acquired portfolio and is normally between 3 and 10 years, corresponding to a yearly amortization of between 10.0 percent and 33.3 percent. Brand-related intangible assets are calculated using the relief of royalty method. The useful life of these brands is normally between 5 and 10 years, corresponding to a yearly amortization of between 10 and 20 percent.

Amortization is calculated using the linear method and disclosed on the line amortization and impairment of acquisition related intangible assets in the Group's statement of income.

A deferred tax liability is calculated, recognized and reversed over the same period as the intangible asset is amortized, in order to neutralize the impact on the Group's full tax rate from the acquisition.

Other intangible assets (IAS 36 and IAS 38) Note 19 and 49

The Group's other intangible assets include the trade mark Securitas, which is estimated to have an indefinite useful life. The trademark has been capitalized only in those cases where it has been acquired from a third party. This trademark is not amortized but tested annually for impairment.

All other items in other intangible assets have a definite useful life. Amortization is linear and the amortization rates are normally:

Software licenses and similar assets	10.0–33.3 percent
Other intangible assets	10.0–33.3 percent

Rental rights and similar rights are amortized over the same period as the underlying contractual period.

Tangible non-current assets (IAS 16 and IAS 36) Note 20 and 50

Securitas applies linear depreciation for tangible non-current assets. The depreciation rates are normally:

Machinery and equipment	10–50 percent
Buildings and land improvements	2–10 percent
Land	0 percent

Leasing contracts (IAS 17) Note 11 and 20

Assets in finance leases, where the Group is the lessee, are recognized as non-current assets in the consolidated balance sheet. The net present value of the corresponding obligations to pay leasing fees in the future is recognized as liabilities. In the consolidated statement of income, leasing payments are divided into depreciation and interest. The Group has no significant finance leases where it is the lessor.

Operational leases, where the Group is the lessee, are recognized as an operating expense on a linear basis over the period of the lease in the consolidated statement of income. In cases where the Group is the lessor, revenue is recognized on a linear basis and included in total sales in the consolidated statement of income. Depreciation is recognized under operating income.

Information regarding the effects on the Group from the adoption of IFRS 16 is disclosed in note 40.

Accounts receivable (IFRS 9) Note 25

Accounts receivable are accounted for at nominal value net after provisions for expected bad debt losses. Expected and recognized bad debt losses are included in the line production expenses in the statement of income.

Recognized revenue that has not been invoiced as of the balance sheet date is classified as accrued sales income (note 26). Contract balances for performance obligations not yet satisfied are classified as deferred revenue (note 34).

Financial instruments (IFRS 7 / IFRS 9 / IFRS 13 / IAS 32 / IAS 39) Note 7, 14, 22, 27, 30, 33 and 44

Securitas has applied IFRS 9 as of January 1, 2018 without restatement of comparative information for 2017. The comparative information has been accounted for in accordance with the Group's previous accounting policy for financial instruments, as described in the Annual Report 2017 on pages 69 and 70.

Classification and measurement of financial instruments

As from January 1, 2018, the Group classifies its financial assets and liabilities as those to be measured at fair value (either through other comprehensive income (OCI) or through the statement of income), and those to be measured at amortized cost. The classification depends on Securitas' business model for managing the financial assets and liabilities and the contractual terms of the cash flows. The business model mainly applied by Securitas is hold to collect, meaning that financial assets are held to collect contractual cash flows. These cash flows solely represent payments of principal and interest (SPPI). The majority of Securitas financial assets are thus measured at amortized cost. For principles for classification of the Group's financial assets and liabilities in comparative years, refer to Securitas' Annual Report 2017.

Financial instruments with maturities within 12 months after the balance sheet date are either included in current assets on the line other interest-bearing current assets, or in current liabilities on the line other short-term loan liabilities. Financial instruments with maturities later than 12 months after the balance sheet date are either included in non-current assets on the line interest-bearing financial non-current assets, or in long-term liabilities on the line other long-term loan liabilities.

As from January 1, 2018, Securitas applies the forward looking expected credit loss model. The most important financial assets subject to this model are accounts receivable, for which the Group applies the simplified approach permitted by IFRS 9. This method requires expected lifetime losses to be recognized from initial recognition of the receivables. For further information refer to note 25.

Financial assets at amortized cost

Assets in this category are measured at amortized cost using the effective interest rate method. Most of the Group's current assets are measured at amortized cost, for example assets such as accounts receivable and long- and short-term receivables, which are non-derivative financial assets with fixed or determinable payments. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Financial assets at fair value through profit and loss (FVPL)
Assets in this category are measured at fair value unless hedge accounting is applied. Changes in fair value are recognized in the statement of income as they arise.

Financial assets at fair value through other comprehensive income (FVOCI)
Securitas currently has no financial assets in this category.

Financial liabilities at amortized cost
Liabilities in this category are measured at amortized cost using the effective interest rate method. This category comprises such items as accounts payable and other current liabilities, and any long-term and short-term loans not included in the category financial liabilities at fair value through profit and loss.

Financial liabilities at fair value through profit and loss (FVPL)
Liabilities in this category are measured at fair value unless hedge accounting is applied. Changes in fair value are recognized in the statement of income as they arise.

Financial risk management and hedge accounting
Securitas' business activities create exposure to financial risks, such as interest rate risk, foreign currency risk, financing and liquidity risk and credit/counterparty risk.

Derivatives are used for the following main purposes: hedging the interest rate element of external debt and changing its currency profile, gearing ratio hedging and hedging of internal borrowings and investments.

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

For derivatives designated in fair value hedges, the gains or losses from re-measuring the hedging instruments at fair value are recognized in the statement of income. Also included in this category are derivatives where there is a natural offset in the accounting and where the purpose is to achieve an offsetting impact without qualifying for hedge accounting.

For derivatives designated in cash flow hedges, the gains or losses from re-measuring the hedging instruments at fair value are recognized in the hedging reserve in other comprehensive income, with a reversal from the hedging reserve to the statement of income in the period in which the cash flow of the hedged item impacts the statement of income.

For derivatives which are part of net investment hedges, the exchange rate gains and losses are recognized in other comprehensive income. Any ineffectiveness is recognized in the statement of income.

All cash flows (accrued interest income/expenses) that arise from interest-rate derivative contracts are recognized as interest income and/or interest expense in the statement of income in the period to which they relate. Changes in fair value (after accruals) for both the hedged item and the hedging instrument (derivative) are recognized separately as revaluation of financial instruments. Revaluation of financial instruments is included in financial income and / or financial expenses in the statement of income and specified in the table Revaluation of financial instruments in note 7 as well as on a separate line in note 14.

Refer to note 7 for further information regarding the Group´s risk exposure.

Recognition and derecognition
Regular purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

Hedge ineffectiveness
The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount.

The Group does not hedge 100 percent of its loans; therefore, the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100 percent effective.

Hedge ineffectiveness for interest rate swaps may occur if changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument. It may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, this is mitigated by the use of credit support annexes, and
- differences in critical terms between the interest rate swaps and loans.

Share-based payments (IFRS 2)

Note 9 and 12

Securitas has a share-based incentive scheme where the participants in the scheme receive a bonus of which two thirds are payable in cash in the beginning of the year after the bonus has been accrued. The remaining one third of the bonus is used to acquire shares at market value. These shares are delivered to the participants in March, two years following the performance year, conditioned by a continuous employment during the vesting period, except where a participant has left his/her employment due to retirement, death or long-term disability, in which case the participant shall have a continued right to receive shares. The cost for Securitas, including social security expenses, is accounted for in the statement of income during the vesting period. The share-based portion of the bonus is classified as equity. At the end of the program, a revaluation is made of the original estimates and the final outcome of social security expenses is determined. Any deviation due to the revaluation, for example due to any participant leaving the Group and not receiving allocated shares, is accounted for in the statement of income.

In order to hedge the share portion of Securitas share-based incentive scheme 2017, the Group has entered into a swap agreement with a third party. The swap agreement represents an obligation for the Parent Company to purchase its own shares at a predetermined price. The swap agreement is consequently classified as an equity instrument and accounted for in equity as a reduction of retained earnings. A swap agreement was also entered into to hedge the share portion of Securitas share-based incentive scheme 2016. That swap agreement settled during 2018 in conjunction with the delivery of the shares to the participants upon vesting.

Employee benefits (IAS 19)

Note 23, 31 and 34

Employee benefits are all forms of consideration given by the Group in exchange for services rendered by its employees. With the exception of the share-based incentive scheme, described above, which falls under IFRS 2, they are all covered under IAS 19. The considerations mainly relate to salaries and payroll overhead such as social charges and payroll taxes, but also include other short-term employee benefits that are expected to be settled within 12 months of the balance sheet date. These include, but are not limited to, vacation payments, cash-settled bonuses and also short-term healthcare benefits. When applicable these benefits also include the applicable social charges and payroll taxes. In addition to these benefits the Group is also responsible to withhold social charges, payroll taxes and income tax on behalf of its employees. These balances are included in other current liabilities and in other short-term provisions.

The Group also operates or participates in a number of defined benefit and defined contribution pension and other post-employment benefit plans as well as some other long-term employment plans. Other post-employment plans primarily relate to healthcare benefits. A defined contribution plan is a plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions are recognized as expenses when they fall due for payment. Other plans are defined benefit plans.

Calculations for the defined benefit plans that exist within Securitas are carried out by independent actuaries.

Costs related to defined benefit plans are recognized in operating income. The calculation of service cost is based on the projected unit credit method in a way that distributes the cost over the employee's working life. The net interest cost is estimated by applying the discount rate to the net defined benefit obligation. Administration costs are recognized in operating income in the period which they occur.

The net defined benefit obligation recognized in the balance sheet is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The obligations are valued at the present value of the expected future cash flows using a discount rate corresponding to the interest rate on high quality corporate bonds or government bonds with a remaining term that is approximately the same as the obligations.

Remeasurements of post-employment benefit plans and reimbursement rights are recognized in other comprehensive income in the period which they occur. Remeasurements of other long-term employee benefit plans as well as past service costs are recognized immediately in operating income.

If accounting for a defined benefit plan results in a balance sheet asset, this is reported as a net asset in the consolidated balance sheet under other long-term receivables. Otherwise it is reported as a provision under provisions for pensions and similar commitments. Provisions for pensions and similar commitments are not included in net debt.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognized. This reimbursement right is measured at fair value and classified as a long-term receivable.

Provisions (IAS 37)

Note 15, 31, 32 and 35

The Group's provisions are mainly related to deferred tax liabilities (note 15), provisions for pensions and similar commitments (note 31) and claims reserves (notes 32 and 35).

Claims reserves are calculated on the basis of a combination of case reserves, which represent claims reported, and IBNR (incurred but not reported) reserves. Actuarial calculations are performed quarterly to assess the adequacy of the reserves based on open claims and historical IBNR.

The Group has 370 000 employees and as such from time to time faces labor-related disputes with current or former employees in relation to various matters. Such matters can involve, but are not limited to, the diverse interpretation of labor legislation, individual employee contracts or collective bargaining agreements and can for example relate to working hours, benefits payable, various reimbursements or the termination of employment. The Group follows IAS 37 and IAS 19 in determining when a contingent liability, a provision or a liability should be disclosed and/or recognized for these disputes.

NOTE 3 *Definitions, calculation of key ratios and exchange rates*

DEFINITIONS

Statement of income according to Securitas' financial model

Production expenses[1]
Wages and related costs, the cost of equipment used when performing professional duties, and all other costs directly related to the performance of services invoiced.

Selling and administrative expenses[1]
All costs of selling, administration and management including branch office expenses. The primary function of the branch offices is to provide the production with administrative support as well as to serve as a sales channel.

Gross margin
Gross income as a percentage of total sales.

Operating income before amortization
Operating income before amortization and impairment of acquisition related intangible assets and acquisition related costs, but including amortization and depreciation of other intangible assets, buildings and land and machinery and equipment.

Operating margin
Operating income before amortization as a percentage of total sales.

Operating income after amortization
Operating income after amortization and impairment of acquisition related intangible assets and acquisition related costs, and including amortization and depreciation of other intangible assets, buildings and land and machinery and equipment.

Adjusted income
Operating income before amortization, adjusted for financial income and expenses (excluding revaluation of financial instruments according to IAS 39) and current taxes.

Net margin
Income before taxes as a percentage of total sales.

Real change
Change adjusted for changes in exchange rates.

Statement of cash flow according to Securitas' financial model

Cash flow from operating activities
Operating income before amortization adjusted for depreciation/amortization less capital expenditures in non-current tangible and intangible assets (excluding acquisition of subsidiaries), change in accounts receivable and changes in other operating capital employed.

Free cash flow
Cash flow from operating activities adjusted for financial income and expenses paid and current taxes paid.

Cash flow for the year[1]
Free cash flow adjusted for acquisition of subsidiaries, acquisition related costs paid, dividends, new issues and change in interest-bearing net debt excluding liquid funds.

1 The definition is also valid for the formal primary statements – the statement of income and the statement of cash flow.

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Balance sheet according to Securitas' financial model

Operating capital employed
Capital employed less goodwill, acquisition related intangible assets and shares in associated companies.

Capital employed
Non interest-bearing non-current and current assets less non interest-bearing long-term and current liabilities.

Net debt
Interest-bearing non-current and current assets less long-term and short-term interest-bearing loan liabilities.

CALCULATION OF KEY RATIOS 2018

Usage of key ratios not defined in IFRS

Securitas applies ESMA's (European Securities and Markets Authority) guidelines for Alternative Performance Measures (APM). An APM is a financial measure of historical or future financial performance, financial position or cash flow that has not been defined in IFRS. In order to facilitate the analysis of the Group's development made by Group Management and other interested parties, Securitas accounts for certain APMs. The APMs are additional information and do not replace key ratios according to IFRS. Securitas definitions of APMs may be different from the definitions in other companies. Refer to the Annual Report 2017 for the previous year's calculations.

Acquired sales growth: 2%
This year's sales from acquired business as a percentage of the previous year's total sales.
Calculation: 1 759.8 / 92 196.8 = 2%

Organic sales growth: 6%
Total sales for the year adjusted for acquisitions and changes in exchange rates as a percentage of the previous year's total sales adjusted for divestitures.
Calculation: ((101 466.7-1 759.8-1 820.8)/(92 196.8-0.7))-1 = 6%

Real sales growth: 8%
Total sales for the year including acquisitions and adjusted for changes in exchange rates as a percentage of the previous year's total sales.
Calculation: ((101 466.7–1 820.8)/ 92 192.8)-1 = 8%

Change of currency adjusted operating income before amortization: 9%
Operating income before amortization adjusted for changes in exchange rates as a percentage of the previous year's operating income before amortization.
Calculation: ((5 303.6-168.9) / 4 697.2)-1 = 9%

Operating margin: 5.2%
Operating income before amortization as a percentage of total sales.
Calculation: 5 303.6/101 466.7= 5.2%

Change of currency adjusted operating income after amortization: -1%
Operating income after amortization adjusted for changes in exchange rates as a percentage of the previous year's operating income after amortization.
Calculation: ((4 469.0 -137.5) / 4 393.7)-1 = -1%

Change of currency adjusted income before taxes: -4%
Income before taxes adjusted for changes in exchange rates as a percentage of the previous year's income before taxes.
Calculation: ((4 028.4-186.0) / 4 018.1)-1 = -4%

Change of currency adjusted net income: 5%
Net income adjusted for changes in exchange rates as a percentage of the previous year's net income.
Calculation: ((3 021.2-127.3) / 2 751.5)-1 = 5%

Earnings per share before dilution[1,2]: SEK 8.26 (7.53)
Net income for the year attributable to equity holders of the Parent Company in relation to the average number of shares before dilution.
Calculation 2018: ((3 021.2-5.3) / 365 058 897) × 1 000 000 = SEK 8.26
Calculation 2017: ((2 751.1-1.8) / 365 058 897) × 1 000 000 = SEK 7.53

Earnings per share before dilution[1,2] and before items affecting comparability[3]: SEK 9.17
Net income for the year attributable to equity holders of the Parent Company before items affecting comparability in relation to the average number of shares before dilution.
Calculation: ((3021.2-5.3 + 454.8-121.7) / 365 058 897) × 1 000 000 = SEK 9.17

Change of currency adjusted earnings per share before dilution[1,2]: 5%
Net income for the year attributable to equity holders of the Parent Company adjusted for changes in exchange rates in relation to the average number of shares before dilution as a percentage of the previous year's earnings per share before dilution.
Calculation: ((((3 021.2-5.3-127.3)/365 058 897)×1 000 000)/7.53)-1 = 5%

Change of currency adjusted earnings per share before dilution[1,2] and before items affecting comparability[3]: 12%
Net income for the year attributable to equity holders of the Parent Company before items affecting comparability and adjusted for changes in exchange rates, in relation to the average number of shares before dilution as a percentage of the previous year's earnings per share before dilution and before items affecting comparability.
Calculation: ((((3 021.2-5.3 + 454.8-121.7-133.0) / 365 058 897) ×1 000 000) / 7.87)-1 = 12%

Cash flow from operating activities as % of operating income before amortization: 60%
Cash flow from operating activities as a percentage of operating income before amortization.
Calculation: 3 172.0/5 303.6 = 60%

Free cash flow as % of adjusted income: 48%
Free cash flow as a percentage of adjusted income.
Calculation: 1 884.3/(5 303.6-440.6 - 2.4-962.2) = 48%

Free cash flow in relation to net debt: 0.13
Free cash flow in relation to closing balance net debt.
Calculation: 1 884.3/14 513.5 = 0.13

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

Operating capital employed as % of total sales: 9%
Operating capital employed as a percentage of total sales adjusted for full year sales of acquired entities.
Calculation: 9 198.6/(101 466.7 + 1 007.8) = 9%

1 There are no convertible debenture loans. Consequently there is no difference between earnings per share before and after dilution.
2 Number of shares includes shares related to the Group's share-based incentive scheme that have been hedged through a swap agreement.
3 Items affecting comparability in the full year is consisting of one-off effects of MSEK -187 from the IS/IT programs in the Group and one-off effects of MSEK -268 from the cost savings program in Security Services Europe.

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Return on operating capital employed: 58%
Operating income before amortization plus items affecting comparability as a percentage of the average -balance of operating capital employed.
Calculation: 4 848.8 / ((9 198.6 + 7 559.8) / 2) = 58%

Return on capital employed: 15%
Operating income before amortization plus items affecting comparability as a percentage of the closing balance of capital employed.
Calculation: 4 848.8 / 32 170.1 = 15%

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

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

Return on equity: 18%
Net income for the year as a percentage of average shareholders' equity.
Calculation: 3 021.2 / ((17 656.6 + 15 539.0) / 2) = 18%

Equity ratio: 32%
Shareholders' equity as a percentage of total assets.
Calculation: 17 656.6 / 55 468.9 = 32%

EXCHANGE RATES USED IN THE CONSOLIDATED FINANCIAL STATEMENTS 2018 AND 2017

			2018		2017	
			Weighted average	End-rate December	Weighted average	End-rate December
Argentina	ARS	1	0.31	0.23	0.51	0.45
Australia	AUD	1	6.50	6.32	6.38	6.42
Bosnia and Herzegovina	BAM	1	5.27	5.24	4.94	5.04
Bulgaria	BGN	1	5.27	5.24	5.04	5.04
Canada	CAD	1	6.71	6.57	6.56	6.54
Chile	CLP	100	1.36	1.29	1.31	1.34
China	CNY	1	1.32	1.30	1.26	1.26
Colombia	COP	100	0.29	0.27	0.29	0.28
Costa Rica	CRC	100	1.51	1.49	1.50	1.45
Croatia	HRK	1	1.39	1.38	1.29	1.31
Czech Republic	CZK	1	0.40	0.40	0.37	0.38
Denmark	DKK	1	1.38	1.37	1.30	1.32
Egypt	EGP	1	0.49	0.50	0.48	0.46
EMU countries	EUR	1	10.30	10.25	9.66	9.85
Hong Kong	HKD	1	1.11	1.14	1.09	1.06
Hungary	HUF	100	3.22	3.19	3.12	3.18
India	INR	1	0.13	0.13	0.13	0.13
Indonesia	IDR	100	0.06	0.06	0.06	0.06
Jordan	JOD	1	12.36	12.60	11.97	11.62
Mexico	MXN	1	0.45	0.46	0.45	0.42
Morocco	MAD	1	0.93	0.94	0.88	0.88
Norway	NOK	1	1.07	1.03	1.03	1.00
Paraguay	PYG	100	0.15	0.15	0.15	0.15
Peru	PEN	1	2.66	2.65	2.61	2.55
Poland	PLN	1	2.42	2.38	2.28	2.36
Romania	RON	1	2.21	2.20	2.11	2.12
Saudi Arabia	SAR	1	2.32	2.38	2.27	2.20
Serbia	RSD	1	0.09	0.09	0.08	0.08
Singapore	SGD	1	6.48	6.54	6.17	6.17
South Africa	ZAR	1	0.66	0.62	0.64	0.67
South Korea	KRW	100	0.79	0.80	0.76	0.77
Sri Lanka	LKR	100	5.34	4.89	5.57	5.38
Switzerland	CHF	1	8.94	9.11	8.66	8.42
Thailand	THB	1	0.27	0.27	0.25	0.25
Turkey	TRY	1	1.80	1.70	2.33	2.17
United Arab Emirates	AED	1	2.38	2.43	2.32	2.25
UK	GBP	1	11.61	11.35	11.01	11.09
Uruguay	UYU	1	0.28	0.28	0.30	0.29
USD countries	USD	1	8.75	8.94	8.49	8.25
Vietnam	VND	100	0.04	0.04	0.04	0.04

NOTE 4 *Critical estimates and judgments*

The preparation of financial reports requires the Board of Directors and Group Management to make estimates and judgments using certain assumptions. Estimates and judgments will impact the statement of income and the balance sheet as well as disclosures such as contingent liabilities. Actual results may differ from these estimates and judgments under different assumptions and conditions.

Acquisition of subsidiaries/operations and deferred considerations

The valuation of identifiable assets and liabilities in connection with the acquisition of subsidiaries or operations involves that items in the acquired company's balance sheet as well as items that have not been recognized in the acquired company's balance sheet, such as client relations, should be valued at fair value. In normal circumstances, as quoted market prices are not available for the assets and liabilities that are to be valued, different valuation methods have to be used. These valuation methods are based on a number of assumptions. For a personnel intensive company like Securitas, employee related items such as accrued salaries, accrued social benefits, holiday pay, long-term employee benefits and post-employment benefits are significant items in the balance sheet that can be difficult to value. Accounts receivable is another example of a significant balance sheet item where it can be difficult to value the amount of bad debt and thus to what extent they will be collected. Other items that can be difficult both to identify as well as to value are contingent liabilities that could have arisen in the acquired company in connection with for example litigations. As part of the Group's strategy to acquire companies active within the electronic security business this also entails some additional balance sheet items that can be of significant impact such as net amounts due from or to clients for installation projects (work in progress on behalf of clients) and the related inventory of components that will be used for installation projects or for service and maintenance work. The profitability in the installation projects need to be assessed and the existence and valuation of the inventory needs to be established.

The valuation of identifiable assets and liabilities is also dependent on the accounting environment that the acquired company/operations have been active in. This is true for example for the basis of preparation for the financial reporting and consequently the extent of adjustments that are necessary in order to follow the Group's accounting principles, the frequency for which closings have been prepared and the availability of different types of data that can be necessary in order to value identifiable assets and liabilities. All balance sheet items are thus subject to estimates and judgments. This also means that the initial accounting may have to be provisionally determined and subsequently adjusted. All acquisition calculations are finalized no later than one year after the acquisition is made. Considering the above description including the practicability to compile and disclose all individual adjustments in a manner that will benefit the reader of the financial statements, Securitas has chosen not to state the reasons to why the initial accounting of the business combination is provisional nor which assets and liabilities for which the initial accounting is provisional for each individual business combination unless it is a material adjustment.

All payments to acquire a subsidiary/operation are recorded at fair value at the acquisition date, including debt related to deferred or contingent considerations and acquisition related option liabilities (referred to collectively as deferred considerations). This debt is measured at fair value in subsequent periods with remeasurement through the statement of income. The final outcome of deferred considerations often depends on one or more events which only will be confirmed by a future development, such as the future profitability development for an agreed period. The final outcome can therefore either be lower or higher than the initially recognized amount. Short-term deferred considerations, which amount to MSEK 77.7 (66.6) and is included in other current liabilities (note 34) and long-term deferred considerations, which amount to MSEK 194.7 (101.0) and is included in other long-term liabilities (note 30), are thus subject to critical estimates and judgments.

Further information regarding acquisitions is provided in note 16 and regarding revaluation of deferred considerations in note 11.

Impairment testing of goodwill, other acquisition related intangible assets and shares in associated companies

In connection with the impairment testing of goodwill, other acquisition related intangible assets and shares in associated companies, the book value is compared to the recoverable value. The recoverable value is determined by the higher of an asset's net realizable value and its value in use. Since under normal circumstances no quoted market prices are available to assess an asset's net realizable value, the book value is normally compared to the value in use. The calculation of the value in use is based on assumptions and judgments. The most important assumptions are the organic sales growth, the development of the operating margin, the operating working capital requirements and the relevant WACC, which is used to discount future cash flows. All in all, this means that the valuation of the balance sheet items goodwill, which amounts to MSEK 21 061.3 (18 719.1), acquisition related intangible assets, which amounts to MSEK 1 458.2 (1 172.8) and shares in associated companies, which amounts to MSEK 452.0 (419.8) are subject to critical estimates and judgments. A sensitivity analysis regarding the organic sales growth, the operating margin and the WACC is provided in note 17.

Valuation of accounts receivable and the provision for bad debt losses

Accounts receivable, which amounts to MSEK 15 603.5 (13 349.3), is one of the most significant balance sheet items. Accounts receivable are accounted for at the nominal value net after provisions for expected bad debt losses. The provision for bad debt losses, which amounts to MSEK -507.8 (-489.6), is thus subject to critical estimates and judgments. As stated above, accounts receivable is often an important item in relation to the acquisition of subsidiaries/operations. Further information regarding the credit risk in accounts receivable is provided in note 7. Information regarding the ageing of accounts receivable and the development of the provision for bad debt losses during the year is provided in note 25.

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Employee benefits including labor-related disputes

With 370 000 employees and salaries and social benefits representing close to 80 percent of the total operating expenses, the accounting for employee benefits is crucial to determine a correct result. The Group operates in many countries with different legislation and different regulatory frameworks surrounding the benefits payable to employees and the related payroll overhead such as social charges and payroll taxes.

Given the large number of employees, the Group from time to time also faces labor-related disputes with current or former employees in relation to various matters. Such matters can involve, but are not limited to, the diverse interpretation of labor legislation, individual employee contracts or collective bargaining agreements and can for example relate to working hours, benefits payable, various reimbursements or the termination of employment. All in all, this means that the employee-related items in the balance sheet are subject to critical estimates and judgments. These balances are mainly included under employee-related items (note 34), which amounts to MSEK 7 511.0 (6 957.6), but also form part of short-term provisions (note 35) as a part of other provisions MSEK 785.7 (427.9).

For defined benefit plans relating to benefits particularly for pensions and medical benefits and where the payment to the employee is several years into the future, actuarial calculations are required. These calculations are based on assumptions regarding economic variables such as the discount rate, salary increases, inflation rate, pension increases and the inflation rate for medical benefits, but also on demographic variables such as the expected life span. All in all, the balance sheet item pension balances for defined benefit plans which amounts to MSEK 36.0 (98.8) and which is stated under other long-term receivables (note 23), and the balance sheet item provisions for pensions and similar commitments, which amounts to MSEK 1 116.1 (1 072.8), is subject to critical estimates and judgments. The Group's opinion is that the most important assumptions are the discount rate, the inflation rate and the expected life span. A sensitivity analysis regarding these three variables is provided in note 31.

Actuarial calculations regarding claims reserves and timing of outflows

The Group is exposed to various types of risks in the day-to-day running of the business. The operational risks can result in the need to recognize reserves for damages resulting from property claims, personal injuries as well as workers' compensation claims relating to the Group's employees. Claims reserves are calculated based on a combination of case reserves and incurred but not reported reserves. Actuarial calculations are performed on a quarterly basis to assess the adequacy of the reserves based on open claims and historical data for incurred but not reported claims. Actuarial calculations are based on several assumptions. Claims reserves comprise a large number of individual insurance cases, where some cases are compensated with a lump-sum payment and others are paid over a longer period of time. It is thus not possible to disclose any detailed information regarding the timing of outflows from claims reserves.

All in all, this means that the balance sheet items short-term liability insurance-related claims reserves, which amounts to MSEK 578.3 (624.6) and is included in short-term provisions (note 35), and liability insurance-related claims reserves, which amounts to MSEK 624.2 (567.8) and is included in other long-term provisions (note 32), are subject to critical estimates and judgments.

Calculation of taxes and timing of outflows

Deferred tax is calculated on temporary differences between the carrying amounts and the tax values of assets and liabilities. Assumptions and assessments affect recognized deferred tax, partly to determine the carrying amounts of the different assets and liabilities, and partly related to forecasts regarding future taxable profits, where future utilization of deferred tax assets depends on this. Significant assessments and assumptions are also made regarding recognition of provisions and contingent liabilities relating to tax risks and the potential impact of ongoing tax audits. Tax audits are often lengthy processes that go on for several years. It is thus not possible to disclose any detailed information regarding the timing of outflows from taxes.

The balance sheet includes deferred tax assets which amounts to MSEK 961.3 (1 004.0) and deferred tax liabilities which amounts to MSEK 570.7 (1 027.9), which are subject to critical estimates and judgments. Further information regarding taxes is provided in note 15 and note 37.

The impact on the Group's financial position of ongoing litigations and the valuation of contingent liabilities

Over the years, the Group has made a number of acquisitions in different countries. As a result of such acquisitions, certain contingent liabilities of the businesses acquired have been assumed. Companies within the Group are also involved in a number of other legal proceedings and tax audits arising out of the operations. The accounting for litigations, legal proceedings and tax audits are subject to critical estimates and judgments. Further information is provided in note 37.

Potential effect of Brexit

Securitas operations in the UK are foremost with local clients and in local currency. The preliminary assessment is that the impact from implementation of UK's referendum to leave the EU will have limited effect on Securitas local business in the UK. Any changes in the Swedish krona exchange rate versus the British pound will affect the Group's consolidated financial statements when translating the British financial statements to Swedish kronor.

NOTE 5 Events after the balance sheet date

Approval of the Annual Report and Consolidated Financial Statements for 2018

This Annual Report including the Consolidated Financial Statements was approved by the Board of Directors of Securitas AB on March 18, 2019.

Other significant events after the balance sheet date

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. Total sales are expected to be MUSD 32 (MSEK 290) for 2018. The number of employees is approximately 1 050. The acquisition was consolidated in Securitas as of January 10, 2019.

In order to hedge the share portion of Securitas share-based incentive scheme 2018, the Group entered into a swap agreement with a third party in the beginning of March 2019.

There have been no other significant events with effect on the financial reporting after the balance sheet date.

NOTE 6 Revenue

Adoption of IFRS 15

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.

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.

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 effect on deferred taxes is accounted for on the line taxes.

MSEK	Before restatement 2017	Restatement 2017	After restatement 2017
Selling and administrative expenses	-11 614.2	20.4	-11 593.8
Operating income before amortization	**4 676.8**	**20.4**	**4 697.2**
Operating income after amortization	**4 373.3**	**20.4**	**4 393.7**
Income before taxes	**3 997.7**	**20.4**	**4 018.1**
Net margin, %	*4.3*	*0.1*	*4.4*
Deferred taxes	-315.9	-6.3	-322.2
Net income for the year	**2 737.4**	**14.1**	**2 751.5**

Whereof attributable to:			
Equity holders of the Parent Company	2 735.6	14.1	2 749.7

Earnings per share before and after dilution (SEK)	7.49	0.04	7.53
Earnings per share before and after dilution and before items affecting comparability (SEK)	7.83	0.04	7.87

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 intangible assets, and recognized as an increase of operating capital employed. This increase is partly offset by the related deferred tax liabilities, which reduce operating capital employed. The net impact after taxes of adoption of IFRS 15 is recognized in retained earnings as an increase of shareholders' equity.

MSEK	Before restatement Jan 1, 2017	Restatement Jan 1, 2017	After restatement Jan 1, 2017
Operating capital employed	**6 784.0**	**274.7**	**7 058.7**
Return on operating capital employed, %	*80*	*-2*	*78*
Capital employed	**27 939.2**	**274.7**	**28 213.9**
Shareholders' equity	**14 507.9**	**274.7**	**14 782.6**
Net debt equity ratio, multiple	*0.93*	*-0.02*	*0.91*

Note
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MSEK	Before restatement Dec 31, 2017	Restatement Dec 31, 2017	After restatement Dec 31, 2017
Operating capital employed	**7 271.0**	**288.8**	**7 559.8**
Return on operating capital employed, %	*67*	*-3*	*64*
Capital employed	**27 582.7**	**288.8**	**27 871.5**
Shareholders' equity	**15 250.2**	**288.8**	**15 539.0**
Net debt equity ratio, multiple	*0.81*	*-0.02*	*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 other intangible assets, and the related deferred tax liabilities. The net impact after taxes of adoption of IFRS 15 is recognized in retained earnings as an increase of shareholders' equity.

MSEK	Before restatement Jan 1, 2017	Restatement Jan 1, 2017	After restatement Jan 1, 2017
ASSETS			
Non-current assets			
Other intangible assets	526.9	390.6	917.5
Total non-current assets	**27 548.6**	**390.6**	**27 939.2**
TOTAL ASSETS	**48 401.3**	**390.6**	**48 791.9**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Attributable to equity holders of the Parent Company	14 487.2	274.7	14 761.9
Total shareholders' equity	**14 507.9**	**274.7**	**14 782.6**
Long-term liabilities			
Deferred tax liabilities	919.2	115.9	1 035.1
Total long-term liabilities	**16 231.0**	**115.9**	**16 346.9**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**48 401.3**	**390.6**	**48 791.9**

MSEK	Before restatement Dec 31, 2017	Restatement Dec 31, 2017	After restatement Dec 31, 2017
ASSETS			
Non-current assets			
Other intangible assets	667.9	411.1	1 079.0
Total non-current assets	**26 788.0**	**411.1**	**27 199.1**
TOTAL ASSETS	**49 132.3**	**411.1**	**49 543.4**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Attributable to equity holders of the Parent Company	15 229.0	288.8	15 517.8
Total shareholders' equity	**15 250.2**	**288.8**	**15 539.0**
Long-term liabilities			
Deferred tax liabilities	905.6	122.3	1 027.9
Total long-term liabilities	**16 346.8**	**122.3**	**16 469.1**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**49 132.3**	**411.1**	**49 543.4**

Disaggregation of revenue

The Group has chosen to disaggregate revenue from sales to clients into three broad categories; Guarding services, Security solutions and electronic security and Other. These categories are described in Note 2 Accounting principles under the heading Revenue recognition. In addition, revenue also includes Other operating income which consists of trade mark fees.

MSEK	2018	%	2017	%
Guarding services	79 567.1	79	74 238.6	81
Security solutions and electronic security	20 439.8	20	16 697.3	18
Other	1 459.8	1	1 260.9	1
Total sales	**101 466.7**	**100**	**92 196.8**	**100**
Other operating income	29.6	0	23.8	0
Total revenue	**101 496.3**	**100**	**92 220.6**	**100**

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	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	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**

CONTRACT BALANCES

MSEK	2018	2017
Contract receivables		
Accounts receivable (note 25)	15 603.5	13 349.3
Accrued sales income (note 26)	3 224.4	2 734.9
Total contract receivables	**18 827.9**	**16 084.2**
Contract liabilities		
Deferred revenue (note 34)	950.6	647.9
Total contract liabilities	**950.6**	**647.9**

Revenue recognized in 2018 that was included in contract liabilities 2017 amount to MSEK 647.9 (629.4). Most of the contract liabilities 2018 is expected to be recognized as revenue in 2019.

Revenue recognized in 2018 from performance obligations satisfied in 2017 (and in 2017 from 2016) is not material due to the nature of the services.

Most revenue is recognized in advance of the payment by clients. Payment terms vary mainly between 0 and 60 days. Prepayments from clients are normally done quarterly in advance, but there is also to some extent prepayments covering up to one year in advance.

COSTS TO OBTAIN A CONTRACT

MSEK	2018	2017
Included in other intangible assets (note 19)	445.0	411.1
Total costs to obtain a contract	**445.0**	**411.1**

This item mainly consists of sales commissions paid for individual contracts signed. All commissions are expensed on subsidiary level and thus on segment level. The Group capitalizes these costs and includes the capitalization and amortization under Other in the Group's segment overview.

The amortization for 2018 amounted to MSEK -89.9 (-84.0). There has been no impairment of assets relating to costs to obtain a contract for 2018 nor for 2017.

COSTS TO FULFIL A CONTRACT

MSEK	2018	2017
Included in other intangible assets (note 19)	73.9	15.9
Total costs to fulfil a contract	**73.9**	**15.9**

This item consists of bespoke training costs. These costs are only capitalized as contract assets under specific circumstances and conditions, the most important being that the training costs must relate directly to a specific contract, the training is specified or required to fulfill the contract, the costs are expected to be recovered and the training costs can be measured reliably.

The amortization for 2018 amounted to MSEK -15.9 (-1.4). There has been no impairment of assets relating to costs to fulfil a contract for 2018 nor for 2017.

Remaining performance obligations

The Group's revenue can be of either a recurring or non-recurring nature. Recurring revenue is normally included in what the Group designates as its client contract portfolio. To qualify for inclusion in the client contract portfolio, a contract should normally have a duration of at least 12 months. However, contracts can be of various lengths ranging from a very short duration up to several years, particularly security solution contracts where on-site and/or mobile guarding and/or remote guarding are combined with a technology component in terms of equipment owned and managed by Securitas and used in the rendering of services. Contracts can have a yearly renewal date, but contracts can also be signed without a fixed end-date. All contracts normally contain cancellation clauses for both Securitas and the client.

Securitas uses the client retention rate* as a key measurement for how long a contract that is included in the client contract portfolio normally is operated. The client retention rate in the client contract portfolio per business segment and for the Group is shown in the table below.

Client retention rate*, %	2018	2017
Security Services North America	91	91
Security Services Europe	93	91
Security Services Ibero-America	92	91
Other	90	83
Group	**91**	**90**

*Client retention rate is defined as the opening balance client contract portfolio adjusted for annualized terminations in percent of opening balance client contract portfolio.

Contracts included in the client contract portfolio can be based on hours of work performed or with fixed monthly, quarterly or yearly invoicing and also including service level agreements.

In addition to its client contract portfolio, the Group also has revenue of a non-recurring nature. For Guarding services this can be from either contract clients or event-based sales. Within Electronic security, alarm installations are considered non-recurring revenue even if the same clients can order new installations from Securitas. Maintenance services performed upon request (time and material) is also considered a non-recurring revenue even if the same clients can revert and order further maintenance services for the same or for a different site/installation. Product sales (alarms and components) is also considered non-recurring revenue.

Corporate risk management services include both recurring and non-recurring revenue services.

Deferred revenue for performance obligations that is expected to be satisfied mainly during 2019 amount to MSEK 950.6 (647.9).

NOTE 7 *Financial risk management*

Financial risk factors

The Group's business activities create exposure to financial risks, such as interest rate risk, foreign currency risk, financing and liquidity risk and credit/counterparty risk, as detailed in the sections below. The Group's overall financial risk management program focuses on the unpredictability of the financial markets and aims to minimize potential adverse effects on the financial performance of the Group.

Treasury organization and activities

The aim of the treasury organization in Securitas is to support business operations by identifying, quantifying and minimizing financial risks and to the extent possible, to take advantage of economies of scale in the treasury operations.

Business segments

Treasury operations in the business segments concentrate on improving cash flow by focusing on profitability in the business operations, reducing capital tied-up in accounts receivable and managing local cash in the most efficient way.

Countries

In countries with extensive operations, liquidity surpluses and liquidity deficits in local subsidiaries are matched at country level with the help of local cash-pooling solutions. In addition, Securitas operates an overall cash-pooling structure incorporating countries in the Eurozone, UK and US. All local long-term financial requirements are financed directly from the Group's internal bank, Group Treasury Centre (GTC), in Dublin.

Group Treasury Centre

By concentrating financial risk management in a single location, the Group can readily monitor and control these risks and benefit from the expertise of dedicated treasury personnel. Also, by concentrating internal and external financing through GTC, economies of scale can be used to obtain the best possible pricing of investments and loans. GTC also has responsibility for matching local liquidity surpluses and deficits between countries and cash-pools. GTC identifies, evaluates and hedges financial risks in co-operation with the operating units. The Board of Directors of Securitas AB establishes policies for overall risk management, as well as policies covering specific areas such as foreign exchange risks, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

Derivatives are used for the following main purposes: hedging the interest rate element of external debt and changing its currency profile, gearing ratio hedging and hedging of internal borrowings and investments.

Interest rate risk

Interest rate risk is the risk that the Group's net income will be affected by changes in interest payable and/or receivable arising from changes in market interest rates. The Group has raised fixed and floating rate debt predominately in USD, EUR and SEK. Detailed information on long-term borrowings is provided in note 30. The Group uses interest rate derivatives in designated fair value and cash flow hedges to hedge changes in the risk free rate, converting the interest rate profile of this debt. As at December 31, 2018 MEUR 671 (786) of issued debt is swapped from fixed to floating, while MUSD 80 (180) is swapped from floating to fixed. Information on the Group's debt profile is provided in the table below as well as information on interest rate fixings.

The target for the free cash flow to net debt ratio is always to exceed 0.20. Free cash flow to net debt as of December 31, 2018 was 0.13 (0.19). The Group's interest coverage ratio, a measure of its ability to pay interest costs, was 10.7 (11.8) as of December 31, 2018.

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

THE GROUP'S INTEREST BEARING LIABILITIES AND ASSETS PER CURRENCY AS PER DECEMBER 31, 2018 AND 2017

Currency	Amount, MSEK	Duration (days)	*Current book cost (incl. credit margin)*	*Interest rates, +1%*	Net impact on income statement due to 1% increase[1]	*Interest rates, -1%*	Net impact on income statement due to 1% decrease[1]
December 31, 2018							
USD liabilities	-7 661	985	*3.61%*	*4.14%*	-37	*3.08%*	26
EUR liabilities	-6 133	633	*1.50%*	*2.09%*	-28	*0.91%*	28
GBP liabilities	-345	30	*2.23%*	*3.23%*	-3	*1.23%*	3
SEK liabilities	-3 245	0	*-0.03%*	*0.97%*	-25	*-1.03%*	25
Other currencies liabilities	-978	28	*4.25%*	*5.25%*	-8	*3.25%*	8
Total liabilities	**-18 362**	**624**	***2.27%***	***2.94%***	**-101**	***1.60%***	**90**
USD assets	635	2	*1.77%*	*2.77%*	5	*0.78%*	-5
EUR assets	1 570	6	*-0.27%*	*0.73%*	12	*-0.33%*	-1
GBP assets	37	2	*0.00%*	*1.00%*	0	*-1.00%*	0
SEK assets	862	7	*0.00%*	*1.00%*	7	*-1.00%*	-7
Other currencies assets	745	7	*4.25%*	*5.25%*	6	*3.25%*	-6
Total assets	**3 849**	**6**	***1.01%***	***2.00%***	**30**	***0.39%***	**-19**
Total	**-14 513**	**–**	***2.61%***	**–**	**-71**	**–**	**71**
December 31, 2017							
USD liabilities	-6 670	569	*2.46%*	*2.83%*	-20	*2.08%*	20
EUR liabilities	-6 465	708	*1.51%*	*2.07%*	-28	*0.95%*	28
GBP liabilities	-404	30	*1.81%*	*2.81%*	-3	*0.81%*	3
SEK liabilities	-2 255	13	*0.52%*	*1.52%*	-18	*-0.48%*	18
Other currencies liabilities	-814	28	*4.05%*	*5.05%*	-6	*3.05%*	6
Total liabilities	**-16 608**	**508**	***1.90%***	***2.49%***	**-75**	***1.31%***	**75**
USD assets	260	2	*0.67%*	*1.39%*	1	*-0.05%*	-1
EUR assets	2 774	10	*0.00%*	*1.00%*	22	*-1.00%*	-22
GBP assets	73	1	*0.00%*	*1.00%*	1	*-1.00%*	-1
SEK assets	328	7	*0.00%*	*1.00%*	3	*-1.00%*	-3
Other currencies assets	840	7	*4.05%*	*5.05%*	6	*3.05%*	-6
Total assets	**4 275**	**8**	***0.84%***	***1.82%***	**33**	***-0.15%***	**-33**
Total	**-12 333**	**–**	***2.28%***	**–**	**-42**	**–**	**42**

1 The 1 percent increase/decrease in interest rates is calculated by adjusting the floating rate accordingly and applying this rate to the asset/liability to establish the impact on net financial items in the income statement. This is further adjusted by the effective corporation tax rate.

Interest rate fixing

It is the policy of Securitas to use interest rate derivatives if required to manage its interest rate risk and as a consequence the Group's financing costs. The duration of these derivatives does not normally exceed the duration of the underlying debt. Group policy allows for the use of both options-based and fixed-rate products. There are no options-based products in the financial reporting in 2018 or 2017.

INTEREST FIXING PER CURRENCY[1,2]

	December 31, 2018			December 31, 2019			December 31, 2020			
Currency	Amount MSEK	Amount MLOC	*Rate[3] %*	Amount MSEK	Amount MLOC	*Rate[3] %*	Amount MSEK	Amount MLOC	*Rate[3] %*	Final maturity
USD	5 114	572	*3.59%*	5 114	572	*3.59%*	4 756	532	*3.62%*	March 2025
EUR	2 562	250	*1.23%*	2 562	250	*1.23%*	2 562	250	*1.23%*	March 2025
Total	**7 676**	**–**	**–**	**7 676**	**–**	**–**	**7 318**	**–**	**–**	

1 Refers to interest rate fixing with a maturity in excess of three months.
2 Cash flow hedges are applied to a nominal value of MUSD 80, converting floating rates to the rates 1.645% and 2.008%, maturing in the years 2020 and 2021, respectively.
3 Average rate including credit margin.

Foreign currency risks

Transaction risk
Transaction risk is the risk that the Group's net income will be affected by changes in the value of commercial flows in foreign currencies due to fluctuating exchange rates. The nature of the business is domestic rather than cross-border and consequently foreign currency transaction risk is not significant.

Financing of foreign assets – translation risk
Translation risk is the risk that the SEK value of foreign currency equity will fluctuate due to changes in foreign exchange rates.

Securitas' foreign currency capital employed as of December 31, 2018 was MSEK 31 664 (27 809). Capital employed is financed by loans in local currency and shareholders' equity. This means that Securitas, from a Group perspective, has shareholders' equity in foreign currency that is exposed to changes in exchange rates. This exposure gives rise to a translation risk and consequently unfavorable changes in exchange rates could have a negative effect on the Group's foreign net assets when translated into SEK. With the object of minimizing the impact of changes in exchange rates on the Group's net debt to equity ratio, Securitas aims to maintain a long-term debt to equity ratio in USD and EUR that is close to the Group's total debt to equity ratio. Foreign exchange swaps and cross currency interest rate swaps are used to change the currency of the underlying debt where required in order to achieve this. Net investment hedge and cash flow hedge accounting is applied to these swaps.

The tables below show how the Group's capital employed is distributed by currency, and its financing, including derivatives. They also show the sensitivity of the net debt and capital employed to changes in the SEK exchange rate.

The consolidated statement of income is affected by the translation to SEK of the statements of income of foreign subsidiaries. As these subsidiaries essentially operate only in local currency, their competitive situation is not affected by changes in exchange rates and since the Group as a whole is geographically diversified, this exposure is not hedged.

CAPITAL EMPLOYED AND FINANCING PER CURRENCY AS PER DECEMBER 31, 2018 AND 2017

MSEK	EUR	USD	GBP	Other currencies	Total foreign currencies	SEK	Total Group	Total Group +10%[1]	Total Group -10%[1]
December 31, 2018									
Capital employed	10 320	15 620	1 219	4 505	31 664	506	32 170	35 336	29 004
Net debt	-4 543	-7 054	-304	-310	-12 211	-2 302	-14 513	-15 734	-13 292
Whereof foreign exchange swaps included in net investment hedge[2]	*3 176*	*-4 309*	*–*	*–*	*-1 133*	*-2 731*	*-3 864*	*-3 977*	*-3 751*
Whereof foreign exchange swaps included in cash flow hedge[3]	*4 401*	*–*	*–*	*–*	*4 401*	*-4 401*	*–*	*440*	*-440*
Whereof other foreign exchange swaps	*73*	*-449*	*-304*	*-310*	*-990*	*2 836*	*1 846*	*1 747*	*1 945*
Whereof net debt excluding foreign exchange swaps	*-12 193*	*-2 296*	*–*	*–*	*-14 489*	*1 994*	*-12 495*	*-13 944*	*-11 046*
Non-controlling interests	2	–	–	23	25	–	25	28	23
Net exposure	5 775	8 566	915	4 172	19 428	-1 796	17 632	19 575	15 689
Net debt to equity ratio	*0.79*	*0.82*	*0.33*	*0.07*	*0.63*	*-1.28*	*0.82*	*0.80*	*0.85*
December 31, 2017									
Capital employed	8 935	13 459	1 248	4 167	27 809	63	27 872	30 653	25 091
Net debt	-3 674	-6 386	-331	-60	-10 451	-1 882	-12 333	-13 378	-11 288
Whereof foreign exchange swaps	*4 454*	*-3 853*	*-404*	*-813*	*-616*	*-1 936*	*-2 552*	*-2 614*	*-2 490*
Whereof net debt excluding foreign exchange swaps	*-8 128*	*-2 533*	*73*	*753*	*-9 835*	*54*	*-9 781*	*-10 764*	*-8 798*
Non-controlling interests	2	–	–	19	21	–	21	23	21
Net exposure	5 259	7 073	917	4 088	17 337	-1 819	15 518	17 252	13 782
Net debt to equity ratio	*0.70*	*0.90*	*0.36*	*0.01*	*0.60*	*-1.03*	*0.79*	*0.77*	*0.82*

1 Changes in capital employed due to changes in foreign exchange rates are either accounted for in other comprehensive income or offset against changes in underlying debt. Consequently, they do not impact net income.

2 Relates to a portion of the net investment hedge which is fixed to the amount of MUSD 492 and the USD/SEK rates are 8.48 and 8.21. The balance is a dynamic hedge and rates vary periodically.

3 Currency cash flow hedges are applied to a nominal value of MEUR 430, fixing the EUR/SEK rates at 9.37 and 10.09.

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Net debt

The table below details the changes to net debt during the year.

CHANGE IN INTEREST-BEARING NET DEBT AS PER DECEMBER 31, 2018 AND 2017

	2018			2017		
MSEK	Liquid funds	Loans and other net debt	Total	Liquid funds	Loans and other net debt	Total
Opening balance	3 611	-15 944	-12 333	2 415	-15 846	-13 431
Cash flow from operating activities	3 172	–	3 172	3 837	–	3 837
Financial income and expenses paid	-432	–	-432	-425	–	-425
Current taxes paid	-856	–	-856	-1 122	–	-1 122
Payments for acquisition related items	-1 755	–	-1 755	-304	–	-304
Payments for items affecting comparability	-117	–	-117	–	–	–
Dividend paid	-1 460	–	-1 460	-1 369	–	-1 369
Bond proceeds	3 004	-3 004	–	3 300	-3 300	–
Bond redemption	-3 480	3 480	–	-3 308	3 308	–
Commercial paper proceeds	2 500	-2 500	–	–	–	–
Commercial paper redemption	-1 550	1 550	–	–	–	–
Other changes	610	-610	–	634	-634	–
Real change	**-364**	**-1 084**	**-1 448**	**1 243**	**-626**	**617**
Revaluation of financial instruments[1]	–	26	26	–	-29	-29
Translation[2]	-18	-740	-758	-47	557	510
Closing balance	**3 229**	**-17 742**	**-14 513**	**3 611**	**-15 944**	**-12 333**

1 Relates to unrealized gains and losses on fair value hedges and cash flow hedges including hedge ineffectiveness.
2 Whereof MSEK -529.8 (800.9) is related to USD and MSEK -143.3 (-103.3) is related to EUR.

LIABILITIES FROM FINANCING ACTIVITIES 2018

			Non-cash changes			
	January 1, 2018	Cash flows[1]	Reclassification	Other changes	Translation	December 31, 2018
Long-term borrowings	12 925.8	3 004.1	-759.9	114.9	572.8	15 857.7
Short-term borrowings	3 490.8	-2 025.1	759.9	-42.5	99.8	2 282.9
Lease liabilities	190.9	–	–	30.9	–	221.8
Assets held to hedge borrowings	-299.4	-51.6	–	-164.7	–	-515.7
Total	**16 308.1**	**927.4**	**–**	**-61.4**	**672.6**	**17 846.7**

1 Excluding other derivative positions and dividend paid to shareholders of the Parent Company, that are included in cash flow from financing activities in the consolidated statement of cash flow.

LIABILITIES FROM FINANCING ACTIVITIES 2017

			Non-cash changes			
	January 1, 2017	Cash flows[1]	Reclassification	Other changes	Translation	December 31, 2017
Long-term borrowings	12 695.8	3 299.5	-3 373.7	–	304.2	12 925.8
Short-term borrowings	3 532.5	-3 347.2	3 373.7	-26.9	-41.3	3 490.8
Lease liabilities	218.4	-41.9	–	23.5	-9.1	190.9
Assets held to hedge borrowings	-328.7	–	–	29.3	–	-299.4
Total	**16 118.0**	**-89.6**	**–**	**25.9**	**253.8**	**16 308.1**

1 Excluding other derivative positions and dividend paid to shareholders of the Parent Company, that are included in cash flow from financing activities in the consolidated statement of cash flow.

Financing and liquidity risk

The Group's short-term liquidity is ensured by maintaining a liquidity reserve (cash and bank deposits, short-term investments and the unutilized portion of committed credit facilities), which should correspond to a minimum of 5 percent of consolidated annual sales. As of December 31, 2018 the short-term liquidity reserve corresponded to 10 percent (12) of the Group's annual sales.

The Group's long-term financing risk is minimized by ensuring that the level of long-term financing (shareholders' equity, long-term committed loan facilities and long-term bond loans) at least matches the Group's capital employed. Per December 31, 2018 long-term financing corresponded to 135 percent (145) of the Group's capital employed.

Financing of the Group should be well balanced among different sources and long-term. The aim is that committed loan facilities and bond loans should have an average maturity of more than 3.5 years. As per December 31, 2018 the average maturity was 3.5 years. The following tables summarize the Group's liquidity risk at end 2018 and 2017 respectively.

LIQUIDITY REPORT AS PER DECEMBER 31, 2018 AND 2017

MSEK	Total	< 1 year	Between 1 year and < 3 years	Between 3 years and 5 years	> 5 years
December 31, 2018					
Borrowings, principal amount	-17 765	-2 323	-5 196	-3 586	-6 660
Borrowings, interest amount	-1 123	-292	-512	-202	-117
Derivatives outflows interest	-267	-123	-80	-42	-22
Other derivatives outflows	-10 201	-5 802	–	-2 833	-1 566
Finance leases	-222	-106	-116	–	–
Accounts payable	-1 833	-1 833	–	–	–
Total outflows[1]	**-31 411**	**-10 479**	**-5 904**	**-6 663**	**-8 365**
Investments, principal amount	1 640	1 640	–	–	–
Derivatives receipts interest	394	104	194	53	43
Other derivatives receipts	10 250	5 807	23	2 954	1 466
Accounts receivable	15 603	15 603	–	–	–
Total inflows[1]	**27 887**	**23 154**	**217**	**3 007**	**1 509**
Net cash flows, total[2, 3]	**-3 524**	**12 675**	**-5 687**	**-3 656**	**-6 856**
December 31, 2017					
Borrowings, principal amount	-16 157	-3 625	-1 032	-8 052	-3 448
Borrowings, interest amount	-1 050	-291	-410	-271	-78
Derivatives outflows interest	-326	-69	-138	-119	–
Other derivatives outflows	-11 645	-9 029	–	-2 616	–
Finance leases	-191	-92	-99	–	–
Accounts payable	-1 699	-1 699	–	–	–
Total outflows[1]	**-31 068**	**-14 805**	**-1 679**	**-11 058**	**-3 526**
Investments, principal amount	2 267	2 267	–	–	–
Derivatives receipts interest	343	102	149	78	14
Other derivatives receipts	11 902	9 028	25	2 842	7
Accounts receivable	13 349	13 349	–	–	–
Total inflows[1]	**27 861**	**24 746**	**174**	**2 920**	**21**
Net cash flows, total[2, 3]	**-3 207**	**9 941**	**-1 505**	**-8 138**	**-3 505**

1 Refers to gross cash flows.
2 All contractual cash flows per the balance sheet date are included, including future interest payments.
3 Variable rate cash flows have been estimated using the relevant yield curve.

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.

Securitas also has a Euro Medium Term Note Program (EMTN) with a limit of MEUR 3 000 under which public and private funding can be raised on international capital markets. As of December 31, 2018 there were nine outstanding bond loans with maturities ranging from 2019 to 2025.

In addition, Securitas also has a short-term Swedish commercial paper program in the amount of MSEK 5 000. On December 31, 2018, MSEK 950 of the facility was drawn. The objective is to have access to short-term financing at competitive prices. Pricing is based on the prevailing market rates at time of issuance.

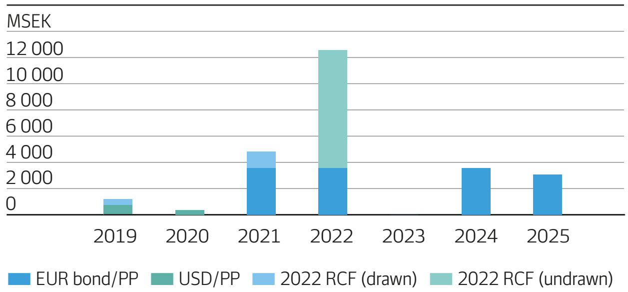
The table below shows a summary of the credit facilities as of December 31, 2018.

CREDIT FACILITIES AS PER 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

In combination with Securitas' strong cash flow, these sources of financing provide liquidity on a short and long-term basis as well as flexibility to finance the Group's expansion.

The graph below shows the maturity profile as of December 31, 2018 for the Group's interest-bearing debt.



Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

Credit / counterparty risks

Counterparty risk – accounts receivable

The Group has generally low risk in the accounts receivables for a number of reasons. A large proportion of sales are based on contracts with well-known large and medium sized clients with an established and long-term relationship. This provides for transparent and safe collection of invoices. New clients are duly reviewed in terms of credit worthiness.

The contract portfolio sales are also diversified in several ways, of which the most important is that there are few/no clients that represent a significant portion of total sales. Default by a single client then has little overall effect. In addition, Securitas provides its services to geographically dispersed clients in a large number of sectors including governments, utilities, financial sector, travel, logistics and industrial. Hence, the exposure to financial distress in any particular sector or region is relatively limited.

Securitas' services are also, although vital in many aspects, mostly ancillary to the business of the clients. This means that the cost of security services represents a small fraction of total costs of running clients' business, making Securitas less exposed to payment defaults than suppliers of services or goods more directly involved in the value chain.

All of this provides for secure collection of the sales generated, which is evidenced by low bad debt losses in the range of 0.1 percent of sales in the past two years.

Counterparty risk – liquid funds

The credit quality of interest-bearing receivables is described below, where 76 percent (80) of interest-bearing receivables have a rating of A1/P1.

CREDIT QUALITY INTEREST-BEARING RECEIVABLES

MSEK	2018	2017
A1/P1	2 926	3 422
Other	923	853
Total interest-bearing receivables	**3 849**	**4 275**

The Group has policies in place that limit the amount of credit exposure to any one financial institution. The use of Credit Support Annexes reduces the Group's counterparty exposures on its outstanding derivatives. Investments of liquid funds may only be made in government paper or with financial institutions with a high credit rating. As of December 31, 2018 the weighted average credit rating of these institutions was short-term A1/P1. The largest total exposure for all instrument types to any one institution was MSEK 1 343 (1 697).

Rating

In order to access international debt capital markets in an effective manner, Securitas has obtained long-term and short-term credit ratings from Standard & Poor's. The long-term rating is BBB with Stable Outlook and the short-term rating is A-2. The Nordic short-term rating is K-2.

Fair value of financial instruments

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are:

- Cash and bank deposits and short-term investments: carrying amounts approximate fair values.
- Derivative and other financial instruments: fair values are estimated based on quoted market prices, on prices provided by independent brokers, or are calculated on best market prices. The prices used are fair values stated excluding accrued interest.
- Debt: fair values of fixed rate debt are based on either quoted prices or are estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued. The fair value of floating rate debt is assumed to equal the carrying value of the debt.

REVALUATION OF FINANCIAL INSTRUMENTS

MSEK	2018	2017
Recognized in the statement of income		
Financial income and expenses[1]	2.4	-0.8
Deferred tax	–	–
Impact on net income for the year	**2.4**	**-0.8**
Recognized in other comprehensive income		
Transfer to cash flow hedging reserve before tax	194.6	63.2
Transfer to cost of hedging reserve before tax	-56.6	–
Deferred tax on transfer to hedging reserve	-30.4	-13.9
Transfer to hedging reserve net of tax	**107.6**	**49.3**
Transfer to statement of income before tax	-114.4	-91.2
Deferred tax on transfer to statement of income	25.2	20.0
Transfer to statement of income net of tax	**-89.2**	**-71.2**
Change of cash flow hedging reserve before tax	80.2	-28.0
Change of cost of hedging reserve before tax	-56.6	–
Total change of hedging reserve before tax[2]	**23.6**	**-28.0**
Deferred tax on total change of hedging reserve[2]	-5.2	6.1
Total change of hedging reserve net of tax	**18.4**	**-21.9**
Total impact on shareholders' equity as specified above		
Total revaluation before tax[3]	26.0	-28.8
Deferred tax on total revaluation[3]	-5.2	6.1
Total revaluation after tax	**20.8**	**-22.7**

1 Related to financial assets and financial liabilities at fair value through profit or loss. There was no significant ineffectiveness in the fair value hedges or in the cash flow hedges.
2 Total of transfer to hedging reserve and transfer from hedging reserve to statement of income.
3 Total revaluation and deferred tax recognized via statement of income and via other comprehensive income.

HEDGING RESERVE AS PER DECEMBER 31, 2018

MSEK	Cost of hedging reserve	Interest rate cash flow hedges	Currency cash flow hedges	Total before tax	Deferred tax	Total net of tax
Opening balance January 1, 2018	–	5.2	-10.2	-5.0	1.1	-3.9
Change in fair value of hedging instrument recognized in other comprehensive income	-56.6	-0.6	195.2	138.0	-30.4	107.6
Reclassified from other comprehensive income to profit or loss	–	6.0	-120.4	-114.4	25.2	-89.2
Closing balance December 31, 2018	**-56.6**	**10.6**	**64.6**	**18.6**	**-4.1**	**14.5**

The table below discloses carrying values and fair values of financial instruments according to the categories in note 2.

FINANCIAL INSTRUMENTS BY CATEGORY – CARRYING AND FAIR VALUES

	2018	
MSEK	Carrying value	Fair value
Assets		
Financial assets at amortized cost		
Interest-bearing financial non-current assets (note 22)	144.5	144.5
Other interest-bearing current assets (note 27)	104.0	104.0
Other long-term receivables (note 23)[1]	479.8	479.8
Accounts receivable (note 25)	15 603.5	15 603.5
Other current receivables (note 26)[2]	3 907.1	3 907.1
Liquid funds (note 28)	3 228.8	3 228.8
Total financial assets at amortized cost	**23 467.7**	**23 467.7**
Liabilities		
Financial liabilities at amortized cost		
Long-term loan liabilities (note 30)	1 918.9	1 918.9
Short-term loan liabilities (note 33)	2 367.7	2 367.7
Accounts payable	1 832.7	1 832.7
Other current liabilities (not 34)[4]	4 516.3	4 516.3
Financial liabilities designated as hedged item in a fair value hedge (note 30)[5]	13 939.2	14 064.6
Total financial liabilities at amortized cost	**24 574.8**	**24 700.2**
Derivatives designated for hedging		
Interest-bearing financial current assets (note 27)	17.1	17.1
Interest-bearing financial non-current assets (note 22)	354.5	354.5
Total derivatives assets designated for hedging	**371.6**	**371.6**
Interest-bearing financial current liabilities (note 33)	20.9	20.9
Interest-bearing financial long-term liabilities (note 30)	115.7	115.7
Total derivatives liabilities designated for hedging	**136.6**	**136.6**
Net total	**235.0**	**235.0**
1 Excluding all pension balances and reimbursement rights (note 23)	*303.0*	*303.0*
2 Excluding prepaid expenses (note 26)	*1 149.2*	*1 149.2*
3 Excluding pension balances (note 30)	*128.7*	*128.7*
4 Excluding employee-related accrued expenses and prepaid income (note 34)	*7 511.0*	*7 511.0*

5 The difference between the carrying value and fair value of short-term and long-term loan liabilities is due to the credit margin in the discount rate.

	2017	
MSEK	Carrying value	Fair value
Assets		
Financial assets at fair value through profit or loss		
Other interest-bearing current assets (note 27)	52.1	52.1
Total	**52.1**	**52.1**
Loans and receivables		
Interest-bearing financial non-current assets (note 22)	68.4	68.4
Other long-term receivables (note 23)[1]	439.7	439.7
Accounts receivable (note 25)	13 349.3	13 349.3
Other current receivables (note 26)[2]	3 349.8	3 349.8
Other interest-bearing current assets (note 27)	106.7	106.7
Liquid funds (note 28)	3 610.6	3 610.6
Total	**20 924.5**	**20 924.5**
Liabilities		
Financial liabilities at fair value through profit or loss		
Short-term loan liabilities (note 33)	16.2	16.2
Total	**16.2**	**16.2**
Financial liabilities designated as hedged item in a fair value hedge		
Short-term loan liabilities (note 33)[5]	2 961.0	2 969.4
Long-term loan liabilities (note 30)[5]	10 463.3	10 721.1
Total	**13 424.3**	**13 690.5**
Other financial liabilities		
Long-term loan liabilities (note 30)	2 560.5	2 560.5
Long-term liabilities (note 30)[3]	113.6	113.6
Short-term loan liabilities (note 33)	558.5	558.5
Accounts payable	1 698.8	1 698.8
Other current liabilities (note 34)[4]	3 877.8	3 877.8
Total	**8 809.2**	**8 809.2**
Derivatives designated for hedging		
Interest-bearing financial current assets (note 27)	5.9	5.9
Interest-bearing financial non-current assets (note 22)	431.3	431.3
Total assets	**437.2**	**437.2**
Interest-bearing financial current liabilities (note 33)	47.2	47.2
Interest-bearing financial long-term liabilities (note 30)	0.8	0.8
Total liabilities	**48.0**	**48.0**
Net total	**389.2**	**389.2**
1 Excluding all pension balances and reimbursement rights (note 23)	*375.9*	*375.9*
2 Excluding prepaid expenses	*874.7*	*874.7*
3 Excluding pension balances (note 30)	*124.1*	*124.1*
4 Excluding employee-related accrued expenses and prepaid income	*6 987.8*	*6 987.8*

5 The difference between the carrying value and fair value of short-term and long-term loan liabilities is due to the credit margin in the discount rate.

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

FAIR VALUE – HIERARCHY AS PER DECEMBER 31, 2018 AND 2017[1]

	Quoted market prices		Valuation techniques using observable market data		Valuation techniques using non-observable market data		Total	
MSEK	2018	2017	2018	2017	2018	2017	2018	2017
Financial assets at fair value through profit or loss	–	–	15.9	50.6	–	–	15.9	50.6
Financial liabilities at fair value through profit or loss	–	–	-10.0	-16.2	-272,3[2]	-167.6[2]	-282.3	-183.8
Derivatives designated for hedging with positive fair value	–	–	355.7	438.7	–	–	355.7	438.7
Derivatives designated for hedging with negative fair value	–	–	-126.6	-48.0	–	–	-126.6	-48.0

1 There have been no transfers between any of the valuation levels during the year.
2 Related to deferred considerations. These have been recognized mainly based on an assessment of the future profitability development in the acquired entities for an agreed period.

Offsetting financial assets and financial liabilities

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis. However, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due, failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party, or bankruptcy.

Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements or similar agreements.

MSEK	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instruments not set off in the balance sheet	Net amount
December 31, 2018					
Derivative financial assets	371.6	–	371.6	43.2	328.4
Total	**371.6**	**–**	**371.6**	**43.2**	**328.4**
December 31, 2017					
Derivative financial assets	489.3	–	489.3	52.1	437.2
Total	**489.3**	**–**	**489.3**	**52.1**	**437.2**

Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements or similar agreements.

MSEK	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments not set off in the balance sheet	Net amount
December 31, 2018					
Derivative financial liabilities	136.6	–	136.6	55.8	80.8
Total	**136.6**	**–**	**136.6**	**55.8**	**80.8**
December 31, 2017					
Derivative financial liabilities	64.1	–	64.1	9.3	54.8
Total	**64.1**	**–**	**64.1**	**9.3**	**54.8**

References to other notes

For further information regarding financial instruments, refer to:
- Note 2 Accounting principles
- Note 14 Net financial items
- Note 22 Interest-bearing financial non-current assets
- Note 27 Other interest-bearing current assets
- Note 30 Long-term liabilities excluding provisions
- Note 33 Short-term loan liabilities
- Note 44 Financial risk management (Parent Company)

NOTE 8 *Transactions with related parties*

Guarantees on behalf of related parties amount to MSEK 0.4 (3.9).

Information on the remuneration to the Board of Directors and Senior Management is provided in note 9. Information on total payroll expenses for the Board of Directors and the Presidents of the Group is provided in note 12.

For information on the Parent Company's transactions with related parties, refer to note 43 and note 46.

NOTE 9 *Remuneration to the Board of Directors and senior management*

General

Principles

The Chairman of the Board and the Directors receive fees in accordance with the decision of the Annual General Meeting, which includes separate fees for committee work. Neither the President and CEO nor the employee representatives receive Directors' fees.

The Annual General Meeting on May 2, 2018 decided upon guidelines for remuneration to senior management regarding 2018 in accordance with the following:

The fundamental principle is that remuneration and other terms of employment for senior management shall be competitive and in accordance with market conditions, in order to ensure that the Securitas Group will be able to attract and keep competent senior management employees.

The total remuneration to senior management shall consist of a fixed basic salary, variable remuneration, pensions and other benefits.

In addition to a fixed annual salary the Group Management may also receive variable remuneration, which shall be based on the outcome in relation to financial goals within the individual's area of responsibility (Group or division) and which shall be aligned with the interest of the shareholders. The variable remuneration shall amount to a maximum of 60 percent of the fixed annual salary for the President and CEO and a maximum of 42–200 percent of the fixed annual salary for other individuals of the Group Management. If cash payment of variable remuneration has been effected on grounds later proven to be obviously inaccurate, the company shall have the possibility to reclaim such paid remuneration.

The Board of Directors shall each year consider whether to propose that the Annual General Meeting shall resolve upon a share or share price related incentive program.

The cost of the company for 2018 in terms of its obligations to pay variable remuneration to the Group Management is estimated to not exceed a total of MSEK 84 at maximum outcome. Information on previously decided remuneration which has not yet been paid can be found in note 8 of the Annual Report for 2017.

Subject to applicable legislation, the entire Group Management shall be subject to defined contribution pension plans for which insurance premiums are transferred from the individual's total remuneration and paid by the company during the term of employment. Variable compensation shall not qualify for pension purposes unless local regulations provide otherwise.

Other benefits, such as company car, special health insurance or occupational health service shall be provided to the extent this is considered customary for senior management employees holding equivalent positions on the labor market where the senior management employee is active.

At dismissal, the notice period for all senior management employees shall amount to a maximum of twelve months with a right to redundancy payment after the end of the notice period, equivalent to a maximum of 100 percent of the fixed salary for a period not exceeding twelve months. At resignation by a senior management employee, the notice period shall amount to a maximum of six months.

These guidelines shall apply to individuals who are included in the Group Management during the term of application of these guidelines. The guidelines shall apply to agreements entered into after the adoption by the Annual General Meeting, and to changes made in existing agreements after this date. The Board shall be entitled to deviate from the guidelines in individual cases if there are specific reasons for such deviation.

The Board of Directors proposal to the Annual General Meeting in May 2019 on guidelines for remuneration to senior management regarding 2019 is presented in the Report of the Board of Directors, in this Annual Report.

Planning and decision-making process

The Board's remuneration committee deals with the above matters regarding the President and CEO and other members of the Group Management, as well as other management levels if the committee so decides. The committee presents its proposals to the Board of Directors, which takes all decisions. The members of the remuneration committee are Marie Ehrling (chairman) and Carl Douglas. The committee has held two meetings in 2018.

Board of Directors

Fees to the Board of directors, relating to the period up to the Annual General Meeting 2019 are provided according to the Annual General Meeting's decision on May 2, 2018. For the 2018 financial year, the Chairman Marie Ehrling receives a director's fee, including committee work fee, of MSEK 2.1. The other Directors receives an aggregate director's fee, including committee work fee, of MSEK 5.2. The remuneration for each member of the Board of Directors is disclosed in the tables below. The Board of Directors is otherwise not entitled to any other compensation except for travel and lodging expenses.

President and Chief Executive Officer

Magnus Ahlqvist took up the office as President and CEO as of March 1, 2018.

The President and CEO Magnus Ahlqvist's salary for the period March 1 to December 31, 2018, amounted to MSEK 14.7. The compensation includes salary in lieu of pension amounting to MSEK 3.4, corresponding to 30 percent of base salary. Other salary benefits amounted to MSEK 0.2. Compensation to Magnus Ahlqvist as Divisional President Security Services Europe, for the period January 1 to February 28, 2018, is included under other members of Group Management below. Magnus Ahlqvist has also continued as Divisional President for Security Services Europe for the period after March 1, 2018, without separate compensation. Upon dismissal, the notice period for the President and CEO amounts to twelve months with a right to a severance pay after the end of the notice period, equivalent to twelve months fixed salary.

The prior President and CEO Alf Göransson resigned from this position on March 1, 2018 and left his employment on March 7, 2018. The salary for the period January 1 to February 28, 2018 amounted to MSEK 2.5. The salary for the period March 1 to March 7, 2018 amounted to MSEK 0.3. Other salary benefits amounted to MSEK 0.0. Alf Göransson had a defined contribution pension plan amounting to 30 percent of his fixed salary, and the pension costs amounted to MSEK 0.8. No pension benefits were conditioned by future employment.

Alf Göransson is, according to an agreement up to March 2020, an advisor to Securitas' President and CEO Magnus Ahlqvist. In this role Alf Göransson will, among other things support in some client relations activities, acquisition related matters and industry specific topics. The compensation for the advisory engagement for the period March 8 to December 31, 2018 amounted to MSEK 8.0. There are no other benefits, variable compensation or pension in this engagement.

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Other members of Group Management

The other Group Management consisted by the end of 2018 of the following ten members: Bart Adam (Chief Financial Officer), Martin Althén (Chief Information Officer), William Barthelemy (Chief Operating Officer, Security Services North America), Santiago Galaz (Divisional President, Security Services North America), Jan Lindström (Senior Vice President Finance), Aimé Lyagre (Chief Operating Officer and Chief Technology Officer, Security Services Europe), Marc Pissens (President Aviation), Luis Posadas (Divisional President, Security Services Ibero-America), Frida Rosenholm (Senior Vice President, General Counsel) and Henrik Zetterberg (Chief Operating Officer, Security Services Europe). Gisela Lindstrand (Senior Vice President Corporate Communications and Public Affairs) left the Group Management as of May 15, 2018.

In the 2018 financial year the other members of Group Management aggregate fixed salaries amounted to MSEK 71.5, and other salary benefits to MSEK 3.3. The amounts include remuneration to members who were part of the Group Management during the year.

The other members of Group Management have individual pension plans. The retirement age varies from country to country and pension plan.

As described under Principles above, members can allocate part of their remuneration to a defined contribution pension plan. All members of Group Management have defined contribution pension plans for which pension premiums are allocated from the member's total remuneration and paid by the company during the term of employment. These premiums may vary but are limited to amounts deductible for tax purposes by the company. In 2018 the pension costs for these members of Group Management amounted to MSEK 10.6. No pension benefits are conditioned by future employment.

During 2018 five members had a Swedish defined benefit pension plan (ITP), but can also allocate part of their remuneration to a defined contribution plan. The Swedish defined benefit plan guarantees a lifetime pension from the age of 65. The pension compensation corresponds to a certain percentage of the final salary, and the maximum pensionable income is MSEK 1.9 per employee. This pension benefit is funded through annual premiums paid by the company during the term of employment, and the pension cost for these five members in 2018 was MSEK 2.3 (included in the total pension cost for other Group Management, see also the table below).

Upon dismissal, the notice period and a right to a severance pay after the end of the notice period, is equivalent to a maximum of 24 months fixed salary, for members of Group Management.

Short- and long-term incentives

Short-term as well as long-term incentives for eligible employees in Securitas include clearly measurable performance based targets that are set as close to the local business as possible and aim for long-term profitability of the Group. The performance targets that are required to achieve maximum bonus vary depending on the position of the employee but are as a principle based on year-on-year improvement of the operating result (EBITA) in the area of responsibility and targets based on improvement of cash flow.

For the President and CEO as well as the four members of Group Management responsible for staff functions, the performance based target is based on year-on-year real improvement of the earnings per share.

The President and CEO Magnus Ahlqvist and the other members of Group Management are included in the Securitas share-based incentive schemes 2017 and 2018 respectively, which were approved by the Annual General Meetings in these years. These incentive schemes are paid by two thirds in cash in the beginning of the year following the performance year, and the remaining one third is used to acquire Series B shares in Securitas AB over the stock market. These shares are allocated to Group Management in March, two years following the performance year, conditioned by a continuous employment during the vesting period, except where the member has left his/her employment due to retirement, long-term disability or death, in which case the member shall have a continued right to receive Bonus Shares. See further information in note 2 and 12. Information regarding the final allocation of shares to the Group Management in March 2019 under the 2017 share-based incentive scheme, as well as the potential allocation of shares in 2020 under the 2018 share-based incentive scheme and the fair value of these shares, are disclosed in the tables below.

For the President and CEO Magnus Ahlqvist the variable short-term compensation relating to the 2018 performance amounted to MSEK 6.4, whereof MSEK 2.1 will be allocated in shares in 2020 and MSEK 4.3 will be paid in cash in 2019. There is no variable compensation relating to the 2018 performance for the previous President and CEO Alf Göransson.

The aggregate short-term variable compensation relating to the 2018 performance to the other members of Group management amounted to MSEK 43.4, whereof MSEK 14.4 will be allocated in shares in 2020 and MSEK 29.0 will be paid in cash in 2019.

During 2018 three members of Group Management have had long-term incentive plans, which are provided for during the performance year. Two plans are reconciled to the annual performance, paid in the following year. The third plan is reconciled to performance up to 2020, with payment during 2021 conditioned by that the performance target has been met. The provision for long-term variable compensation relating to the 2018 performance amounted to MSEK 19.9. The accumulated provision for long-term bonus programs amounted to MSEK 29.5 as of December 31, 2018, whereof MSEK 27.7 is paid in 2019. At resignation by a management employee, any unpaid long-term bonus will stay with the company.

ALLOCATION OF SHARES TO GROUP MANAGEMENT RELATING TO SECURITAS SHARE-BASED INCENTIVE SCHEME 2018

	Number of shares[1]	Fair value[2], MSEK
	2018	2018
Magnus Ahlqvist, President and CEO[3]	17 791	2.6
Other members of Group Management	99 561	14.6
Total holdings	**117 352**	**17.2**

1 Potential allocation of shares 2020, according to Securitas share-based incentive scheme 2018, according to purchase prices for Securitas Series B shares in March 2019.
2 Fair value of potential allocation of shares based on currency rates as of February 28, 2019 and Securitas Series B share purchase prices in March 2019.
3 Includes share related bonus earned as Divisional President Security Services Europe.

Remuneration to the Board of Directors and Group Management

REMUNERATION RELATED TO 2018

KSEK	Base salary/fee	Other benefits	Variable compensation[5]	Pension	Total remuneration
Marie Ehrling, Chairman of the Board[1]	2 100	–	–	–	2 100
Carl Douglas, vice Chairman[1]	895	–	–	–	895
Ingrid Bonde[1]	760	–	–	–	760
John Brandon	580	–	–	–	580
Anders Böös[1]	760	–	–	–	760
Fredrik Cappelen[1]	865	–	–	–	865
Sofia Schörling Högberg[1]	760	–	–	–	760
Dick Seger	580	–	–	–	580
Subtotal Board of Directors	**7 300**	**–**	**–**	**–**	**7 300**
Magnus Ahlqvist, President and CEO (1 March–31 December)[2]	14 666	181	6 386	–	21 233
Alf Göransson, President and CEO (1 January–28 February)[3]	2 500	28	–	757	3 285
Other members of Group Management[4]	71 456	3 269	63 318	10 639	148 682
Subtotal President and CEO and Group Management	**88 622**	**3 478**	**69 704**	**11 396**	**173 200**
Total	**95 922**	**3 478**	**69 704**	**11 396**	**180 500**

Above information refers to full year remuneration for the current Group Management, unless stated otherwise. The Board of Directors has no pension benefits.
1 Including remuneration for committee work.
2 Base salary and 30% salary in lieu of pension contributions KSEK 3 404 and translation difference from GBP for part of salary paid in the United Kingdom according to agreement.
3 In addition, salary for the period March 1 to March 7, 2018 amounted to KSEK 288. Compensation for advisory engagement for the period March 8 to December 31, 2018 amounted KSEK 7 994. There are no other benefits, variable compensation or pension in this engagement.
4 Other members of Group Management consisted as of December 31, 2018 of ten persons. The compensation for Magnus Ahlqvist in the role as Divisional President Security Services Europe during the period January 1 to February 28, 2018 is included in this amount, as well as for one member who left the Group Management during 2018.
5 Refer to the cost for 2018 for Securitas incentive scheme for cash and share-based bonus and long-term incentive plans, see also separate table for the share-based part.

REMUNERATION RELATED TO 2017

KSEK	Base salary/fee	Other benefits	Variable compensation[2]	Pension	Total remuneration
Marie Ehrling, Chairman of the Board[1]	1 800	–	–	–	1 800
Carl Douglas, vice Chairman[1]	850	–	–	–	850
Ingrid Bonde	550	–	–	–	550
John Brandon	550	–	–	–	550
Anders Böös[1]	725	–	–	–	725
Fredrik Cappelen[1]	825	–	–	–	825
Sofia Schörling Högberg[1]	725	–	–	–	725
Dick Seger	550	–	–	–	550
Subtotal Board of Directors	**6 575**	**–**	**–**	**–**	**6 575**
Alf Göransson, President and CEO	15 346	65	9 000	4 500	28 911
Other members of Group Management[3]	67 091	5 233	57 326	11 266	140 916
Subtotal President and CEO and Group Management	**82 437**	**5 298**	**66 326**	**15 766**	**169 827**
Total	**89 012**	**5 298**	**66 326**	**15 766**	**176 402**

Above information refers to full year remuneration for the current Group Management, unless stated otherwise. The Board of Directors has no pension benefits.
1 Including remuneration for committee work.
2 Refer to the cost for 2017 for Securitas incentive scheme for cash and share-based bonus, see also separate table for the share-based part.
3 Other members of Group Management consisted as of December 31, 2017 of 11 persons (12). The compensation for one member who left the Group Management during 2017 refers up to this date.

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

Shareholdings

The Board of Directors' and Group Management's shareholdings through acquisitions on the stock market as of December 31, 2018, as well as the allocation of shares to the Group Management according to Securitas share-based incentive scheme in March 2019 are detailed in the table below.

BOARD OF DIRECTORS' AND GROUP MANAGEMENT'S HOLDINGS OF SECURITAS SERIES A AND B SHARES[1]

	A shares	A shares	B shares	B shares	B shares
	2018	2017	2018[8]	2017[8]	Allocation March 2019[9]
Marie Ehrling, Chairman of the Board	–	–	7 000	7 000	–
Carl Douglas, vice Chairman[2]	12 642 600	12 642 600	27 190 000	27 190 000	–
Ingrid Bonde	–	–	2 600	2 600	–
John Brandon	–	–	10 000	0	–
Anders Böös	–	–	25 000	25 000	–
Fredrik Cappelen	–	–	4 000	4 000	–
Sofia Schörling Högberg[3]	4 500 000	4 500 000	12 071 998	15 237 000	–
Dick Seger	–	–	26	26	–
Magnus Ahlqvist, President and CEO (as from March 1, 2018)[4]	–	–	108 989	101 920	4 052
Alf Göransson, President and CEO (up to February 28, 2018)[5]	–	–	–	100 702	–
Bart Adam	–	–	37 027	31 337	16 153
Martin Althén	–	–	1 544	0	4 388
William Barthelemy	–	–	62 109	52 072	8 750
Santiago Galaz	–	–	238 406	201 679	33 264
Gisela Lindstrand[5]	–	–	–	4 082	–
Jan Lindström	–	–	11 395	9 576	4 371
Aimé Lyagre	–	–	26 510	21 470	4 710
Marc Pissens	–	–	62 022	49 234	12 740
Luis Posadas	–	–	45 149	35 973	6 201
Frida Rosenholm[6]	–	–	0	–	–
Henrik Zetterberg[7]	–	–	2 544	1 301	3 687
Total holdings	**17 142 600**	**17 142 600**	**39 906 319**	**43 074 972**	**98 316**

1 Information refers to shareholdings as of December 31, 2018 and 2017.
2 Private holdings and through Investment AB Latour Group.
3 Private holdings and through Melker Schörling AB. In addition related parties holds 4 800 series B-shares.
4 Holds in addition to B-shares according to the table, 200 000 share options regarding acquisition of Securitas series B-shares, issued by Melker Schörling AB and Investment AB Latour.
5 Has left the Group Management during 2018, why actual holdings is not applicable.
6 Has joined the Group Management during 2018, why earlier holdings is not applicable.
7 Holds in addition to B-shares according to the table, 45 000 share options regarding acquisition of Securitas series B-shares, issued by Melker Schörling AB and Investment AB Latour.
8 Holdings as of December 31 excluding potential allocation of shares according to Securitas share-based incentive scheme (see footnote 9 below).
9 Actual allocation of shares in March 2019 according to Securitas share-based incentive scheme 2017, including shares corresponding to dividend decided related to potential allocation of shares during 2018. The gross number of allocated shares is stated, of which part of the shares may have been sold to cover tax on the benefit. Other holdings of Securitas Series B shares in March 2019 are not included.

NOTE 10 *Segment reporting*

Segment structure

The Group's operations are divided into three reportable segments: Security Services North America, Security Services Europe and Security Services Ibero-America.

All segments apply the accounting principles explained in note 2. The segment reporting follows the format of Securitas' financial model, which provides a foundation for financial planning and reporting from branch office level up to the Board of Directors. Acquisitions of subsidiaries are therefore excluded from the operating cash flow. All material acquisitions are stated at business segment level in the report of the Board of Directors under the heading Acquisitions and divestitures.

Security Services North America

Security Services North America provides security services in the US, Canada and Mexico and comprises 15 business units: the national and global accounts organization, five geographical regions and seven specialized business units in the US – critical infrastructure, healthcare, Pinkerton Corporate Risk Management, mobile, manufacturing, oil and gas and Securitas Electronic Security – plus Canada and Mexico. In total, there are approximately 720 branch managers and 122 000 employees.

Security Services Europe

Security Services Europe provides security services for large and medium-sized clients in 28 countries, and airport security in 15 countries. Security Services Europe offers mobile security services for small and medium-sized businesses and residential sites and electronic alarm surveillance services. In total, the organization has approximately 770 branch managers and 128 000 employees.

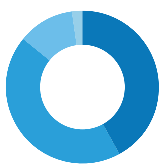
Security Services Ibero-America

Security Services Ibero-America provides security services for large and medium-sized clients in nine Latin American countries as well as Portugal and Spain in Europe. Security Services Ibero-America has a combined total of approximately 170 branch managers and 63 000 employees.

Other

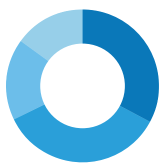
Other includes all other operating segments as well as general administrative expenses, expenses for head offices and other central expenses. All other operating segments comprise the operations in Africa, the Middle East and Asia.

SALES PER SEGMENT



- Security Services North America 42%
- Security Services Europe 44%
- Security Services Ibero-America 12%
- Other 2%

NUMBER OF EMPLOYEES PER SEGMENT



- Security Services North America 33%
- Security Services Europe 35%
- Security Services Ibero-America 17%
- Other 15%

JANUARY – DECEMBER 2018

MSEK	Security Services North America	Security Services Europe	Security Services Ibero-America	Other	Total segments	Eliminations	Group
Income							
Sales, external	42 360	45 040	12 313	1 754	101 467	–	101 467
Sales, intra-group	6	–	2	1	9	-9	–
Total sales	**42 366**	**45 040**	**12 315**	**1 755**	**101 476**	**-9**	**101 467**
Organic sales growth, %	*6*	*4*	*12*	–	–	–	*6*
Operating income before amortization[1]	**2 589**	**2 511**	**550**	**-346**	**5 304**	**–**	**5 304**
of which share in income of associated companies	*-9*	*0*	–	*40*	*31*	–	*31*
Operating margin, %	*6.1*	*5.6*	*4.5*	–	*5.2*	–	*5.2*
Amortization of acquisition related intangible assets	-54	-158	-30	-18	-260	–	-260
Acquisition related costs	-84	-35	–	-1	-120	–	-120
Items affecting comparability	-155	-268	–	-32	-455	–	-455
Operating income after amortization	**2 296**	**2 050**	**520**	**-397**	**4 469**	**–**	**4 469**
Financial income and expenses	–	–	–	–	–	–	-441
Income before taxes	**–**	**–**	**–**	**–**	**–**	**–**	**4 028**
Taxes	–	–	–	–	–	–	-1 007
Net income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**3 021**
Operating cash flow							
Operating income before amortization	**2 589**	**2 511**	**550**	**-346**	**5 304**	**–**	**5 304**
Investments in non-current tangible and intangible assets	-478	-1 169	-274	-267	-2 188	–	-2 188
Reversal of depreciation[1]	368	917	286	122	1 693	–	1 693
Change in operating capital employed	-660	-603	-235	-139	-1 637	–	-1 637
Cash flow from operating activities	**1 819**	**1 656**	**327**	**-630**	**3 172**	**–**	**3 172**
Cash flow from operating activities, %	*70*	*66*	*59*	–	–	–	*60*
Capital employed and financing							
Operating non-current assets	1 429	3 094	660	804	5 987	–	5 987
Accounts receivable	6 081	6 722	2 630	264	15 697	-94	15 603
Other assets	3 286	1 538	552	1 684	7 060	-1	7 059
Other liabilities	-5 865	-9 177	-1 937	-2 566	-19 545	95	-19 450
Total operating capital employed	**4 931**	**2 177**	**1 905**	**186**	**9 199**	**–**	**9 199**
Operating capital employed as % of sales	*11*	*5*	*15*	–	–	–	*9*
Goodwill	10 784	8 469	1 468	340	21 061	–	21 061
Acquisition related intangible assets	588	734	55	81	1 458	–	1 458
Shares in associated companies	192	37	–	223	452	–	452
Total capital employed	**16 495**	**11 417**	**3 428**	**830**	**32 170**	**–**	**32 170**
Return on capital employed, %	*16*	*23*	*17*	–	–	–	*15*
Net debt	–	–	–	–	–	–	14 513
Shareholders' equity	–	–	–	–	–	–	17 657
Total financing	**–**	**–**	**–**	**–**	**–**	**–**	**32 170**
Net debt equity ratio, multiple	–	–	–	–	–	–	*0.82*
Assets and liabilities							
Non-interest-bearing assets	22 360	20 594	5 365	1 853	50 172	-95	50 077
Unallocated non-interest-bearing assets[2]	–	–	–	–	–	–	1 543
Unallocated interest-bearing assets	–	–	–	–	–	–	3 849
Total assets	**–**	**–**	**–**	**–**	**–**	**–**	**55 469**
Shareholders' equity	**–**	**–**	**–**	**–**	**–**	**–**	**17 657**
Non-interest-bearing liabilities	5 865	9 177	1 937	423	17 402	-95	17 307
Unallocated non-interest-bearing liabilities[2]	–	–	–	–	–	–	2 143
Unallocated interest-bearing liabilities	–	–	–	–	–	–	18 362
Total liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**37 812**
Total shareholders' equity and liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**55 469**

1 Depreciation and amortization of tangible and non-acquisition related intangible assets per segment are specified on the line Reversal of depreciation in the statement of cash flow above. Further information regarding depreciation and amortization is provided in note 13.
2 Included in Other in the table Capital employed and financing.

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

JANUARY – DECEMBER 2017

MSEK	Security Services North America	Security Services Europe	Security Services Ibero-America	Other[3]	Total segments[3]	Eliminations	**Group[3]**
Income							
Sales, external	38 107	40 703	11 969	1 418	92 197	–	92 197
Sales, intra-group	1	0	2	2	5	-5	–
Total sales	**38 108**	**40 703**	**11 971**	**1 420**	**92 202**	**-5**	**92 197**
Organic sales growth, %	*5*	*2*	*13*	–	–	–	*5*
Operating income before amortization[1]	**2 254**	**2 275**	**506**	**-338**	**4 697**	**–**	**4 697**
of which share in income of associated companies	*-8*	*3*	–	*27*	*22*	–	*22*
Operating margin, %	*5.9*	*5.6*	*4.2*	–	*5.1*	–	*5.1*
Amortization of acquisition related intangible assets	-50	-145	-41	-19	-255	–	-255
Acquisition related costs	-17	-27	0	-4	-48	–	-48
Items affecting comparability	–	–	–	–	–	–	–
Operating income after amortization	**2 187**	**2 103**	**465**	**-361**	**4 394**	**–**	**4 394**
Financial income and expenses	–	–	–	–	–	–	-376
Income before taxes	**–**	**–**	**–**	**–**	**–**	**–**	**4 018**
Taxes	–	–	–	–	–	–	-1 267
Net income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**2 751**
Operating cash flow							
Operating income before amortization	**2 254**	**2 275**	**506**	**-338**	**4 697**	**–**	**4 697**
Investments in non-current tangible and intangible assets	-316	-1 096	-268	-128	-1 808	–	-1 808
Reversal of depreciation[1]	290	842	205	108	1 445	–	1 445
Change in operating capital employed	-161	-424	87	1	-497	–	-497
Cash flow from operating activities	**2 067**	**1 597**	**530**	**-357**	**3 837**	**–**	**3 837**
Cash flow from operating activities, %	*92*	*70*	*105*	–	–	–	*82*
Capital employed and financing							
Operating non-current assets	1 338	2 741	654	651	5 384	–	5 384
Accounts receivable	4 804	5 940	2 459	203	13 406	-57	13 349
Other assets	2 635	1 344	520	1 725	6 224	-1	6 223
Other liabilities	-4 846	-8 418	-1 940	-2 250	-17 454	58	-17 396
Total operating capital employed	**3 931**	**1 607**	**1 693**	**329**	**7 560**	**–**	**7 560**
Operating capital employed as % of sales	*10*	*4*	*14*	–	–	–	*8*
Goodwill	9 541	7 530	1 338	310	18 719	–	18 719
Acquisition related intangible assets	495	498	94	86	1 173	–	1 173
Shares in associated companies	200	36	–	184	420	–	420
Total capital employed	**14 167**	**9 671**	**3 125**	**909**	**27 872**	**–**	**27 872**
Return on capital employed, %	*16*	*26*	*18*	–	–	–	*17*
Net debt	–	–	–	–	–	–	12 333
Shareholders' equity	–	–	–	–	–	–	15 539
Total financing	**–**	**–**	**–**	**–**	**–**	**–**	**27 872**
Net debt equity ratio, multiple	–	–	–	–	–	–	*0.79*
Assets and liabilities							
Non-interest-bearing assets	19 013	18 089	5 065	1 548	43 715	-58	43 657
Unallocated non-interest-bearing assets[2]	–	–	–	–	–	–	1 611
Unallocated interest-bearing assets	–	–	–	–	–	–	4 275
Total assets	**–**	**–**	**–**	**–**	**–**	**–**	**49 543**
Shareholders' equity	**–**	**–**	**–**	**–**	**–**	**–**	**15 539**
Non-interest-bearing liabilities	4 846	8 418	1 940	458	15 662	-58	15 604
Unallocated non-interest-bearing liabilities[2]	–	–	–	–	–	–	1 792
Unallocated interest-bearing liabilities	–	–	–	–	–	–	16 608
Total liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**34 004**
Total shareholders' equity and liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**49 543**

1 Depreciation and amortization of tangible and non-acquisition related intangible assets per segment are specified on the line Reversal of depreciation in the statement of cash flow above. Further information regarding depreciation and amortization is provided in note 13.
2 Included in Other in the table Capital employed and financing.
3 Comparatives have been restated as an effect of a change in accounting principle IFRS 15. Refer to note 2 and note 6 for further information.

GEOGRAPHICAL INFORMATION

	Total sales from external clients[1]		Non-current assets[2]	
MSEK	2018	2017	2018	2017
US	38 728	34 770	12 341	10 854
Sweden[3]	4 973	4 860	1 525	1 211
All other countries[4]	57 766	52 567	15 056	13 121
Total countries	**101 467**	**92 197**	**28 922**	**25 186**
Non-current assets not listed by country[2]	–	–	1 496	2 013[5]
Total non-current assets	**–**	**–**	**30 418**	**27 199**

1 Based on the location of sales offices and corresponds in all material aspects to the geographical location of the clients.
2 Financial instruments, deferred tax assets and post-employment benefit assets are not specified by country. These are instead reported on the line Non-current assets not listed by country.
3 Disclosed as Sweden is the company's country of domicile.
4 Including elimination of intra-group sales.
5 Comparatives have been restated as an effect of a change in accounting principle IFRS 15. Refer to note 2 and note 6 for further information.

NOTE 11 *Operating income*

Statement of income

The table below illustrates the statement of income in summary classified according to type of cost.

MSEK	2018	2017
Total sales	**101 466.7**	**92 196.8**
Other operating income	29.6	23.8
Salaries (note 12)	-64 550.4	-58 848.5
Social benefits (note 12)	-13 981.6	-13 101.7
Depreciation and amortization (notes 13, 18, 19, 20)	-1 953.4	-1 616.5
Bad debt losses (note 25)	-137.2	-68.3
Other operating expenses	-16 404.7	-14 191.9
Total operating expenses	**-97 027.3**	**-87 826.9**
Operating income	**4 469.0**	**4 393.7**

Exchange rate differences

Exchange rate differences included in operating income amounted to MSEK 8.7 (-9.6).

Exchange rate differences included in net financial items are specified in note 14.

Items affecting comparability

Items affecting comparability consists of two major parts. The first is the cost savings program in Security Services Europe that has been executed in the second half of 2018. The total cost amounted to MSEK -267.9 and mainly relate to organizational restructuring charges with the bulk relating to staff-related items.

The second part is in relation to two major transformation programs for the further digitization of the company. The first program relates to the global IS/IT foundation throughout the Group. The second program is driving business transformation of Security Services North America. Related to these two programs, MSEK -186.9 has been recognized as items affecting comparability in the income statement at the end of 2018, of which MSEK -155.4 relate to Security Services North America and MSEK -31.5 to shared Group cost recognized in the segment Other. Costs relate primarily to the impairment of assets, organizational restructuring charges and other non-recurring items.

MSEK	2018	2017
IS/IT transformation programs	-186.9	–
Cost savings program, Security Services Europe	-267.9	–
Total items affecting comparability	**-454.8**	**–**

ITEMS AFFECTING COMPARABILITY ALLOCATED PER FUNCTION

MSEK	2018	2017
Production expenses	-38.5	–
Selling and administrative expenses	-416.3	–
Total items affecting comparability allocated per function	**-454.8**	**–**

ITEMS AFFECTING COMPARABILITY ALLOCATED PER SEGMENT

MSEK	2018	2017
Security Services North America	-155.4	–
Security Services Europe	-267.9	–
Security Services Ibero-America	–	–
Other	-31.5	–
Total items affecting comparability allocated per segment	**-454.8**	**–**

CASH FLOW IMPACT FROM ITEMS AFFECTING COMPARABILITY

MSEK	2018	2017
Items affecting comparability according to the statement of income	-454,8	–
Cash flow	-117,4	–
Adjustment for effect on cash flow from items affecting comparability	**337,4**	**–**

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Acquisition related costs

The tables below specify what acquisition related costs are related to and how they would have been classified per function in the statement of income if the items had not been disclosed separately on the face of the statement of income. The tables also specify how the acquisition related costs are split by segment. There is also a specification of the cash flow impact from acquisition related costs.

MSEK	2018	2017
Restructuring and integration costs	-89.5	-13.5
Transaction costs	-25.4	-29.9
Revaluation of deferred considerations	-5.0	-5.0
Total acquisition related costs	**-119.9**	**-48.4**

ACQUISITION RELATED COSTS ALLOCATED PER FUNCTION

MSEK	2018	2017
Production expenses	-2.7	-5.3
Selling and administrative expenses[1]	-117.2	-43.1
Total acquisition related costs allocated per function	**-119.9**	**-48.4**

1 All transaction costs and revaluation of deferred considerations would have been classified as selling and administrative expenses in the statement of income if they had not been disclosed separately on the face of the statement of income.

ACQUISITION RELATED COSTS ALLOCATED PER SEGMENT

MSEK	2018	2017
Security Services North America	-84.0	-17.4
Security Services Europe	-35.0	-27.0
Security Services Ibero-America	–	-0.4
Other	-0.9	-3.6
Total acquisition related costs allocated per segment	**-119.9**	**-48.4**

CASH FLOW IMPACT FROM ACQUISITION RELATED COSTS

MSEK	2018	2017
Acquisition related costs according to the statement of income	-119.9	-48.4
Cash flow	-97.3	-58.6
Adjustment for effect on cash flow from acquisition related costs	**22.6**	**-10.2**

Audit fees and reimbursements

The table below specifies what audit fees and reimbursements are related to.

MSEK	2018	2017
PwC		
Audit assignments[1]	41.2	40.6
Additional audit assignments[1]	6.1	3.1
Tax assignments[1]	12.1	14.2
Other assignments[1,2]	25.1	10.3
Total PwC	**84.5**	**68.2**
Other auditors		
Audit assignments	4.1	2.9
Total	**88.6**	**71.1**

1 Audit assignments amounts to MSEK 41.2 whereof MSEK 6.6 to PwC Sweden. Additional audit assignments amounts to MSEK 6.1 whereof MSEK 2.3 to PwC Sweden. Tax assignments amounts to MSEK 12.1 whereof MSEK 2.1 to PwC Sweden. Other assignments amounts to MSEK 25.1 whereof MSEK 0.2 to PwC Sweden.
2 In 2018 MSEK 18.6 pertained to advisory services regarding the acquisition of Kratos Public Safety and Security in North America.

Additional audit assignments mainly comprise review of the interim report for the second quarter as well as review of financial reporting and internal control in additional countries than those included in the agreed audit plan. Tax assignments mainly comprise tax return compliance, transfer pricing and questions related to tax legislation compliance. Other services mainly comprise services related to acquisitions, special IT audits and review of pension plans.

Operating leasing contracts and rental contracts

Fees expensed during the year for operating leases for buildings, vehicles and machinery and equipment amounted to MSEK 1 282.8 (1 193.6).

The table below specifies how the nominal value of contractual future minimum lease payments is distributed.

MSEK	2018	2017
Maturity < 1 year	1 056.8	951.3
Maturity 1–5 years	2 257.5	2 047.0
Maturity > 5 years	945.1	922.9
Total	**4 259.4**	**3 921.2**

NOTE 12 *Personnel*

AVERAGE NUMBER OF YEARLY EMPLOYEES: DISTRIBUTION BETWEEN WOMEN AND MEN[1]

	Women		Men		Total	
	2018	2017	2018	2017	2018	2017
Security Services North America	33 777	30 169	76 850	74 205	110 627	104 374
Security Services Europe	20 285	19 129	89 399	87 373	109 684	106 502
Security Services Ibero-America	9 052	8 636	53 429	51 804	62 481	60 440
Other	2 778	2 338	14 743	14 078	17 521	16 416
Total	**65 892**	**60 272**	**234 421**	**227 460**	**300 313**	**287 732**

In 2018, the number of Board members and Presidents was 96 (98), of whom 7 (7) were women.

STAFF COSTS FOR BOARD OF DIRECTORS AND PRESIDENTS

	2018			2017			Of which bonuses	
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)	2018	2017
Security Services North America	147.5	31.5	(17.4)	112.5	31.7	(15.5)	68.8	48.5
Security Services Europe	100.9	26.7	(9.1)	106.1	28.8	(10.0)	33.4	28.8
Security Services Ibero-America	45.1	3.9	(0.2)	42.9	4.9	(0.1)	9.9	13.3
Other	102.1	25.3	(6.8)	99.8	36.4	(10.4)	32.5	32.7
Total	**395.6**	**87.4**	**(33.5)**	**361.3**	**101.8**	**(36.0)**	**144.6**	**123.3**

STAFF COSTS FOR OTHER EMPLOYEES

	2018			2017		
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)
Security Services North America	28 651.4	4 859.0	(429.2)	26 073.0	4 379.3	(350.8)
Security Services Europe	26 267.1	7 074.6	(793.3)	23 730.0	6 567.7	(744.7)
Security Services Ibero-America	7 848.1	1 814.5	(33.0)	7 581.4	1 934.2	(26.5)
Other	1 388.2	146.1	(54.9)	1 102.8	118.7	(40.7)
Total	**64 154.8**	**13 894.2**	**(1 310.4)**	**58 487.2**	**12 999.9**	**(1 162.7)**

TOTAL STAFF COSTS: BOARD OF DIRECTORS, PRESIDENTS AND OTHER EMPLOYEES

	2018			2017		
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)
Security Services North America	28 798.9	4 890.5	(446.6)	26 185.5	4 411.0	(366.3)
Security Services Europe	26 368.0	7 101.3	(802.4)	23 836.1	6 596.5	(754.7)
Security Services Ibero-America	7 893.2	1 818.4	(33.2)	7 624.3	1 939.1	(26.6)
Other	1 490.3	171.4	(61.7)	1 202.6	155.1	(51.1)
Total	**64 550.4**	**13 981.6**	**(1 343.9)**	**58 848.5**	**13 101.7**	**(1 198.7)**

1 Average number of yearly employees exclude employees in associated companies. A complete specification of the average number of yearly employees by country can be obtained from the Parent Company.

Further information regarding the Group's pensions and other long-term employee benefits is provided in note 31.

Securitas share-based incentive scheme

Securitas' Annual General Meeting May 2, 2018 resolved on a share and cash bonus scheme, a similar incentive scheme that the Annual General Meeting 2017 resolved on. The participants in the scheme have a variable remuneration based on performance. Two thirds of the variable remuneration/ bonus will, according to the incentive scheme, be settled in cash the year after the performance year, while shares will be purchased for the remaining one third. The bonus criteria is based on individual performance and / or the performance for the part of the Group that the individual is responsible for. For Securitas there are no other material costs than the allotted bonus and related social benefits.

The share purchase in Securitas will be handled by trading on the Nasdaq Stockholm exchange through a swap agreement. Shares are purchased corresponding to one third of the total achieved bonus amount. The purchased shares will be allotted to the participants in March, two years following the performance year, given that they are still employed by the Group, except where an employee has left his/her employment due to retirement, death or long-term disability, in which case the employee shall have a continued right to receive Bonus Shares. Securitas will not issue any new shares or similar due to this incentive scheme. The purpose is to replace cash bonus with shares in Securitas AB and thus increase the employees' ownership in Securitas.

The incentive scheme includes 1 325 participants (1 366) that are entitled to receive the share part according to the scheme. The total sharebased remuneration for these participants amount to MSEK 133.1 (133.2) and is accounted for as a share-based remuneration in equity. In March 2019, shares in Securitas AB have been purchased corresponding to the value of the total share-based remuneration. The shares have been purchased through a swap agreement, based on the current market price at the time. The number of shares that have been purchased amount to a total of 1 003 835 (999 831) at a value of MSEK 147.3 (140.6). The shares will be allotted to the participants during the first quarter 2020, provided that they are still employed by the Group.

COSTS FOR SHARE-BASED INCENTIVE SCHEME: PRESIDENTS AND OTHER EMPLOYEES

MSEK	2018	2017
Bonus costs for incentive scheme	133.1	133.2
Social benefits for incentive scheme	23.9	28.0
Total	**157.0**	**161.2**

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NOTE 13 *Depreciation and amortization*

MSEK	2018	2017[1]
Software licenses	196.4	139.1
Other intangible assets	126.9	113.0
Buildings	16.1	13.8
Machinery and equipment	1 354.1	1 179.6
Total depreciation and amortization	**1 693.5**	**1 445.5**

DEPRECIATION AND AMORTIZATION FOR THE YEAR IS DISTRIBUTED IN THE STATEMENT OF INCOME AS BELOW

MSEK	2018	2017[1]
Depreciation of tangible non-current assets		
Production expenses	796,5	769.6
Selling and administrative expenses	573.7	423.8
Total depreciation of tangible non-current assets	**1 370.2**	**1 193.4**
Amortization of intangible assets		
Production expenses	85.8	78.4
Selling and administrative expenses	237.5	173.7
Total amortization of intangible assets	**323.3**	**252.1**
Total depreciation and amortization	**1 693.5**	**1 445.5**

1 Comparatives have been restated as an effect of change in accounting principles IFRS 15.

NOTE 14 *Net financial items*

MSEK	2018	2017
Interest income from financial assets at fair value through profit or loss	27.9	30.6
Interest income from loans and receivables	28.9	20.5
Total interest income	**56.8**	**51.1**
Net monetary gain on remeasurement for hyperinflation	22.9	–
Revaluation of financial instruments	2.4	–
Other financial income	2.7	2.6
Total financial income	**84.8**	**53.7**
Interest expenses from financial liabilities at fair value through profit or loss	-71.2	-81.8
Interest expenses from financial liabilities designated as hedged item in a fair value hedge	-182.0	-198.3
Interest expenses from derivatives designated for hedging	6.6	43.6
Interest expenses from financial liabilities at amortized cost	-256.5	–
Interest expenses from other financial liabilities	–	-165.5
Total interest expenses	**-503.1**	**-402.0**
Revaluation of financial instruments	–	-0.8
Other financial expenses	-21.9	-25.7
Exchange rate differences, net[1]	-0.4	-0.8
Total financial expenses	**-525.4**	**-429.3**
Net financial items	**-440.6**	**-375.6**
Of which revaluations estimated with the use of valuation methods	2.4	-0.8

1 Exchange rate differences included in operating income are reported in note 11.

NOTE 15 *Taxes*

Statement of income

TAX EXPENSE

MSEK	2018	%	2017	%
Tax on income before taxes				
Current taxes	-962.2	*-23.9*	-944.4	*-23.5*
Deferred taxes	-45.0	*-1.1*	-322.2	*-8.0*
Total tax expense	**-1 007.2**	***-25.0***	**-1 266.6**	***-31.5***

The Swedish corporate tax rate was 22.0 percent (22.0). 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.

DIFFERENCE BETWEEN STATUTORY SWEDISH TAX RATE AND ACTUAL TAX EXPENSE FOR THE GROUP

MSEK	2018	%	2017	%
Income before taxes according to the statement of income	**4 028**		**4 018**	
Tax based on Swedish tax rate	-886	*-22.0*	-879	*-22.0*
Difference between tax rate in Sweden and weighted tax rates for foreign subsidiaries	-154	*-3.8*	-256	*-6.3*
Tax related to previous years	-6	*-0.2*	-50	*-1.2*
Recognition of previously unvalued tax losses	49	*1.2*	24	*0.6*
Revaluation of deferred tax following a change in tax rate[1]	-12	*-0.3*	-126	*-3.1*
Other non-deductible items	-86	*-2.1*	-85	*-2.1*
Other tax exempt items	88	*2.2*	105	*2.6*
Actual tax expense	**-1 007**	***-25.0***	**-1 267**	***-31.5***

1 Whereof tax attributable to a revaluation of US net deferred tax assets MSEK 123.

Tax expense that may arise from dividends out of the distributable earnings have not been provided for. If distributed the tax expense arising would amount to MSEK 16 (21).

Changes in deferred taxes between 2017 and 2018 are mainly explained by reclassifications between deferred tax and current tax, provisions for restructuring cost and acquisition related intangible assets. There are no unrecognized temporary differences related to subsidiaries or associated companies.

Other comprehensive income

TAX ON OTHER COMPREHENSIVE INCOME

MSEK	2018	2017
Deferred tax on remeasurements of defined benefit pension plans	25.3	-63.2[1]
Deferred tax on remeasurement for hyperinflation	-15.4	–
Deferred tax on cash flow hedges	-17.7	6.1
Deferred tax on cost of hedging	12.5	–
Deferred tax on net investment hedges	107.5	-25.8
Deferred tax on other comprehensive income	**112.2**	**-82.9**

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

Balance sheet

CURRENT TAX ASSETS/LIABILITIES

MSEK	2018	2017
Current tax assets	581.2	606.9
Current tax liabilities	1 362.3	335.5
Current tax assets/liabilities, net	**-781.1**	**271.4**

DEFERRED TAX ASSETS WERE ATTRIBUTABLE TO

MSEK	2018	2017
Pension provisions and employee-related liabilities	595.4	615.9
Liability insurance-related claims reserves	3.3	2.2
Tax loss carryforwards	158.1	166.3
Acquisition related intangible assets	67.7	67.2
Machinery and equipment	104.1	101.9
Other temporary differences	338.8	207.5
Total deferred tax assets	**1 267.4**	**1 161.0**
Whereof deferred tax assets expected to be used within 12 months	*775.8*	*662.9*
Net accounting[1]	-306.1	-157.0
Total deferred tax assets according to the balance sheet	**961.3**	**1 004.0**

DEFERRED TAX LIABILITIES WERE ATTRIBUTABLE TO

MSEK	2018	2017
Pension provisions and employee-related liabilities	48.8	60.1
Acquisition related intangible assets	449.7	287.4
Machinery and equipment	46.6	45.8
Other temporary differences	331.7	791.6
Total deferred tax liabilities	**876.8**	**1 184.9**
Whereof deferred tax liabilities expected to be used within 12 months	*236.8*	*218.9*
Net accounting[1]	-306.1	-157.0
Total deferred tax liabilities according to the balance sheet	**570.7**	**1 027.9**
Deferred tax assets/liabilities, net	**390.6**	**-23.9**

1 Deferred tax assets and liabilities are reported in the balance sheet partly on a net basis after considering the set-off possibilities.

DEFERRED TAX ASSETS CHANGE ANALYSIS

MSEK	2018	2017
Opening balance deferred tax assets	1 161.0	1 520.0
Change due to:		
Deferred tax recognized in the statement of income	99.7	-145.8
Changed tax rate	-18.3	-160.9
Acquisitions	-9.8	2.8
Recognized in other comprehensive income	-4.9	-43.0
Translation differences	39.7	-12.1
Closing balance deferred tax assets	**1 267.4**	**1 161.0**
Change during the year	**106.4**	**-359.0**

DEFERRED TAX LIABILITIES CHANGE ANALYSIS

MSEK	2018	2017
Opening balance deferred tax liabilities	1 184.9	1 091.3
Change due to:		
Deferred tax recognized in the statement of income	162.5	-84.3
Changed tax rate	-4.4	28.4
Acquisitions	75.3	31.2
Recognized in other comprehensive income	-11.3	–
Reclassification	-545.8	116.0
Translation differences	15.6	2.3
Closing balance deferred tax liabilities	**876.8**	**1 184.9**
Change during the year	**-308. 1**	**93.6**

DEFERRED TAX ASSETS CHANGE ANALYSIS PER CATEGORY IN 2018

MSEK	Opening balance	Deferred tax recognized in the statement of income	Changed tax rate	Acquisitions	Recognized in other compre-hensive income	Translation differences	Closing balance
Pension provisions and employee-related liabilities	615.9	-2.6	-7.2	-14.6	–	3.9	595.4
Liability insurance-related claims reserves	2.2	1.0	–	–	–	0.1	3.3
Tax loss carryforwards	166.3	-13.0	-9.1	–	–	13.9	158.1
Acquisition related intangible assets	67.2	-2.3	-0.5	–	–	3.3	67.7
Machinery and equipment	101.9	0.1	-0.5	–	-1.3	3.9	104.1
Other temporary differences	207.5	116.5	-1.0	4.8	-3.6	14.6	338.8
Total deferred tax assets	**1 161.0**						**1 267.4**
Change during the year		**99.7**	**-18.3**	**-9.8**	**-4.9**	**39.7**	**106.4**

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

DEFERRED TAX LIABILITIES CHANGE ANALYSIS PER CATEGORY IN 2018

MSEK	Opening balance	Deferred tax recognized in the statement of income	Changed tax rate	Acquisitions	Recognized in other comprehensive income	Reclassification	Translation differences	Closing balance
Pension provisions and employee-related liabilities	60.1	-1.3	-2.5	–	-9.4	–	1.9	48.8
Acquisition related intangible assets	287.4	95.3	-2.9	75.3	–	–	-5.4	449.7
Machinery and equipment	45.8	-0.8	–	–	2.2	–	-0.6	46.6
Other temporary differences	791.6	69.3	1.0	–	-4.1	-545.8	19.7	331.7
Total deferred tax liabilities	**1 184.9**							**876.8**
Change during the year		**162.5**	**-4.4**	**75.3**	**-11.3**	**-545.8**	**15.6**	**-308.1**

Tax loss carryforwards

On December 31, 2018 subsidiaries in primarily Germany, Spain and Belgium had tax loss carryforwards of MSEK 1 352 (1 498). These tax loss carryforwards expire as follows:

TAX LOSS CARRYFORWARDS

2019	21
2020	4
2021	11
2022–	315
Unlimited duration	1 001
Total tax loss carryforwards	**1 352**

Deferred tax assets related to tax losses are accounted for when it is probable that they can be utilized by future profits. As of December 31, 2018, tax loss carryforwards for which deferred tax assets had been recognized amounted to MSEK 572 (617) and deferred tax assets related to the tax losses amounted to MSEK 158 (166). Tax losses can be used to reduce future taxable income and tax payments.

NOTE 16 *Acquisitions and divestitures of subsidiaries*

Acquisition calculations are subject to final adjustment up to one year after the date of acquisition.

MSEK	Purchase price paid/ received[6]	Acquired/ divested net debt	Enterprise value	Goodwill	Acquisition related intangible assets	Operating capital employed	Total capital employed	Shareholders' equity	Total
Automatic Alarm, France[3]	-311.3	12.5	-298.8	301.6	138.2	-141.0	298.8	–	298.8
Süddeutsche Bewachung, Germany	-83.9	-10.8	-94.7	51.1	45.7	-2.1	94.7	–	94.7
Johnson & Thomson, Hong Kong[3]	-24.3	5.7	-18.6	30.4	12.2	-24.0	18.6	–	18.6
Alphatron Security Systems, the Netherlands	-163.5	37.2	-126.3	83.5	31.7	11.1	126.3	–	126.3
Kratos Public Safety and Security, the US	-635.9	-3.2	-639.1	478.7	105.9	54.5	639.1	–	639.1
Pronet Security and Sernet Services, Turkey	-313.4	-1.7	-315.1	214.0	108.2	-7.1	315.1	–	315.1
Other acquisitions and divestitures[1,3]	-81.5	2.5	-79.0	47.2	57.1	-26.5	77.8	1.2[4]	79.0
Adjustments[2,3]	-86.3	0.0	-86.3	7.9	-0.2	73.6	81.3	5.0[5]	86.3
Total acquisitions and divestitures	**-1 700.1**	**42.2**	**-1 657.9**	**1 214.4**	**498.8**	**-61.5**	**1 651.7**	**6.2**	**1 657.9**
Liquid funds according to acquisition analyses	107.7								
Total effect on Group's liquid funds	**-1 592.4**								

1 Related to other acquisitions and divestitures for the period: Prevendo (contract portfolio), Sweden, WHD Wachdienst Heidelberg and Industrie-und Werkschutz Brandstetter (contract portfolio), Germany, Milton Keynes Security Services and R&R Frontline, UK, Services in Safety, Belgium, Video Monitoring, XXXLutz (contract portfolio) och Kika/Leiner (contract portfolio), Austria.

2 Related to updated previous year acquisition calculations for the following entities: Vartioimisliike H. Hakala (contract portfolio), Finland, Microtech, Czech Republic, DAK and Sensormatic, Turkey, PSGA, Australia. Related also to deferred considerations paid in Finland, Germany, Belgium, the Netherlands, Austria, Czech Republic, Croatia, Turkey, Argentina, Chile, China and Australia.

3 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 was MSEK 109.4. Total deferred considerations, short-term and long-term, in the Group's balance sheet amount to MSEK 272.3.

4 Income statement amounts to MSEK 0.0, retained earnings to MSEK 1.2 and non-controlling interest to MSEK 0.0.

5 Income statement amounts to MSEK 5.0 and retained earnings to MSEK 0.0.

6 No equity instruments have been issued in connection with the acquisitions.

The following definitions are used in the tables below

Full year sales: What the contribution to total sales would have been if the acquisition had been consolidated from January 1, 2018.

Contribution to total sales: What the acquisition has contributed to total sales for the year.

Full year net income: What the contribution to net income would have been if the acquisition had been consolidated from January 1, 2018.

Contribution to net income: What the acquisition has contributed to net income for the year.

Acquisition of the business in 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. Goodwill, which amounts to MSEK 301.6 is mainly related to operational expansion. The acquisition is included in the segment Security Services Europe.

SUMMARY BALANCE SHEET AS OF ACQUISITION DATE JANUARY 2, 2018

MSEK	Fair value acquisition balance
Operating non-current assets	15.7
Accounts receivable	91.3
Other assets	88.4
Other liabilities	-197.4
Contingent consideration[1]	-139.0
Total operating capital employed	**-141.0**
Goodwill from the acquisition	301.6
Acquisition related intangible assets	138.2
Total capital employed	**298.8**
Net debt	12.5
Total acquired net assets	**311.3**
Purchase price paid	-311.3
Liquid funds in accordance with acquisition analysis	29.0
Total impact on the Group's liquid funds	**-282.3**

1 Contingent consideration has been recognized mainly based on assessment of the profitability development of an agreed period. The recognized amount is the maximum amount of the final outcome of the payment.

OTHER DISCLOSURES AUTOMATIC ALARM, FRANCE

Acquired share, %	100.0
Full year sales, MSEK	475.6
Contribution to total sales, MSEK	475.6
Full year net income, MSEK	13.1
Contribution to net income, MSEK	13.1
Provision for bad debt included in accounts receivable, MSEK	-4.5
Transaction costs, MSEK	12.3

Acquisition of the business in 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. With this acquisition, Securitas strengthens its position in this area of Germany. The acquisition was consolidated in Securitas as of January 2, 2018. Goodwill, which amounts to MSEK 51.1 is mainly related to operational and geographical expansion. The acquisition is included in the segment Security Services Europe.

SUMMARY BALANCE SHEET AS OF ACQUISITION DATE JANUARY 2, 2018

MSEK	Fair value acquisition balance
Operating non-current assets	2.3
Accounts receivable	21.4
Other assets	0.3
Other liabilities	-26.1
Total operating capital employed	**-2.1**
Goodwill from the acquisition	51.1
Acquisition related intangible assets	45.7
Total capital employed	**94.7**
Net debt	-10.8
Total acquired net assets	**83.9**
Purchase price paid	-83.9
Liquid funds in accordance with acquisition analysis	3.6
Total impact on the Group's liquid funds	**-80.3**

OTHER DISCLOSURES SÜDDEUTSCHE BEWACHUNG, GERMANY

Acquired share, %	100.0
Full year sales, MSEK	104.0
Contribution to total sales, MSEK	104.0
Full year net income, MSEK	10.3
Contribution to net income, MSEK	10.3
Provision for bad debt included in accounts receivable, MSEK	-0.2
Transaction costs, MSEK	1.4

Acquisition of the business in 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 clients in the AMEA region. The acquisition was consolidated in Securitas as of January 2, 2018. Goodwill, which amounts to MSEK 30.4 is mainly related to operational expansion. The acquisition is included in the segment Other.

SUMMARY BALANCE SHEET AS OF ACQUISITION DATE JANUARY 2, 2018

MSEK	Fair value acquisition balance
Operating non-current assets	0.1
Accounts receivable	3.4
Other assets	0.0
Other liabilities	-3.1
Contingent consideration[1]	-24.4
Total operating capital employed	**-24.0**
Goodwill from the acquisition	30.4
Acquisition related intangible assets	12.2
Total capital employed	**18.6**
Net debt	5.7
Total acquired net assets	**24.3**
Purchase price paid	-24.3
Liquid funds in accordance with acquisition analysis	5.7
Total impact on the Group's liquid funds	**-18.6**

1 Contingent consideration has been recognized mainly based on assessment of the profitability development of an agreed period. The recognized amount is the maximum amount of the final outcome of the payment.

Note
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

OTHER DISCLOSURES JOHNSON & THOMSON, HONG KONG

Acquired share, %	100.0
Full year sales, MSEK	16.9
Contribution to total sales, MSEK	16.9
Full year net income, MSEK	4.0
Contribution to net income, MSEK	4.0
Provision for bad debt included in accounts receivable, MSEK	-0.5
Transaction costs, MSEK	1.0

Acquisition of the business in 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 clients on a countrywide 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. Goodwill, which amounts to MSEK 83.5 is mainly related to operational expansion. The acquisition is included in the segment Security Services Europe.

SUMMARY BALANCE SHEET AS OF ACQUISITION DATE MARCH 1, 2018

MSEK	Fair value acquisition balance
Operating non-current assets	4.0
Accounts receivable	16.4
Other assets	8.8
Other liabilities	-18.1
Total operating capital employed	**11.1**
Goodwill from the acquisition	83.5
Acquisition related intangible assets	31.7
Total capital employed	**126.3**
Net debt	37.2
Total acquired net assets	**163.5**
Purchase price paid	-163.5
Liquid funds in accordance with acquisition analysis	37.2
Total impact on the Group's liquid funds	**-126.3**

OTHER DISCLOSURES ALPHATRON SECURITY SYSTEMS, THE NETHERLANDS

Acquired share, %	100.0
Full year sales, MSEK	115.3
Contribution to total sales, MSEK	84.8
Full year net income, MSEK	0.3
Contribution to net income, MSEK	0.2
Provision for bad debt included in accounts receivable, MSEK	-0.1
Transaction costs, MSEK	2.2

Acquisition of the business in Kratos Public Safety and Security, the US

Securitas has acquired the division Kratos Public Safety and Security (KPSS) from Kratos Defense & Security Solutions, Inc. (NASDAQ:KTOS). The operation has 400 employees. The primary focus is electronic security projects for commercial clients 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 client base and brings increased value to our clients. The acquisition was consolidated in Securitas as of June 11, 2018. Goodwill, which amounts to MSEK 478.7 is mainly related to operational expansion. The acquisition is included in the segment Security Services North America.

SUMMARY BALANCE SHEET AS OF ACQUISITION DATE JUNE 11, 2018

MSEK	Fair value acquisition balance
Operating non-current assets	3.4
Accounts receivable	168.1
Other assets	214.7
Other liabilities	-331.7
Total operating capital employed	**54.5**
Goodwill from the acquisition	478.7
Acquisition related intangible assets	105.9
Total capital employed	**639.1**
Net debt	-3.2
Total acquired net assets	**635.9**
Purchase price paid	-635.9
Liquid funds in accordance with acquisition analysis	0.0
Total impact on the Group's liquid funds	**-635.9**

OTHER DISCLOSURES KRATOS PUBLIC SAFETY AND SECURITY, THE US

Acquired share, %	100.0
Full year sales, MSEK	1 210.8
Contribution to total sales, MSEK	622.3
Full year net income, MSEK	-41.6
Contribution to net income, MSEK	-20.4
Provision for bad debt included in accounts receivable, MSEK	-8.6
Transaction costs, MSEK	16.7

Acquisition of the business in 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 has 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 client segments, with many multinational companies in the client 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. The acquisition was consolidated in Securitas as of July 25, 2018. Goodwill, which amounts to MSEK 214.0 is mainly related to operational expansion. The acquisition is included in the segment Security Services Europe.

SUMMARY BALANCE SHEET AS OF ACQUISITION DATE JULY 25, 2018

MSEK	Fair value acquisition balance
Operating non-current assets	7.3
Accounts receivable	69.2
Other assets	14.3
Other liabilities	-97.9
Total operating capital employed	**-7.1**
Goodwill from the acquisition	214.0
Acquisition related intangible assets	108.2
Total capital employed	**315.1**
Net debt	-1.7
Total acquired net assets	**313.4**
Purchase price paid	-313.4
Liquid funds in accordance with acquisition analysis	15.2
Total impact on the Group's liquid funds	**-298.2**

OTHER DISCLOSURES PRONET SECURITY AND SERNET SERVICES, TURKEY

Acquired share, %	100.0
Full year sales, MSEK	449.1
Contribution to total sales, MSEK	194.1
Full year net income, MSEK	14.2
Contribution to net income, MSEK	2.3
Provision for bad debt included in accounts receivable, MSEK	-1.0
Transaction costs, MSEK	1.9

Other acquisitions and divestitures

SUMMARY BALANCE SHEET

MSEK	Fair value acquisition balance
Operating non-current assets	8.9
Accounts receivable	19.9
Other assets	4.2
Other liabilities	-40.2
Deferred considerations[1]	-19.3
Total operating capital employed	**-26.5**
Goodwill from the acquisitions[2]	47.2
Acquisition related intangible assets[3]	57.1
Total capital employed	**77.8**
Net debt	2.5
Non-controlling interest	0.0
Total acquired/divested net assets[4]	**80.3**
Purchase price paid/received[4]	-81.5
Liquid funds in accordance with acquisition analyses	17.0
Total impact on the Group's liquid funds	**-64.5**

1 Deferred considerations for acquisitions made during 2018 have been recognized mainly based on assessment of the future profitability development for an agreed period. The recognized amount is Securitas´ best estimate of the final outcome. Thus, no estimate of the range of outcomes has been calculated. Deferred consideration is linked to the future development of profitability in the acquired companies and the final outcome of the payment may consequently exceed the estimated amount.
2 Mainly related to acquisition of WHD Wachdienst Heidelberg, Germany, Milton Keynes Security Services and R&R Frontline, UK, Services in Safety, Belgium..
3 Mainly related to acquisition of WHD Wachdienst Heidelberg, Germany, Milton Keynes Security Services and R&R Frontline, UK, Services in Safety, Belgium.
4 Purchase price paid differs to total acquired net assets due to transaction with non-contolling interests of MSEK 1.2.

Transaction costs amount to MSEK 5.2.

Adjustments and payments of deferred considerations

SUMMARY BALANCE SHEET

MSEK	Fair value acquisition balance
Operating non-current assets	-0.5
Accounts receivable	0.0
Other assets	0.8
Other liabilities	0.0
Deferred considerations[1]	73.3
Total operating capital employed	**73.6**
Goodwill from the acquisitions[2]	7.9
Acquisition related intangible assets	-0.2
Total capital employed	**81.3**
Net debt	0.0
Total acquired/divested net assets[3]	**81.3**
Purchase price paid/received[3]	-86.3
Liquid funds in accordance with acquisition analyses	0.0
Total impact on the Group's liquid funds	**-86.3**

1 Mainly related to payments of deferred considerations for Microtech, Czech Republic, Sensormatic and DAK, Turkey, JC Ingeniera, Chile.
2 Mainly related to update of the acquisition calculation for DAK, Turkey, acquired 2006.
3 Purchase price paid differs to total acquired net assets due to revaluation of deferred consideration of MSEK 5.0.

Transaction costs amount to MSEK -15.3.

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

NOTE 17 *Goodwill and impairment testing*

MSEK	2018	2017
Opening balance	19 112.1	19 761.1
Acquisitions and divestitures	1 214.4	129.3
Translation differences and remeasurement for hyperinflation	1 143.5	-778.3
Closing accumulated balance	**21 470.0**	**19 112.1**
Opening impairment losses	-393.0	-381.5
Translation differences	-15.7	-11.5
Closing accumulated impairment losses	**-408.7**	**-393.0**
Closing residual value	**21 061.3**	**18 719.1**

GOODWILL ALLOCATED PER SEGMENT

MSEK	2018	2017
Security Services North America	10 784.4	9 540.9
Security Services Europe	8 469.1	7 530.5
Security Services Ibero-America	1 251.9	1 338.1
Other	555.9	309.6
Total goodwill	**21 061.3**	**18 719.1**

Impairment testing

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Unit), that is, per country in a segment.

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 2019. This will not lead to any impairment losses.

Goodwill and intangible assets with indefinite useful life

Goodwill is tested on an annual basis for possible impairment. Securitas also carries out impairment testing for other intangible assets for which there is an indefinite useful life. Currently these assets are limited to MSEK 15.9 (15.9) and relates to the consideration paid for the brand Securitas in one of the Group's countries of operations. The annual impairment test of all Cash Generating Units (CGUs), which is required under IFRS, took place during the third quarter 2018 in conjunction with the business plan process for 2019. During this year's assessment a total number of 59 CGUs were tested for impairment of goodwill.

Valuation methodology

Value in use is measured as expected future discounted cash flows and is based upon a maximum of three steps: Gordon growth model[1] and a five or ten year discounted cash flow model.

The purpose of using the Gordon growth model is to exclude any CGU that even with this simplified methodology will pass the impairment test, in order to proceed with an in-depth analysis of the remaining CGUs with a carrying amount that exceeds the recoverable amount when employing this simplified model. In addition to this, units whose carrying amount is less than the recoverable amount by a small margin and/or whose financial plans are regarded to be more uncertain will also be a subject of an in-depth analysis. In this subsequent step the cash flows have been calculated based on financial plans developed in each country. The financial plans are built upon the regular business plan for the next financial year which has been ascertained by Group Management and has been presented to the Board of Directors. These financial plans normally cover a forecasted period of five years and include the organic sales growth, the development of operating margin, and changes in the level of operating capital employed. Cash flows beyond the five year forecast have been extrapolated using an estimated growth rate of 2–5 percent for all countries.

A long-term growth rate of 2 percent for guarding services in mature markets is at present regarded as being a reasonable estimate in view of the business areas' historical organic growth rate and also taking into consideration external estimates of the future. Freedonia for example, estimates that the market for guarding services in Europe and North America will grow at an average rate of some 3 percent per annum during the period 2015 to 2025. The market for integrated security solutions is estimated to grow faster than traditional guarding. In developing markets such as Eastern Europe, Latin America, Africa, the Middle East and Asia the growth rate for guarding services is estimated at 5 percent.

Material assumptions

The calculation of the value in use is based on assumptions and assessments in addition to the estimated growth beyond the forecast period. The most significant of these relate to the organic sales growth, the development of the operating margin, the change in operating capital employed as well as the relevant WACC (Weighted Average Cost of Capital) for the valuation, that is, WACC after tax used to discount the future cash flows. These assumptions and judgments are also based on financial plans developed in each country and business segment and are built upon the regular business plan for the next financial year which has been ascertained by Group Management and presented to the Board of Directors. In addition to this, the assumptions and judgments are based on each country's and each line of business' growth and profitability level. Assumptions relating to WACC are calculated individually on a CGU-basis.

The table below shows the assumptions and estimates that have formed the base for the impairment testing in summary and by segment.

	Estimated growth rate beyond forecasted period, %	*WACC, %*	*WACC before tax, %*
2018			
Security Services North America[1]	*2.0*	*7.0–12.1*	*9.1–15.4*
Security Services Europe[1]	*2.0*	*4.9–20.9*	*5.8–25.8*
Security Services Ibero-America	*2.0–5.0*	*6.2–31.0*	*7.7–38.0*
Other[2]	*2.0–5.0*	*7.1–22.1*	*8.2–27.2*
2017			
Security Services North America[1]	*2.0*	*6.7–11.4*	*8.6–14.7*
Security Services Europe[1]	*2.0*	*5.0–15.1*	*6.0–18.2*
Security Services Ibero-America	*2.0–5.0*	*6.5–21.0*	*8.3–30.4*
Other[2]	*2.0–5.0*	*6.5–20.5*	*7.4–25.4*

1 Mexico and Eastern Europe is considered to have a higher growth rate beyond forecasted period (2.0–5.0%). These regions represent a minority of the respective segments, hence the growth rate of the segments are reported as 2.0 %.
2 The operations in Africa, the Middle East, Asia and Australia are included in Other.

1 Gordon's growth model is the geometrical sum of the eternal future cash flows, which are used to determine the terminal value in a discounted cash flow model. The model is less sophisticated than a five or ten year discounted cash flow model as it excludes the forecasting period.

Impairment testing of goodwill and intangible assets with indefinite useful life

The 2018 impairment test showed that none of the CGUs tested for impairment had a carrying amount that exceeded the recoverable amount. During this year's assessment seven CGUs in Security Services Europe, five CGUs in Security Services Ibero-America and six CGUs included in Other were tested in accordance with an in-depth analysis. The result of the analysis gave that no impairment losses have been recognized in 2018. No impairment losses of goodwill or other acquisition related intangible assets were recognized in 2017 either.

Sensitivity analysis

The following sensitivity analyses have been made of the estimates of value in use in connection with impairment testing, assumption by assumption: general reduction of 1 percentage point in the organic sales growth rate during the forecasting period; general reduction of 0.5 percentage points in the operating margin; general increase of 0.5 percentage points in the WACC and general decrease of the estimated growth after the forecasted period by 0.5 percentage points. A sensitivity analysis for changes in the assumptions used in the impairment testing has been established for the units that have been tested in accordance with the in-depth analysis of a five or ten year discounted cash flow model. The rationale is that the first step in the test, which is based on the Gordon growth model, is only employed to retrieve the number of units that require an in-depth analysis and the model itself does not incorporate the financial plans that have been adopted for the forecasting period and so the establishment of a sensitivity analysis is not deemed relevant.

For conducted sensitivity analyses, the conclusion is that none of the adjustments of assumptions stand alone would result in an impairment loss in any CGU.

For Securitas' CGU in Argentina the sensitivity analysis for WACC with an increase of 0.5 percentage points is not deemed relevant since the country is considered hyperinflationary. A general increase of the WACC with 3 percentage points is deemed to be a more appropriate sensitivity analysis and would result in an impairment loss of goodwill of MSEK -22.

NOTE 18 *Acquisition related intangible assets*[1]

MSEK	2018	2017
Opening balance	2 971.2	3 073.9
Acquisitions and divestitures	498.8	123.6
Derecognition of fully amortized assets[2]	-111.8	-166.7
Translation differences and remeasurement for hyperinflation	81.3	-59.6
Closing accumulated balance	**3 439.5**	**2 971.2**
Opening amortization	-1 798.4	-1 707.1
Reversal of amortization on derecognized assets[2]	111.8	156.0
Amortization for the year	-259.9	-255.1
Translation differences and remeasurement for hyperinflation	-34.8	7.8
Closing accumulated amortization	**-1 981.3**	**-1 798.4**
Opening impairment losses	–	-10.7
Reversal of impairment on derecognized assets[2]	–	10.7
Closing accumulated impairment losses	**–**	**–**
Closing residual value	**1 458.2**	**1 172.8**

1 The balance consists mainly of contract portfolios and related client relations.
2 The Group derecognizes fully amortized acquisition related intangible assets if a reliable estimate of future cash flows cannot be established. The net impact of such derecognition on the closing residual value is nil.

Note
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58

NOTE 19 *Other intangible assets*

	Software licenses and similar assets		Other intangible assets[1,2]	
MSEK	2018	2017	2018	2017
Opening balance	**1 515.4**	**1 259.9**	**736.1**	**211.4**
Effect of change in accounting principle IFRS 15	–	–	–	390.6
Opening balance adjusted in accordance with new accounting principle	**1 515.4**	**1 259.9**	**736.1**	**602.0**
Acquisitions and divestitures	4.5	0.3	–	–
Capital expenditures	414.9	250.1	225.6	145.0
Disposals/write-offs	-135.9	-22.9	-131.5	-12.0
Reclassification	546.8	25.1	0.7	-1.9
Translation differences and remeasurement for hyperinflation	48.6	2.9	6.3	3.0
Closing accumulated balance	**2 394.3**	**1 515.4**	**837.2**	**736.1**
Opening amortization	-927.1	-803.2	-245.4	-141.2
Acquisitions and divestitures	-3.9	-0.2	–	–
Disposals/write-offs	63.1	21.8	125.8	9.4
Reclassification	-427.1	3.0	-0.7	1.9
Amortization for the year	-196.4	-139.1	-126.9	-113.0
Translation differences and remeasurement for hyperinflation	-38.6	-9.4	-4.4	-2.5
Closing accumulated amortization	**-1 530.0**	**-927.1**	**-251.6**	**-245.4**
Closing residual value	**864.3**	**588.3**	**585.6**	**490.7**

1 Mainly related to individual client contracts within Security Services Europe.
Furthermore the brand name Securitas in one of the Group's countries of operations is included with MSEK 15.9 (15.9).
2 Comparatives have been restated as an effect of change in accounting principles IFRS 15.

NOTE 20 *Tangible non-current assets*

	Buildings and land[1,3]		Machinery and equipment[2,3]	
MSEK	2018	2017	2018	2017
Opening balance	661.6	647.5	11 732.2	11 160.5
Acquisitions and divestitures	–	–	105.2	20.0
Capital expenditures	11.8	33.7	1 723.9	1 556.4
Disposals/write-offs	-8.9	-16.8	-683.6	-809.0
Reclassification	-7.4	-18.8	-521.8	-30.0
Translation differences and remeasurement for hyperinflation	31.2	16.0	479.9	-165.7
Closing accumulated balance	**688.3**	**661.6**	**12 835.8**	**11 732.2**
Opening depreciation	-337.7	-344.8	-8 547.3	-8 106.2
Acquisitions and divestitures	–	–	-68.2	-15.4
Disposals/write-offs	3.7	11.3	561.0	655.0
Reclassification	2.7	18.8	224.9	4.5
Depreciation for the year	-16.1	-13.8	-1 354.1	-1 179.6
Translation differences and remeasurement for hyperinflation	-14.7	-9.2	-203.9	94.4
Closing accumulated depreciation	**-362.1**	**-337.7**	**-9 387.6**	**-8 547.3**
Opening impairment losses	-19.7	-19.2	–	–
Translation differences	-0.8	-0.5	–	–
Closing accumulated impairment losses	**-20.5**	**-19.7**	**-**	**-**
Closing residual value	**305.7**	**304.2**	**3 448.2**	**3 184.9**

1 The closing residual value of land included in buildings and land above was MSEK 60.0 (58.6).
2 Machinery and equipment comprise vehicles, equipment, security equipment (including alarm systems) and IT and telecom equipment.
3 Of which closing residual value under finance leases for buildings and land MSEK 8.7 (0.0) and for machinery and equipment MSEK 213.0 (191.2).

NOTE 21 Shares in associated companies[1]

MSEK	2018	2017
Opening balance	419.8	419.5
Share in income of associated companies	31.3	22.0
Dividend	-18.1	-10.5
New issue/contributions	–	14.1
Translation differences	19.0	-25.3
Closing balance[2]	**452.0**	**419.8**

1 A complete specification of associated companies can be obtained from the Parent Company.
2 Of which goodwill MSEK 366.7 (346.3) and acquisition related intangible assets MSEK 16.1 (17.7).

Financial information associated companies

Summarized financial information regarding the Group's associated companies is specified in the table below. The information is on 100 percent basis.

The Group's share of capital in associated companies amounts to 17–49 percent.

MSEK	2018	2017
Sales	2 185.2	2 103.9
Net income	42.6	10.4
Assets	1 170.8	1 084.5
Liabilities	782.6	708.9

NOTE 22 Interest-bearing financial non-current assets[1]

MSEK	2018	2017
Derivatives with positive fair value, long-term		
Derivatives in fair value hedges[2]	166.0	299.0
Derivatives in cash flow hedges[2]	283.2	132.3
Derivatives in net investment hedges[2]	-55.8	–
Other derivatives[3]	-38.9	–
Total derivatives with positive fair value, long-term	**354.5**	**431.3**
Other items[4]	144.5	68.4
Total interest-bearing financial non-current assets	**499.0**	**499.7**

1 Further information regarding financial instruments is provided in note 7.
2 Related to derivatives designated for hedging. The EUR/USD cross currency interest rate swaps are bifurcated for hedging purposes. The EUR/SEK element, amounting to MSEK 283.2, is accounted for under cash flow hedge accounting. The SEK/USD element, amounting to MSEK -55.8, is accounted for under net investment hedge accounting.
3 Cross currency interest rate swaps are split into different components, of which some elements are negative when the overall fair value is positive.
4 Related to loans and receivables.

NOTE 23 Other long-term receivables

MSEK	2018	2017
Pension balances, defined contribution plans[1]	128.7	124.1
Pension balances, defined benefit plans[2]	36.0	98.8
Reimbursement rights[3]	138.3	153.0
Other long-term receivables	479.8	439.7
Total other long-term receivables	**782.8**	**815.6**

1 Refers to assets relating to insured pension plans excluding social benefits.
2 Refers to assets related to pensions and other long-term employee benefit plans. Further information is provided in note 31.
3 Refers to assets relating to defined benefit pension plans where compensation is received from another party.

NOTE 24 Inventories

MSEK	2018	2017
Material and consumables	433.5	368.7
Advance payments to suppliers	26.1	19.6
Total inventories	**459.6**	**388.3**

NOTE 25 Accounts receivable

MSEK	2018	%	2017	%
Accounts receivable before deduction of provisions for bad debt losses	16 111.3	*100*	13 838.9	*100*
Provisions for bad debt losses	-507.8	*-3*	-489.6	*-4*
Total accounts receivable	**15 603.5**	***97***	**13 349.3**	***96***
Opening balance provision for bad debt losses	-489.6		-523.0	
Provision for expected losses	-273.6		-170.9	
Reversed provisions	127.3		102.0	
Actual losses	163.7		100.7	
Acquisitions and divestitures	-15.0		-2.3	
Translation differences	-20.6		3.9	
Closing balance provision for bad debt losses[1]	**-507.8**		**-489.6**	

1 Expenses for bad debt losses amounted to MSEK 137.2 (68.3).

AGEING OF ACCOUNTS RECEIVABLE BEFORE DEDUCTION OF PROVISION FOR BAD DEBT LOSSES

MSEK	2018	%	2017	%
Overdue 1–30 days	3 254.7	*20*	3 271.8	*24*
Overdue 31–60 days	764.1	*5*	973.6	*7*
Overdue 61–90 days	414.7	*3*	470.9	*3*
Overdue 91–180 days	459.0	*3*	270.0	*2*
Overdue 181–365 days	145.8	*1*	192.0	*1*
Overdue >365 days	367.3	*2*	335.0	*3*
Total overdue	**5 405.6**	***34***	**5 513.3**	***40***

SPECIFICATION OF PROVISION FOR BAD DEBT AS OF DECEMBER 31, 2018

	Expected loss rate, %	*Accounts receivable before deduction of provisions for bad debt losses*	*Provision for bad debt losses*
Current	0.14%	10 705.7	15.0
Up to 30 days past due	0.14%	3 254.7	4.5
More than 30 days past due	2.5%	764.1	18.9
More than 60 days past due	4.0%	414.7	16.6
More than 90 days past due	6.5%	459.0	30.0
More than 180 days past due	38.0%	145.8	55.5
More than 365 days past due	100.0%	367.3	367.3
Total		**16 111.3**	**507.8**

NOTE 26 Other current receivables

MSEK	2018	2017
Accrued sales income	3 224.4	2 734.9
Prepaid expenses	1 149.2	874.7
Other accrued income	38.4	15.1
Insurance-related receivables	15.6	14.9
Value added tax	237.9	174.8
Other items	390.8	410.1
Total other current receivables	**5 056.3**	**4 224.5**

NOTE 27 Other interest-bearing current assets[1]

MSEK	2018	2017
Derivatives with positive fair value, short-term		
Derivatives in fair value hedges[2]	–	5.9
Derivatives in cash flow hedges[2]	–	1.5
Derivatives in net investment hedges[2]	1.2	–
Other derivatives[3]	15.9	50.6
Total derivatives with positive fair value, short-term	**17.1**	**58.0**
Other interest-bearing current assets	104.0	106.7
Total other interest-bearing current assets	**121.1**	**164.7**

1 Further information regarding financial instruments is provided in note 7.
2 Related to derivatives designated for hedging.
3 Related to financial assets at fair value through profit or loss.

NOTE 28 Liquid funds[1]

MSEK	2018	2017
Short-term investments[2]	1 598.2	2 290.8
Cash and bank deposits[3]	1 630.6	1 319.8
Total liquid funds	**3 228.8**	**3 610.6**

1 Liquid funds include short-term investments with a maximum duration of 90 days that are readily convertible to a known amount of cash and subject to an insignificant risk of change in value. Liquid funds also include cash and bank deposits.
2 Short-term investments refer to fixed interest rate bank deposits.
3 The net position in Group country cash-pool accounts is reported as cash and bank deposits where netting reflects the legal structure of the arrangement.

NOTE 29 Shareholders' equity

Number of shares outstanding December 31, 2018

			MSEK
Series A	17 142 600	each share with a quota value of SEK 1.00	17.1
Series B	347 916 297	each share with a quota value of SEK 1.00	348.0
Total	**365 058 897**		**365.1**

The number of Series A and Series B shares is unchanged in relation to December 31, 2017. As of December 31, 2018 there were no outstanding convertible debenture loans that could result in any dilution of the share capital.

Each Series A share carries ten votes and each Series B share one vote. This is the only difference between the two series of shares.

Shareholders with more than 10 percent of the votes

The principal shareholders are Gustaf Douglas, who through family and the companies within the Investment AB Latour Group holds 10.9 percent of the capital and 29.6 percent of the votes, and Melker Schörling, who through family and Melker Schörling AB holds 4.5 percent of the capital and 11.0 percent of the votes.

Dividend

The Board of Directors propose a dividend to the shareholders of the Parent Company of SEK 4.40 per share, or a total of MSEK 1 606.3. The dividend to the shareholders for the financial year 2017, which was paid in 2018, was SEK 4.00 per share, or a total of MSEK 1 460.2.

Presentation of shareholders' equity

According to IAS 1 a company should as a minimum present issued capital and other reserves in the balance sheet. Securitas has chosen to specify shareholders' equity into further components as per below:

- Share capital
- Other capital contributed
- Other reserves
- Retained earnings

Share capital shows the registered share capital of the Parent Company. There were no changes in the share capital in 2018.

In other capital contributed, the total amount of all transactions Securitas AB has had with its shareholders is included. Transactions that have taken place with shareholders are issued capital to premium. The amount presented in this sub-component corresponds to capital received (reduced by commission costs) in excess of par value of issued capital. There were no changes in other capital contributed in 2018.

Other reserves show income and expense items that according to certain standards should be recognized in other comprehensive income. In the case of Securitas, other reserves consist of translation differences attributable to the translation of foreign subsidiaries and associated companies according to IAS 21, the cost of hedging reserve and the cash flow hedge reserve. The amount in the hedging reserve will be transferred to the statement of income over the following seven years.

Retained earnings corresponds to the accumulated profits earned and losses incurred in total for the Group. Retained earnings also include effects of the Group's share-based incentive scheme, remeasurements for hyperinflation and remeasurements of post-employment benefits posted in other comprehensive income. Retained earnings are further reduced by dividend paid to shareholders of the Parent Company. Transactions with non-controlling interests are also recorded in retained earnings.

Note
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58

Share-based incentive scheme

Securitas' share-based incentive scheme has had the following impact on retained earnings:

MSEK	2018	2017
Swap agreement[1]	-140.6	-149.8
Share-based remuneration to employees	133.1	133.2
Non-vested shares	0.1	0.2
Total	**-7.4**	**-16.4**

1 The number of shares that have been hedged in this swap agreement amount to a total of 999 831 (1 079 190) and have been allotted to the participants during the first quarter 2019, provided that they were still employed by the Group at that time.

Non-controlling interests

The table below specifies the Group's non-controlling interests:

MSEK	2018	2017
Opening balance	21.2	20.7
Disposals / liquidations	1.0	0.1
Dividend	-1.8	-1.6
Total transactions with non-controlling interests	**-0.8**	**-1.5**
Share in net income	5.3	1.8
Share in other comprehensive income, translation differences	-0.5	0.2
Total comprehensive income for the year	**4.8**	**2.0**
Closing balance	**25.2**	**21.2**

NOTE 30 *Long-term liabilities excluding provisions*[1]

MSEK	2018	2017
EMTN Nom MEUR 300, 2018 / 2025, Annual 1,25%[2]	3 066.2	–
EMTN Nom MEUR 350, 2017 / 2024, Annual 1.125%[2]	3 589.3	3 432.1
EMTN Nom MEUR 350, 2016 / 2022, Annual 1.25%[2]	3 576.5	3 430.8
EMTN Nom MEUR 350, 2013/2021, Annual 2.625%[2]	3 707.2	3 600.4
EMTN Nom MUSD 40, 2015 / 2021, FRN Quarterly[2]	357.4	329.9
EMTN Nom MUSD 40, 2015 / 2021, FRN Quarterly[2]	357.4	329.9
EMTN Nom MUSD 60, 2014 / 2021, FRN Quarterly[2]	536.1	494.8
EMTN Nom MUSD 40, 2014 / 2020, FRN Quarterly[2]	357.4	329.9
EMTN Nom MUSD 85, 2013 / 2019, FRN Quarterly[2]	–	701.3
Finance leases	116.1	98.8
Other long-term loans	194.5	275.9
Total long-term loan liabilities excluding derivatives	**15 858.1**	**13 023.8**
Derivatives with negative fair value, long-term[3]	115.7	0.8
Total derivatives with negative fair value, long-term	**115.7**	**0.8**
Total long-term loan liabilities	**15 973.8**	**13 024.6**
Pensions balances, defined contribution plans[4]	128.7	124.1
Deferred considerations[5]	194.7	101.0
Other long-term liabilities	12.9	12.6
Total other long-term liabilities	**336.3**	**237.7**
Total long-term liabilities	**16 310.1**	**13 262.3**

1 For further information regarding financial instruments, refer to note 7.
2 Issued by the Parent Company.
3 Related to derivatives designated for hedging. The EUR / USD cross currency interest rate swaps are bifurcated for hedging purposes. In 2018, the EUR / SEK element, amounting to MSEK -66.5, is accounted for under cash flow hedge accounting. The SEK / USD element, amounting to MSEK 164.5, is accounted for under net investment hedge accounting.
4 Refers to liability for insured pension plan excluding social costs.
5 Recognized at fair value.

LONG-TERM LIABILITIES FALL DUE FOR PAYMENT AS FOLLOWS

MSEK	2018	2017
Maturity < 5 years	13 106.1	9 787.2
Maturity > 5 years	3 204.0	3 475.1
Total long-term liabilities	**16 310.1**	**13 262.3**

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58

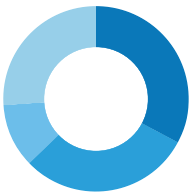
NOTE 31 *Provisions for pensions and similar commitments*

Overview

The Group operates or participates in a number of defined benefit and defined contribution pension and other long-term employee benefit plans throughout the world. These plans are structured in accordance with local rules and practices.

The graphs below provide an overview of the Group's defined benefit plans.

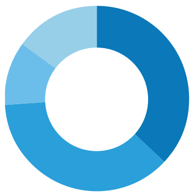
Defined benefit obligations



- US MSEK 1 389, 33%
- Switzerland MSEK 1 270, 30%
- Norway MSEK 440, 11%
- Other countries[1] MSEK 1 067, 26%

Total MSEK 4 166

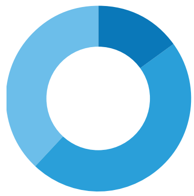
Plan assets



- US MSEK 1 145, 37%
- Switzerland MSEK 1 146, 37%
- Norway MSEK 332, 11%
- Other countries[1] MSEK 463, 15%

Total MSEK 3 086

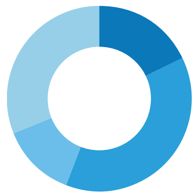
Pension costs



- US MSEK 19, 15%
- Switzerland MSEK 58, 47%
- Other countries[1] MSEK 46, 38%

Total MSEK 123

Employer contributions



- US MSEK 27, 18%
- Switzerland MSEK 57, 38%
- Norway MSEK 19, 13%
- Other countries[1] MSEK 48, 31%

Total MSEK 151

1 In total 18 countries. Most of these countries have unfunded plans. Further information is provided in the section Other countries below.

The table below shows a specification of the members in the Group's significant defined benefit plans, the plans' duration and life expectancy for the members.

DECEMBER 31, 2018

	US	Switzerland	Norway
Active members	148	2 100	255
Deferred members	1 205	-	-
Pensioner members	4 090	194	604
Total number of members	**5 443**	**2 294**	**859**
Duration of plans (years)	9	13	15
Number of years current pensioners are expected to live beyond age 65:			
Men	20	23	21
Women	22	25	24
Number of years future pensioners currently aged 45 are expected to live beyond age 65:			
Men	21	24	24
Women	24	27	27

The Group's significant defined benefit plans are described below.

The US

The Group's US operations participate in two defined benefit pension plans as the named plan sponsor. One of these plans is funded and the other is unfunded. Both plans are closed to new entrants and any future benefit accrual.

The benefits provided constitute pension payments to previous employees and their spouses in the form of annuities or lump sums. The particulars of the benefits and the benefit calculations depend on the original plan to which the plan participant belonged as the current funded plan is an amalgamation of several previous pension plans. The unfunded plan is constituted by a formally adopted and documented plan plus some individual arrangements that, for the purpose of this disclosure, are treated as one plan. In general the benefits are monthly pensions based on earnings and years of service. These benefits are defined with the only uncertainties being how long they will be paid, whether benefits will be paid as a lump sum or as an annuity and, in the case of the funded plan, also regarding investment return on plan assets. Plan contributions are determined annually.

The pension plans are covered under the US Employee Retirement Income Security Act of 1974 (ERISA). Various parts of the ERISA legislation are governed by the Department of Labor, the Internal Revenue Service and the Department of Treasury. The funded plan also pays required premiums to the Pension Benefit Guaranty Corporation, which insures private pension plans in the case the sponsor defaults.

Both pension plans are governed by the Executive Compensation and Benefits Review Committee (ECBRC), which is made up of local Securitas US management representatives. Administration is outsourced to an external service provider. Independent investment managers are utilized and evaluated by independent investment advisors. Assets are pooled with those of other plans in order to reduce the cost.

Since the US pension plans are closed to new entrants and any future benefit accrual and are in a run-off mode, a liability matching approach is applied by the ECBRC in order to de-risk the funded plan. The strategy is that as the funding percentage increases, this will result in a shift from growth assets, such as equities, into fixed income investments. As a result, the plan was substantially de-risked during 2016 and 2017 as the funded status improved due primarily to favorable asset returns. This de-risking allowed the plan to minimize losses due to equity market performance during 2018.

During 2018, an assumption study was conducted to ensure the continuing accuracy of the actuarial assumptions. As a result, the mortality table was modified to better reflect the characteristics of the plan population. The updated mortality assumption slightly increased liabilities and partially offset the reduction in liabilities due to increasing discount rates during 2018.

Under IAS 19 the funded ratio was 100 percent based on a defined benefit obligation of MUSD 128 and plan assets of MUSD 128. A funding valuation would result in a higher funding percentage since funding valuations are required by US law to be based on higher discount rates. On a plan termination basis, the plan's funded ratio would be expected to be lower than both the minimum funding and accounting funded ratios as it would incorporate the use of lower interest rates as well as other factors which would be assumed to come into play in the event of a complete plan termination and settlement. The book value under IAS 19 for the defined benefit obligation for the unfunded plan was MUSD 26 as of December 31, 2018.

The US operations also participate in a defined contribution plan, generally known as a 401(k) plan. There are also a few multi-employer plans, which are governed by collective bargaining agreements. These plans, in most cases, require the employees to contribute to the plan, typically with the employee contributions being partially matched by the employer. In relation to the overall workforce the take up rates are generally low, with voluntary participation rates of approximately five percent. In the federal government sector, Securitas' subsidiary participates on a modified basis, subject to special rules, in the same 401(k). Securitas' subsidiary in the federal government sector also participates in a few union-sponsored defined contribution plans of a similar type. Due to the federal Service Contract Act, under which Securitas' subsidiary in the federal government sector operates, hourly allowances must be paid to employees that can be used for various elected benefits, such as health and disability, with unused portions of the allowances contributed to the 401(k) plan, without additional employer contributions.

Switzerland

The Group's Swiss operations participate in a plan that is a defined benefit plan according to IAS 19 as a result of the residual risk described below. The Swiss operations have chosen to set up an own-foundation, which means that the foundation only covers employees of Securitas' Swiss operations. The plan is open to new employees of Securitas' Swiss operations and benefits are being accrued under the plan. There are no terminated vested members in the plan since pension obligations are transferred to the new employer upon termination.

The benefits provided constitute pension benefits, disability benefits and death-in-service pension to previous employees and their spouses. The pension benefits are normally paid as an annuity based on capital conversion rates that differ between men and women. The disability benefits are calculated as a maximum of the pensionable salary and the death-in-service benefit is in its turn calculated as a percentage of the disability pension. Plan contributions are subject to legal minimum requirements. Rates increase with age and at least half must be paid by the employer while the employee pays the remainder. In the case of Securitas' Swiss subsidiary, the contributions in the plan are split equally with half paid by the company and the other half by the employee. Contributions payable to the plan are calculated each month as a fixed percentage based on the annual salary and age.

Although the contribution levels are defined, there is still a risk of a shortfall in the pension fund as the minimum requirements for interest on capital and conversion to pension need to be met. If there is a shortfall the fund will take steps before asking the company for additional contributions. These steps could include changing plan benefits, lowering returns credited to employees or changing the conversion rate, where possible. The fund has several years to balance a shortfall and payments will never be required from the company for past periods. This means that the actions can be planned and budgeted for. If additional contributions are required from the company, this is also required from the employees.

The pension plan is covered under federal Swiss law that regulates the so called second pillar of the pension system, the pension benefits arising from employment. The pension plan is governed by the board of the pension fund, which is made up of an equal number of employer and employee representatives. The administration is run in-house by a pension fund expert. The pension fund chooses how and where to invest the assets. Swiss law limits both the total share of assets that should be held in certain categories, and for individual asset holdings. The fund has given mandates to manage the investments to three banks and retains an investment committee, a sub-committee of the main fund board. The investment committee compares and reviews the performance of these mandates on a regular basis. In addition, the pension fund engages an external independent advisor as support for the investment committee regarding investments.

The latest funding valuation was carried out on December 31, 2017 and resulted in a funding ratio of 115 percent based on a defined benefit obligation for funding purposes of MCHF 108 and plan assets for funding purposes of MCHF 124.

Norway

The Group's Norwegian operations participate in several defined benefit plans that are both funded and unfunded. All plans are closed to new entrants and currently cover about 8 percent of the employees. New employees are covered by defined contribution plans. The AFP-plan (collective pension agreement) is a multi-employer defined benefit plan. Since the administrator is unable to separately identify the company's share of the total plan assets and total defined benefit obligations, it is accounted for on a defined contribution basis. Premiums paid to the plan in 2018 amounted to MNOK 25 (25). The contribution for the next annual reporting period is expected to be broadly in line with the current year's premium. Securitas' share of total premiums to the plan is approximately 0.4 percent. The latest available funding ratio in this plan, calculated under the plan rules, was 70 percent (66) as of December 31, 2017.

The particulars of the benefits and the benefit calculations vary from plan to plan. In general the benefits are monthly pensions based on earnings and years of service. Since employees are still accruing benefits under these plans, the plans are impacted by expected salary increases, pension increases, uncertainty of how long the benefits will be paid and in the case of the funded plans also return on plan assets.

All funded plans are insured with an insurance company and the plan contributions are determined by the insurance provider, based on salary and membership data reported from the company. If a company decides to change insurance company, the liabilities and the assets are moved to the new insurance company.

The funded plans are minimum regulation plans, which means that future pensions depend on the actual return on assets in the insurance company. There is a guaranteed minimum return on plan assets. If the actual return is lower than the guaranteed minimum return, the insurance company will provide the difference.

The pension plans are covered by Norwegian pension laws, corporate laws and insurance laws. The board of directors and management of the Norwegian operations are responsible for the running of the pension plans even if they are outsourced, as part of their overall corporate governance responsibilities under Norwegian company law. Since the funded plans are insured it means that the investment decisions are taken by the investment managers of the insurance provider.

Other countries

There are also less significant defined benefit arrangements in countries other than those accounted for above. These plans are located in Canada (both funded and unfunded plans providing pension and medical benefits), France (unfunded plans providing retirement indemnities under French law), Germany (unfunded arrangements for pensions and jubilee plans), the Netherlands (funded and unfunded plans providing pension and jubilee benefits for our consultancy operations only) and the UK (funded plan providing pension and death-in-service benefits). The Group also currently has plans that are not significant in 13 other countries.

The defined benefit arrangement for clerical staff in the guarding operations in the Netherlands is accounted for as a defined contribution plan, which is closed to new entrants. New employees are enrolled in another defined contribution plan. The security officers in the guarding operations in the Netherlands also participate in a multi-employer defined benefit plan that is mandatory for all guards from the age of 21 and up. The supervision and administration of the plan is carried out by a collective pension foundation for the security industry. This foundation determines the annual premium. Premiums paid to the plan in 2018 amounted to MEUR 8 (8). The contribution for the next annual reporting period is expected to be in line with the pension premiums in 2018. Securitas' share of total premiums to the plan is approximately 18 percent. This plan covers around 3 800 active employees and around 6 200 previous employees and retirees. Since the administrator is unable to separately identify the company's share of the total plan assets and total defined benefit obligations for this arrangement, the plan is accounted for on a defined contribution basis. The funding ratio in this plan, calculated under the plan rules, was 107 percent (106) as of December 31, 2018.

Sweden

Security officers in Sweden are covered by the SAF-LO collective pension plan, an industry-wide multi-employer defined contribution arrangement. Clerical workers are covered by the ITP plan, which is also based on a collective agreement and operated industry-wide on a multi-employer basis. According to a statement (UFR 10) issued by the Swedish Financial Reporting Board this is a multi-employer defined benefit plan. Alecta, the insurance company that operates this plan, has been unable to provide Securitas, or other Swedish companies, with sufficient information to determine its share of the total assets and liabilities for this arrangement. Consequently this arrangement is accounted for on a defined contribution basis. The cost for 2018 amounts to MSEK 28 (24). The contribution for the next annual reporting period is expected to be broadly in line with the current year's premium. Securitas' share of Alecta's total premiums amounts to less than 0.1 percent. The surplus in Alecta can be allocated to the insured employer and/or the insured employees. Alecta's funding ratio, calculated under the plan rules, was 142 percent (154) as of December 31, 2018.

Consolidated statement of income

The table below shows expense (+) and income (-) from the Group's defined benefit and defined contribution plans.

MSEK	2018	2017
Current service cost	115.2	105.5
Administration cost	17.7	17.2
Interest income or expense[1]	17.5	21.7
Remeasurements of other long-term employee benefits	-1.4	0.2
Past service cost and gains and losses arising from settlements[2]	-26.0	-21.1
Total pension costs for defined benefit plans	**123.0**	**123.5**
Pension costs for defined contribution plans	1 220.9	1 075.2
Total pension costs	**1 343.9**	**1 198.7**

1 Whereof MSEK 0.6 is related to interest on the effect of the asset ceiling.
2 Mainly related to settlement gains in Norway 2018 and 2017 and Switzerland in 2017.

The table below shows costs for defined benefit plans allocated per function.

MSEK	2018	2017
Production expenses	105.9	99.3
Selling and administrative expenses	17.1	24.2
Total pension costs for defined benefit plans	**123.0**	**123.5**

Consolidated balance sheet

The table below shows how the net defined benefit obligations have been determined. It also shows the Group's reimbursement rights.

MSEK	2018	2017
Present value of the defined benefit obligations	4 165.7	4 050.2
Fair value of plan assets[1]	-3 085.6	-3 076.2
Defined benefit obligations, net[2]	**1 080.1**	**974.0**
Reimbursement rights (note 23)	138.3	153.0

1 Includes effect of the asset ceiling amounting to MSEK 40.8 (18.0). The effect is related to Canada and the UK.
2 Related to the net of plans reported under provisions for pensions and similar commitments, MSEK 1 116.1 (1 072.8), and plans reported under other long-term receivables (note 23), MSEK -36.0 (-98.8).

The reimbursement rights are related to a contractual agreement where Securitas provide security services at a clientclient site in Canada. The agreement requires Securitas to make provisions for post-retirement medical benefits. The costs of this benefit are carried by Securitas who, in turn, are reimbursed by the client. This reimbursement right is accounted for as an other long-term receivable in note 23.

The table below shows how remeasurements net of taxes recognized in other comprehensive income have been determined.

MSEK	2018	2017
Remeasurements of provisions for pensions and similar commitments before taxes	78.8	-104.7
Remeasurements of reimbursement rights before taxes	18.4	-3.9
Taxes	-25.3	63.2
Total remeasurements recognized in other comprehensive income	**71.9**	**-45.4**

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58

Movement in provisions for pensions and similar commitments

			2018			2017
MSEK	Obligations	Plan assets	Net	Obligations	Plan assets	Net
Opening balance	4 050.2	-3 076.2	974.0	4 252.4	-3 115.5	1 136.9
Current service cost	115.2	–	115.2	105.5	–	105.5
Administration cost	17.7	–	17.7	17.2	–	17.2
Interest income (-) or expense (+)[1]	86.0	-68.5	17,5	89.0	-67.3	21.7
Remeasurements of other long-term employee benefits	-1.4	–	-1.4	0.2	–	0.2
Past service cost and gains and losses arising from settlements[2]	-68.4	42.4	-26.0	-36.5	15.4	-21.1
Total pension costs included in the consolidated statement of income	**149.1**	**-26.1**	**123.0**	**175.4**	**-51.9**	**123.5**
Remeasurements of post-employment benefits:						
Return on plan assets, excluding amount included in interest income or expense	–	162.5	162.5	–	-199.0	-199.0
Changes in the effect of the asset ceiling, excluding amount included in interest income or expense[3]	–	22.2	22.2	–	17.4	17.4
Actuarial gains (-) and losses (+) from changes in demographic assumptions	22.9	–	22.9	-29.2	–	-29.2
Actuarial gains (-) and losses (+) from changes in financial assumptions	-133.9	–	-133.9	104.0	–	104.0
Actuarial gains (-) and losses (+) due to experience	5.1	–	5.1	2.1	–	2.1
Total remeasurements of post-employment benefits[4]	**-105.9**	**184.7**	**78.8**	**76.9**	**-181.6**	**-104.7**
Contributions by employers[5]	–	-151.3	-151.3	–	-144.9	-144.9
Contributions by plan participants	54.3	-54.3	–	46.7	-46.7	–
Benefits paid to plan participants	-221.2	221.2	–	-259.1	259.1	–
Administration costs paid	-17.7	17.7	–	-17.2	17.2	–
Acquisitions/divestitures/reclassifications	13.5	-0.3	13.2	0.7	–	0.7
Translation difference	243.4	-201.0	42.4	-225.6	188.1	-37.5
Closing balance	**4 165.7**	**-3 085.6**	**1 080.1[6]**	**4 050.2**	**-3 076.2**	**974.0[6]**

1 Whereof MSEK 0.6 is related to interest on the effect of the asset ceiling.
2 Mainly related to settlement gains in Norway 2018 and 2017 and Switzerland in 2017.
3 Related to Canada and the UK.
4 Included net of taxes in other comprehensive income.
5 Contributions by employers are estimated to be on approximately the same level in 2019 as in 2018.
6 Related to the net of plans reported under provisions for pensions and similar commitments, MSEK 1 116.1 (1 072.8), and plans reported under other long-term receivables (note 23), MSEK -36.0 (-98.8).

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Plan assets

The table below presents a breakdown of the various types of investments in which the assets of the Group's funded benefit arrangements are invested.

MSEK	2018	%	2017	%
Equity instruments				
US	212.4		148.3	
Switzerland	194.5		208.2	
Canada	45.5		49.2	
UK	18.4		26.8	
Other countries	312.4		312.1	
Total equity instruments	**783.2**	***25***	**744.6**	***24***
Debt instruments				
Government bonds	515.3		392.7	
Corporate bonds, investment grade (AAA to BBB-)	988.4		1 111.0	
Corporate bonds, non-investment grade (below BBB-)	8.0		60.0	
Total debt instruments	**1 511.7**	***49***	**1 563.7**	***51***
Property	**269.3**	***9***	**269.5**	***9***
Qualifying insurance policies	**446.6**	***14***	**458.3**	***15***
Cash and cash equivalents	**115.6**	***4***	**58.1**	***2***
Effect of the asset ceiling	**-40.8**	***-1***	**-18.0**	***-1***
Total plan assets	**3 085.6**	***100***	**3 076.2**	***100***

The plan assets are well diversified on countries and industries, so the failure of any single investment is not estimated to have a material impact on the overall level of assets.

The plan assets do not include any property owned by Securitas or financial instruments issued by Securitas. The share of unquoted plan assets is non-material.

Actuarial assumptions and sensitivity analysis

The table below shows the significant financial actuarial assumptions used for determining the defined benefit obligations at the end of the year as well as in determining the pension costs for the coming year.

%, per annum	*Discount rate*	*Salary increases*	*Inflation*	*Pension increases*	Mortality
2018					
US	*3.80-3.90*	*n/a*	*n/a*	*n/a*	RP 2006 white collar/blue collar with MP-2018 improvements
Switzerland	*0.70*	*1.00*	*1.00*	*0.00*	LPP 2015
Norway	*2.00*	*2.75*	*n/a*	*0.80-2.50*	K 2013
Eurozone	*1.10-1.90*	*2.00-2.75*	*1.75-2.00*	*1.25-1.75*	–
Other countries	*2.90-4.00*	*1.00-3.00*	*2.00-3.50*	*2.50-3.50*	–
2017					
US	*3.10-3.30*	*n/a*	*n/a*	*n/a*	RP 2006 white collar/blue collar with MP-2017 improvements
Switzerland	*0.50*	*1.00*	*1.00*	*0.00*	LPP 2015
Norway	*1.90*	*2.50*	*n/a*	*0.50-2.25*	K 2013
Eurozone	*1.10-1.30*	*2.00-2.75*	*1.75-2.00*	*1.75*	–
Other countries	*2.60-3.50*	*0.50-3.00*	*2.00-3.40*	*2.40-3.40*	–

The table below shows the methods used to set significant actuarial assumptions for the Group's main defined benefit plans.

	Discount rate	Salary increases	Inflation	Pension increases	Mortality
US	Cash flow matching approach applied to the Citigroup yield curve	n/a	n/a	n/a	Latest tables available
Switzerland	Chamber of Pensions Actuaries	Company's best estimate	Long-term expectations in Switzerland	When financially bearable by pension plan	Latest tables available
Norway	NRS guidance	NRS guidance	n/a	NRS guidance	Latest tables available

Assumptions are set by the company based on actuarial advice and the company's experience in each territory.

The table below indicates the sensitivity to changes in significant assumptions for provisions for pensions and similar commitments.

MSEK		Increase (+)/decrease (-) in provision
Discount rate – pension plans	increase of 0.1 percentage points	-43.8
	decrease of 0.1 percentage points	45.8
Inflation – pension plans	increase of 0.1 percentage points	7.9
	decrease of 0.1 percentage points	-7.9
Life expectancy – pension plans	one year increase	111.3
Health-care cost rate – medical plans	increase of 1 percentage point	22.9[1]
	decrease of 1 percentage point	-18.0[2]

1 The corresponding effect on the statement of income is an increase of costs of MSEK 1.8.
2 The corresponding effect on the statement of income is a decrease of costs of MSEK -0.9.

The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period and may not be representative of the actual change. The sensitivity analysis is further based on a change in one assumption while holding all other assumptions constant, although in reality changes in some assumptions may be correlated.

The same method used to calculate the provisions for pensions and similar commitments, that is the projected unit credit method, is used for calculating the sensitivities.

There have been no changes in the methods and assumption changes used in preparing the sensitivity analysis compared to the previous year.

Risks

The table below shows significant risks that the Group is exposed to through its defined benefit plans.

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, a deficit will be created. In a long-term perspective, equities are expected to outperform corporate bonds, but in the short-term perspective the yield on the Group's investments in equity instruments may cause volatility.
Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings. In the US, an asset-liability matching approach is practiced to mitigate the risks associated with changes in bond yields as far as possible.
Inflation risk	Some of the Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. However, the Group's plans in the US and Norway are not linked to inflation, which makes the inflation risk less significant for the Group.
Life expectancy	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. In some countries, the benefit provided at retirement is a lump sum payment and therefore increases in life expectancy do not impact liabilities in these countries.

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NOTE 32 *Other long-term provisions*

The movement in the balance sheet for provisions for pensions and similar commitments is provided in note 31. The movement in the balance sheet for deferred tax liabilities is provided in note 15.

DECEMBER 31, 2018

MSEK	Claims reserves	Other provisions	Total
Opening balance	567.8	538.3	1 106.1
Reclassification	-0.3	-405.7	-406.0
New/increased provisions	71.1	122.5	193.6
Utilized provisions	–	-76.6	-76.6
Reversal of unutilized provisions	-61.5	-2.4	-63.9
Translation differences	47.1	40.2	87.3
Closing balance	**624.2**	**216.3**	**840.5**

Claims reserves

Liability insurance-related claims reserves primarily consist of provisions for the portion of claims payable by the Group, that is its self-retention. Claims reserves comprise a large number of individual insurance cases where some cases are compensated with a lump sum payment and others are paid over a longer period of time. It is thus not possible to disclose any detailed information regarding the timing of outflows from claims reserves.

Other provisions

Other provisions include various long-term items, among them provisions related to litigations. Other provisions are difficult to assess from a timing perspective. It is thus not possible to disclose any detailed information regarding the timing of outflows from other provisions.

NOTE 33 *Short-term loan liabilities*[1]

MSEK	2018	2017
EMTN Nom MEUR 300, 2012/2018, Annual 2.25%[2]	–	2 961.0
EMTN Nom MUSD 50, 2011/2018, FRN Quarterly[2]	–	412.7
EMTN Nom MUSD 85, 2013/2019, FRN Quarterly[2]	759.8	–
Commercial paper issued[3]	950.0	–
Finance leases	105.7	92.1
Other short-term loans	552.2	53.7
Total short-term loan liabilities excluding derivatives	**2 367.7**	**3 519.5**
Derivatives with negative fair value, short-term		
Derivatives in net investment hedges[4]	10.9	47.2
Other derivatives[5]	10.0	16.2
Total derivatives with negative fair value, short-term	**20.9**	**63.4**
Total short-term loan liabilities	**2 388.6**	**3 582.9**

1 For further information regarding financial instruments refer to note 7.
2 Issued by the Parent Company.
3 Commercial paper is issued by the Parent Company within the framework of a MSEK 5 000 Swedish commercial paper program. Commercial paper is accounted for at the issued amount.
4 Related to derivatives designated for hedging.
5 Related to financial liabilities at fair value through profit or loss.

NOTE 34 *Other current liabilities*

MSEK	2018	2017
Employee-related items[1]	7 511.0	6 957.6
Accrued interest and financial expenses	210.1	175.2
Deferred revenue	950.6	647.9
Other accrued expenses and prepaid income	1 122.4	915.3
Value added tax	1 483.6	1 447.2
Deferred considerations	77.7	66.6
Other items	671.9	655.8
Total other current liabilities	**12 027.3**	**10 865.6**

1 Related to accrued salaries, vacation pay, payroll overhead, bonus and similar items. Accounted for net of government grants when applicable.

NOTE 35 *Short-term provisions*

DECEMBER 31, 2018

MSEK	Claims reserves	Other provisions	Total
Opening balance	624.6	427.9	1 052.5
Reclassification	0.3	0.9	1.2
New/increased provisions	246.2	848.2[1]	1 094.4
Utilized provisions	-332.0	-472.0	-804.0
Reversal of unutilized provisions	-9.9	-34.4	-44.3
Translation differences	49.1	15.1	64.2
Closing balance	**578.3**	**785.7**	**1 364.0**

1 The change in new and increased provisions classified under the heading Other provisions are impacted mainly by the recognition of provisions related to the cost savings program in Security Services Europe and the two transformation programs for the digitization of the company. These provisions were recognized towards the end of 2018.

Claims reserves

Liability insurance-related claims reserves primarily consist of provisions for the portion of claims payable by the Group, that is its self-retention.

NOTE 36 *Pledged assets*

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

NOTE 37 *Contingent liabilities*

MSEK	2018	2017
Guarantees[1]	0.4	3.9
Guarantees related to discontinued operations	15.4	15.3
Total contingent liabilities	**15.8**	**19.2**

1 Guarantees on behalf of related parties are disclosed in note 8.

In addition to the contingent liabilities accounted for in the table, the following contingent liabilities, for which no amount can be determined, also exist:

Brazil – Estrela Azul

In connection with the efforts of Securitas to expand its activities in Latin America, Securitas entered into an agreement in 2005 with respect to the possible acquisition of a guarding company in Brazil, Estrela Azul (the EA Group). The governmental approvals took much longer than anticipated to obtain and during such period the financial condition of the target group substantially deteriorated. Given the decline in the financial condition of the group, Securitas exercised its right to withdraw from the acquisition process in December 2006.

The companies within the EA Group filed for protection from its creditors under Brazilian legislation in 2007 providing for a judicial restructuring process. The companies within the group were declared bankrupt in 2009 and the restructuring process was replaced by bankruptcy proceedings. The bankruptcy process continues led by the trustee in the bankruptcy court. Various attempts by the trustee to increase the liability of Securitas in the bankruptcy has been vigorously rejected.

The EA Group in bankruptcy has asserted claims against Securitas in the bankruptcy court trying to extend liability to Securitas for the bankruptcy and the claims in the bankruptcy. The estate has not quantified its claims. The cases are slowly moving through the Brazilian legal system.

The EA Group in bankruptcy also asserted a claim of MBRL 314, which as of December 31, 2018 was equivalent to MSEK 728 in the civil court against Securitas, alleging that Securitas is responsible for the company's financial failure. Securitas denies all allegations. The defense of this case has been entrusted to one of the leading law firms in Brazil. In a decision by the first instance court in Brazil the case was fully rejected. The judgment was appealed by the bankruptcy estate to the Brazilian Court of Appeals and the Court of Appeals decided on formal grounds to nullify the judgment and to remand the case to the first instance court for retrial (and production of evidence). The case is slowly moving through the Brazilian legal system and Securitas maintains its previous position to the claims.

In addition, several former employees of the EA Group have sued Securitas and other parties in labor courts and claimed inter alia wages and other compensations. The number of labor law cases involving Securitas continued to decrease and the claimed amounts are in average relatively low. Securitas denies all responsibility for such labor claims.

Spain – tax audit

The Spanish tax authority has, in connection with audits of Securitas Spain, challenged certain interest payments in 2009, 2012 and 2014, and decided to reject interest deductions made for the financial years 2003–2005, 2006–2007 and 2008–2009 respectively. The years 2003–2005 are finally resolved by the Supreme Court and paid in 2016. For years 2006–2007 Securitas has requested a leave for appeal to the Supreme Court, but has not yet received any decision. The years 2008–2009 have been resolved by the court, which Securitas has accepted, see further below.

The Spanish Supreme Court issued their judgment during 2016 regarding the years 2003–2005, implying that the years 2003–2004 were resolved as time barred and the majority of the interest deductions for 2005 were disallowed. Securitas closed the years 2003–2005 in 2016 by payment of tax and interest of MEUR 4.3 (equivalent to MSEK 41).

In June 2017 the superior court Audiencia Nacional issued a negative judgment concerning the years 2006–2007, implying that all interest was disallowed, in contradiction to the earlier judgment by the Supreme Court on the same matter for the years 2003-2005. This is also contradictory to the lower court Tribunal Económico Administrativo Central's earlier judgment for the years 2008–2009, a judgment that Securitas has accepted as final.

If finally upheld by Spanish courts, the resolution by the Spanish tax authorities regarding rejected interest deductions for the years 2006–2007, and the accepted judgment regarding years 2008–2009, would result in a tax of MEUR 28, equivalent to MSEK 287, including interest up to December 31, 2018 (as of December 31, 2017 this exposure was estimated to MEUR 27, equivalent at the time to MSEK 269). No further exposure exists for similar rejected interest deductions after the financial year 2009, as the Group adjusted the capitalization of Securitas Spain in 2009 to avoid future challenges of interest deductions.

Further, the Spanish tax authority decided, in connection with an audit of Securitas Spain in 2013, to reject a tax exemption for a demerger of the Spanish Systems company, in connection with Securitas AB's distribution of the shares in Securitas Systems AB to its shareholders and the listing on the Stockholm Stock Exchange in 2006. In June 2017, Securitas received a negative judgment from the superior court Audiencia Nacional and has been granted a leave for appeal with the Supreme Court in May 2018.

If finally upheld by Spanish courts, the resolution by the Spanish tax authorities, concerning the demerger case, would result in a tax of MEUR 21, equivalent to MSEK 217, including interest up to December 31, 2018 (as of December 31, 2017 this exposure was estimated to MEUR 21, equivalent at the time to MSEK 203).

Further, in 2014 the tax authority decided to reject a deduction for a currency related liquidation loss in the financial year 2010, relating to a company that was acquired in 2004. In 2017 the lower court TEAC issued a negative judgment, which was in contradiction to the 2016 Supreme Court judgment regarding the basis for disallowing the deduction. Securitas has appealed the case to the superior National court Audiencia Nacional.

If finally upheld by Spanish courts, the resolution by the Spanish tax authorities regarding the liquidation loss would result in a tax of MEUR 18, equivalent to MSEK 183, including interest up to December 31, 2018 (as of December 31, 2017 this exposure was estimated to MEUR 17, equivalent at the time to MSEK 171).

Provided that the courts decide in Securitas cases in accordance with the 2016 Supreme Court judgment, the exposure for the currency related liquidation loss for the financial year 2010 is expected to cease.

Securitas believes it has acted in accordance with applicable law and will defend its position in the courts. However, the tax resolutions causes some uncertainty and it may take several years until all final judgments have been received.

Spain – Mutua

Securitas in Spain has received a claim of MEUR 6.3 from the social security authorities relating to services allegedly received from Mutua Universal in the period 1998 to 2007. The authorities are questioning whether such services, in such case, were allowed to be provided under applicable regulations. This is a consequence of a lawsuit against some of Mutua Universal's former employees. Securitas is affected, as 2 300 other companies, as an indirect beneficiary of the services rendered. Securitas is convinced that it has acted in accordance with applicable law.

Other proceedings

Over the years, Securitas has made a number of acquisitions in different countries. As a result of such acquisitions, certain contingent liabilities of the businesses acquired have been assumed. The risks relating to such contingent liabilities are covered by contractual indemnification, insurance or adequate reserves.

Companies within the Securitas Group are also involved in a number of other legal proceedings and tax audits arising out of the business. Any liabilities arising out of such proceedings are not expected to be material to the business operations or the financial position of the Group.

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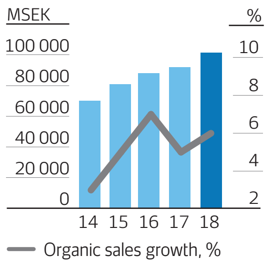
NOTE 38 *Financial five year overview*[1]

MSEK	2014	2015	2016	2017[2]	2018
INCOME					
• **Total sales**	**70 217.1**	**80 860.1**	**88 162.4**	**92 196.8**	**101 466.7**
of which acquired business	353.3	269.9	3 136.4	717.7	1 759.8
• ***Acquired sales growth, %***	***1***	***0***	***4***	***1***	***2***
• ***Organic sales growth, %***	***3***	***5***	***7***	***5***	***6***
• ***Real sales growth, %***	***4***	***6***	***11***	***5***	***8***
Operating income before amortization	**3 504.7**	**4 088.7**	**4 553.5**	**4 697.2**	**5 303.6**
• ***Operating margin, %***	***5.0***	***5.1***	***5.2***	***5.1***	***5.2***
Amortization and impairment of acquisition related intangible assets	-250.8	-274.5	-287.7	-255.1	-259.9
Acquisition related costs	-17.1	-29.5	-112.6	-48.4	-119.9
Items affecting comparability	–	–	–	–	-454.8
Financial income and expenses	-327.6	-308.3	-389.6	-375.6	-440.6
• **Income before taxes**	**2 909.2**	**3 476.4**	**3 763.6**	**4 018.1**	**4 028.4**
Taxes	-837.7	-1 032.5	-1 117.7	-1 266.6	-1 007.2
Net income for the year	**2 071.5**	**2 443.9**	**2 645.9**	**2 751.5**	**3 021.2**
– whereof attributable to non-controlling interests	3.1	7.4	3.9	1.8	5.3
Average number of shares after dilution ('000)	365 059	365 059	365 059	365 059	365 059
• **Earnings per share after dilution (SEK)**	**5.67**	**6.67**	**7.24**	**7.53**	**8.26**
CASH FLOW					
Operating income before amortization	**3 504.7**	**4 088.7**	**4 553.5**	**4 697.2**	**5 303.6**
Investments in non-current tangible and intangible assets	-1 113.2	-1 328.6	-1 658.3	-1 808.4	-2 187.8
Reversal of depreciation	966.9	1 072.3	1 229.0	1 445.5	1 693.5
Change in accounts receivable	-114.5	-707.0	-1 039.3	-448.9	-1 575.0
Changes in other operating capital employed	-381.2	273.8	-45.8	-48.1	-62.3
Cash flow from operating activities	**2 862.7**	**3 399.2**	**3 039.1**	**3 837.3**	**3 172.0**
• ***as % of operating income before amortization***	***82***	***83***	***67***	***82***	***60***
Financial income and expenses paid	-311.4	-322.0	-301.4	-425.6	-431.4
Current taxes paid	-696.6	-914.0	-1 016.7	-1 122.2	-856.3
• **Free cash flow**	**1 854.7**	**2 163.2**	**1 721.0**	**2 289.5**	**1 884.3**
as % of adjusted income	***75***	***78***	***52***	***68***	***48***
Free cash flow per share	**5.08**	***5.93***	***4.71***	***6.27***	***5.16***
Cash flow from investing activities, acquisitions and divestitures	-385.0	-147.4	-3 566.5	-303.6	-1 755.2
Cash flow from items affecting comparability	-72.8	-26.9	-16.7	–	-117.4
Cash flow from financing activities	-2 107.8	-3 302.5	2 145.8	-742.7	-375.4
Cash flow for the year	**-710.9**	**-1 313.6**	**283.6**	**1 243.2**	**-363.7**
Interest-bearing net debt at beginning of year	-9 609.8	-10 421.6	-9 862.7	-13 431.3	-12 332.5
Change in loans	1 012.6	2 207.3	-3 423.5	-626.3	-1 084.8
Revaluation of financial instruments	-0.4	0.9	22.6	-28.8	26.0
Translation differences on interest-bearing net debt	-1 113.1	-335.7	-451.3	510.7	-758.5
Interest-bearing net debt at year-end	**-10 421.6**	**-9 862.7**	**-13 431.3**	**-12 332.5**	**-14 513.5**

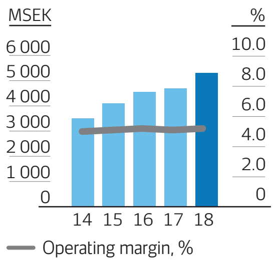
MSEK	2014	2015	2016	2017[2]	2018
CAPITAL EMPLOYED AND FINANCING					
Non-current assets excluding acquisition related items	3 641.4	3 872.3	4 633.8	5 383.7	5 986.6
Accounts receivable	10 815.5	11 353.4	13 352.6	13 349.3	15 603.5
Other operating capital employed	-10 532.9	-10 617.3	-11 202.4	-11 173.2	-12 391.5
Operating capital employed	**3 924.0**	**4 608.4**	**6 784.0**	**7 559.8**	**9 198.6**
• ***as % of total sales***	***6***	***6***	***8***	***8***	***9***
Goodwill	16 228.1	16 428.4	19 379.6	18 719.1	21 061.3
Acquisition related intangible assets	1 244.2	987.3	1 356.1	1 172.8	1 458.2
Shares in associated companies	324.5	369.0	419.5	419.8	452.0
Capital employed	**21 720.8**	**22 393.1**	**27 939.2**	**27 871.5**	**32 170.1**
• ***Return on capital employed, %***	***16***	***18***	***16***	***17***	***15***
Net debt	**10 421.6**	**9 862.7**	**13 431.3**	**12 332.5**	**14 513.5**
Net debt equity ratio, multiple	***0.92***	***0.79***	***0.93***	***0.79***	***0.82***
Net debt to EBITDA ratio	***2,3***	***1,9***	***2,4***	***2,0***	***2,3***
Interest coverage ratio, multiple	***10.4***	***13.1***	***11.1***	***11.8***	***10.7***
• ***Free cash flow in relation to net debt***	***0.18***	***0.22***	***0.13***	***0.19***	***0.13***
Shareholders' equity attributable to equity holders of the Parent Company	**11 280.3**	**12 510.1**	**14 487.2**	**15 517.8**	**17 631.4**
Non-controlling interests	**18.9**	**20.3**	**20.7**	**21.2**	**25.2**
Equity per share	***30.9***	***34.3***	***39.7***	***42.5***	***48.4***
Return on equity, %	***20***	***21***	***20***	***18***	***18***
Equity ratio, %	***28***	***31***	***30***	***31***	***32***
Financing of capital employed	**21 720.8**	**22 393.1**	**27 939.2**	**27 871.5**	**32 170.1**

1 For definitions and calculation of key ratios refer to note 3.
2 Comparatives have been restated as an effect of a change in accounting principle IFRS 15. Refer to note 2 and note 6 for further information.
● Group key ratios according to Securitas' financial model. Refer to pages 54-55.

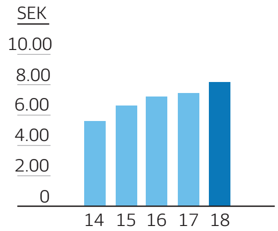
Total sales and organic sales growth



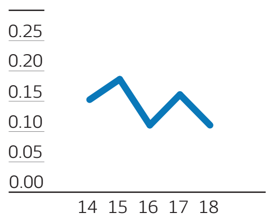
Operating income before amortization and operating margin



Earnings per share



Free cash flow in relation to net debt



NOTE 39 *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 2 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.

The financial statements have been remeasured by the use of an index, as described in note 2 Accounting principles. 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.

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**
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 FOR THE PERIOD JULY – DECEMBER 2018

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

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NOTE 40 *Adoption of IFRS 16 Leases*

As described in note 2 Accounting principles, Securitas has adopted IFRS 16 Leases as of January 1, 2019. The effects of the adoption are described below. 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 non-current assets) and long-term and short-term lease liabilities (included in loan 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 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. The effects on the balance sheet, combined with the Group's financial lease agreements recognized as of December 31, 2018, leads to a total lease liability for the Group of BSEK 3.6 as of January 1, 2019.

Consolidated balance sheet, BSEK	**Jan 1, 2019**
Assets	
Previously recognized financial lease assets	0.2
Additional right-of-use assets under IFRS 16	3.4
Total assets	**3.6**
Liabilities	
Previously recognized financial lease liabilities	0.2
Additional lease liabilities, long-term and short-term, under IFRS 16	3.4
Total liabilities	**3.6**

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

Bridge between operating leases under IAS 17 and lease liability according to IFRS 16, BSEK	**Jan 1, 2019**
Operating leases under IAS 17 at December 31, 2018 (note 11)	4.2
Effect of discounting	-0.4
Finance leases recognized at December 31, 2018 (note 30 and 33)	0.2
Short-term leases recognized on a straight-line basis as expense	-0.3
Low-value leases recognized on a straight-line basis as expense	-0.1
Lease liability under IFRS 16 at January 1, 2019	**3.6**

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 2019.

Parent Company statement of income

MSEK	Note	2018	2017
License fees and other income	43	1 195.8	1 088.6
Gross income		**1 195.8**	**1 088.6**
Administrative expenses	45, 46	-807.1	-775.1
Other operating income	45	29.6	23.8
Operating income		**418.3**	**337.3**
Result of financial investments			
Dividend	43	1 593.0	2 181.9
Interest income	43	658.7	466.1
Interest expenses	43	-418.2	-376.9
Other financial income and expenses, net	47	435.1	-721.8
Total financial income and expenses		**2 268.6**	**1 549.3**
Income after financial items		**2 686.9**	**1 886.6**
Appropriations			
Group contributions from subsidiaries	43	337.8	367.7
Group contributions to subsidiaries	43	-135.5	-17.1
Depreciation and amortization in excess of plan	56	1.6	–
Transfer to tax allocation reserve	56	-333.1	127.6
Total appropriations		**-129.2**	**478.2**
Income before taxes		**2 557.7**	**2 364.8**
Current taxes	48	-220.4	-0.9
Deferred taxes	48	-68.3	23.4
Net income for the year		**2 269.0**	**2 387.3**

Parent Company statement of comprehensive income

MSEK	Note	2018	2017
Net income for the year		**2 269.0**	**2 387.3**
Other comprehensive income			
Items that subsequently may be reclassified to the statement of income			
Cash flow hedges net of tax	44	62.5	-21.9
Cost of hedging net of tax	44	-44.1	–
Total items that subsequently may be reclassified to the statement of income		**18.4**	**-21.9**
Other comprehensive income	**48**	**18.4**	**-21.9**
Total comprehensive income for the year		**2 287.4**	**2 365.4**

Parent Company statement of cash flow

MSEK	Note	2018	2017
Operations			
Operating income		418.3	337.3
Reversal of depreciation	49, 50	26.2	28.9
Financial items received		2 251.1	3 475.6
Financial items paid		-403.2	-445.8
Current taxes paid		-125.1	-158.1
Change in other operating capital employed		427.8	-341.8
Cash flow from operations		**2 595.1**	**2 896.1**
Investing activities			
Investments in and disposals of non-current tangible and intangible assets	49, 50	-10.7	-50.6
Shares in subsidiaries	51	-36.6	-1 007.5
Cash flow from investing activities		**-47.3**	**-1 058.1**
Financing activities			
Dividend paid		-1 460.2	-1 369.0
Proceeds from bond loans		3 004.1	3 299.5
Redemption of bond loans		-3 479.7	-3 307.7
Proceeds from commercial paper		2 500.0	–
Redemption of commercial paper		-1 550.0	–
Change in other interest-bearing net debt excluding liquid funds		-2 178.9	257.0
Cash flow from financing activities		**-3 164.7**	**-1 120.2**
Cash flow for the year		**-616.9**	**717.8**
Liquid funds at beginning of year		1 942.6	1 224.8
Liquid funds at year-end	**54**	**1 325.7**	**1 942.6**

Parent Company balance sheet

MSEK	Note	2018	2017
ASSETS			
Non-current assets			
Intangible assets	49	128.3	129.5
Machinery and equipment	50	5.8	20.1
Shares in subsidiaries	51	41 332.1	41 296.2
Shares in associated companies	52	112.1	112.1
Interest-bearing financial non-current assets	44	1 541.3	1 312.6
Deferred tax assets	48	28.1	28.9
Other long-term receivables		357.9	137.4
Total non-current assets		**43 505.6**	**43 036.8**
Current assets			
Current receivables from subsidiaries		395.6	416.1
Interest-bearing current receivables from subsidiaries	44	5 573.6	4 360.1
Other current receivables		17.9	17.0
Current tax assets		–	29.8
Prepaid expenses and accrued income	53	8.7	13.0
Other interest-bearing current assets	44	7.5	44.9
Cash and bank deposits	54	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			
Share capital		365.1	365.1
Legal reserve		7 362.6	7 362.6
Development expenditure reserve		69.5	56.8
Total restricted equity		**7 797.2**	**7 784.5**
Non-restricted equity			
Hedging reserve		14.5	-3.9
Retained earnings		18 418.4	17 496.2
Net income for the year		2 269.0	2 387.3
Total non-restricted equity		**20 701.9**	**19 879.6**
Total shareholders' equity	**55**	**28 499.1**	**27 664.1**
Untaxed reserves	**56**	**454.8**	**123.3**
Long-term liabilities			
Long-term loan liabilities	44	15 817.7	12 887.3
Other long-term liabilities		151.6	287.0
Deferred tax liabilities		99.9	27.1
Total long-term liabilities	**57**	**16 069.2**	**13 201.4**
Current liabilities			
Current liabilities to subsidiaries		378.1	270.4
Interest-bearing current liabilities to subsidiaries	44	2 124.2	3 898.2
Group account bank overdraft		772.3	972.8
Other short-term loan liabilities	44	2 171.5	3 427.0
Accounts payable		11.8	32.2
Accrued expenses and prepaid income	58	283.7	255.4
Other current liabilities		69.9	15.5
Total current liabilities		**5 811.5**	**8 871.5**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**50 834.6**	**49 860.3**

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Parent Company statement of changes in shareholders' equity

MSEK	Share capital[1]	Legal reserve	Development expenditure reserve	Hedging reserve	Retained earnings and net income for the year	**Total share-holders' equity**
Opening balance 2017	**365.1**	**7 362.6**	**19.2**	**18.0**	**18 933.0**	**26 697.9**
Net income for the year	**–**	**–**	**–**	**–**	**2 387.3**	**2 387.3**
Other comprehensive income						
Items that subsequently may be reclassified to the statement of income						
Cash flow hedges net of tax[2]	–	–	–	-21.9	–	-21.9
Total items that subsequently may be reclassified to the statement of income	**–**	**–**	**–**	**-21.9**	**–**	**-21.9**
Other comprehensive income	**–**	**–**	**–**	**-21.9**	**–**	**-21.9**
Total comprehensive income for the year	**–**	**–**	**–**	**-21.9**	**2 387.3**	**2 365.4**
Share-based incentive scheme[1]	–	–	–	–	-30.2	-30.2
Dividend paid to shareholders of the Parent Company	–	–	–	–	-1 369.0	-1 369.0
Transfer to development expenditure reserve	–	–	42.2	–	-42.2	–
Transfer from development expenditure reserve	–	–	-4.6	–	4.6	–
Closing balance 2017	**365.1**	**7 362.6**	**56.8**	**-3.9**	**19 883.5**	**27 664.1**
Opening balance 2018	**365.1**	**7 362.6**	**56.8**	**-3.9**	**19 883.5**	**27 664.1**
Net income for the year	**–**	**–**	**–**	**–**	**2 269.0**	**2 269.0**
Other comprehensive income						
Items that subsequently may be reclassified to the statement of income						
Cash flow hedges net of tax[2]	–	–	–	62.5	–	62.5
Cost of hedging net of tax[2]	–	–	–	-44.1	–	-44.1
Total items that subsequently may be reclassified to the statement of income	**–**	**–**	**–**	**18.4**	**–**	**18.4**
Other comprehensive income	**–**	**–**	**–**	**18.4**	**–**	**18.4**
Total comprehensive income for the year	**–**	**–**	**–**	**18.4**	**2 269.0**	**2 287.4**
Share-based incentive scheme[1]	–	–	–	–	7.8	7.8
Dividend paid to shareholders of the Parent Company	–	–	–	–	-1 460.2	-1 460.2
Transfer to development expenditure reserve	–	–	28.2	–	-28.2	–
Transfer from development expenditure reserve	–	–	-15.5	–	15.5	–
Closing balance 2018	**365.1**	**7 362.6**	**69.5**	**14.5**	**20 687.4**	**28 499.1**

1 Further information is provided in note 55.
2 A specification can be found in note 44, in the table revaluation of financial instruments, as well as in note 48.

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Notes

NOTE 41 *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 Parent Company thus follows the same accounting principles as the Group, which are described in note 2, when relevant and except in the cases stated below. The differences that exist between the Parent Company's and the Group's accounting principles are a result of the restrictions that the Swedish Annual Accounts Act, the Swedish Act on Safeguarding of Pension Commitments and the options that RFR 2 allow for IFRS in the Parent Company.

RFR 2: IFRS 3 Business combinations

The Parent Company measures the acquisition cost as the sum of the acquisition-date fair values of assets transferred, liabilities incurred or transferred and all costs that are directly attributable to the acquisition. Contingent considerations are recognized as part of the acquisition cost if it is probable that they will be realized. The acquisition cost is adjusted in subsequent periods if the initial assessment needs to be revised.

RFR 2: IFRS 15 Revenue

Anticipated dividend from a subsidiary is recognized as income in the Parent Company in accordance with RFR 2 if the Parent Company has the exclusive right to decide the amount of the dividend from the subsidiary. The Parent Company must furthermore ensure that the dividend is in line with the subsidiary's dividend capacity. Dividend from a subsidiary that has not been anticipated is accounted for on a cash basis.

RFR 2: IAS 19 Employee benefits

Accounting for defined benefit plans according to the Swedish Act on Safeguarding of Pension Commitments leads to differences between the accounting in the Parent Company and the Group. These differences have no material impact on the employee benefits relating to the employees of the Parent Company. Pension solutions either fall within the framework of the ITP-plan that is insured via Alecta, which is described in note 31, or in all material aspects consist of other defined contribution plans.

RFR 2: IAS 21

Exchange rate differences arising on a monetary item that forms part of the Parent Company's net investment in a foreign subsidiary are accounted for in the Parent Company's statement of income, in accordance with RFR 2.

RFR 2: IAS 27 Consolidated and separate financial statements

The Parent Company applies the alternative rule in RFR 2: IAS 27 related to Group contributions, which means that Group contributions from subsidiaries as well as Group contributions to subsidiaries are accounted for as appropriations in the statement of income.

RFR 2: IFRS 9 Financial instruments

The Parent Company follows IFRS 9 except for financial guarantees in relation to subsidiaries. For further information refer to the accounting principles adopted by the Group for financial instruments in note 2.

Shares in subsidiaries

Shares in subsidiaries are initially accounted for at cost with subsequent adjustments for capital contributions, impairment and revaluation of deferred considerations. Shares in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Securitas' share-based incentive scheme

In addition to the Group's accounting principles for share-based payments (IFRS 2) as described in note 2 Accounting principles, the following has been applied in the Parent Company's financial statements. The Parent Company has secured the delivery of shares according to Securitas share-based incentive scheme by entering into a swap agreement with a third party regarding purchase of shares.

To the extent that shares according to the swap agreement is subject to delivery to employees in other Group companies than the Parent Company, a liability to Group companies has been recorded in the Parent Company's accounts. This liability is recorded at the value of the commitment that Securitas AB has to the subsidiaries to deliver shares, that is the number of shares to be delivered according to the swap agreement at the latest share price for Securitas AB's series B share. Social security expenses are calculated based on the market value of the shares that potentially will be allocated. Fluctuations in the share price for these shares thus lead to changes in social security expenses that impact the Parent Company's and Group's income.

This is the only impact on the Parent Company's and Group's income due to fluctuations in the share price for the shares that potentially will be allocated. This means that any possible increase or decrease of the liability to Group companies has not been accounted for in the Parent Company's income statement.

NOTE 42 *Events after the balance sheet date*

Approval of the Annual Report and Consolidated Financial Statements for 2018

This Annual Report including the Consolidated Financial Statements was approved by the Board of Directors and the President and CEO of Securitas AB on March 18, 2019.

Other significant events after the balance sheet date

In order to hedge the share portion of Securitas share-based incentive scheme 2018, Securitas AB entered into a swap agreement with a third party in the beginning of March 2019.

There have been no other significant events with effect on the financial reporting after the balance sheet date.

NOTE 43 *Transactions with related parties*

Transactions between the Parent Company and subsidiaries are priced in accordance with business principles.

THE PARENT COMPANY'S TRANSACTIONS WITH RELATED PARTIES COMPRISE

MSEK	2018	2017
License fees from subsidiaries	1 177.1	1 071.6
Other income from subsidiaries	18.7	17.0
Dividends from subsidiaries	1 593.0	2 181.9
Interest income from subsidiaries	630.4	437.8
Interest expenses to subsidiaries	-47.0	-35.7
Realized profit on shares in subsidiaries	–	831.3
Group contributions from subsidiaries	337.8	367.7
Group contributions to subsidiaries	-135.5	-17.1
Guarantees issued on behalf of subsidiaries	2 281.0	2 175.8
Guarantees issued on behalf of associated companies	0.4	3.9

NOTE 44 *Financial risk management*

The Parent Company follows, as stated in note 41, IFRS 9 Financial instruments. Refer to note 2 and note 7 for further information about financial risks that are applicable also for the Parent Company.

LIQUIDITY REPORT AS PER DECEMBER 31, 2018 AND 2017

MSEK	Total	< 1 year	Between 1 year and < 3 years	Between 3 years and 5 years	> 5 years
December 31, 2018					
Borrowings	-19 329	-3 056	-5 707	-3 789	-6 777
Derivatives outflows	-24 232	-19 689	-80	-2 875	-1 588
Accounts payable	-12	-12	–	–	–
Total outflows	**-43 573**	**-22 757**	**-5 787**	**-6 664**	**-8 365**
Investments	6 820	6 708	16	96	–
Derivatives receipts	24 385	19 652	217	3 007	1 509
Total inflows	**31 205**	**26 360**	**233**	**3 103**	**1 509**
Net cash flows, total[1]	**-12 368**	**3 603**	**-5 554**	**-3 561**	**-6 856**
December 31, 2017					
Borrowings	-19 525	-6 234	-1 442	-8 323	-3 526
Derivatives outflows	-22 978	-20 106	-137	-2 735	–
Accounts payable	-32	-32	–	–	–
Total outflows	**-42 535**	**-26 372**	**-1 579**	**-11 058**	**-3 526**
Investments	6 112	5 891	8	213	–
Derivatives receipts	23 272	20 155	175	2 920	22
Total inflows	**29 384**	**26 046**	**183**	**3 133**	**22**
Net cash flows, total[1]	**-13 151**	**-326**	**-1 396**	**-7 925**	**-3 504**

1 Variable rate cash flows have been estimated using the relevant yield curve.

HEDGING RESERVE AS PER DECEMBER 31, 2018

MSEK	Cost of hedging reserve	Interest rate cash flow hedges	Currency cash flow hedges	Total before tax	Deferred tax	Total net of tax
Opening balance January 1, 2018	-	5.2	-10.2	-5.0	1.1	-3.9
Change in fair value of hedging instrument recognized in other comprehensive income	-56.6	-0.6	195.2	138.0	-30.4	107.6
Reclassified from other comprehensive income to profit or loss	-	6.0	-120.4	-114.4	25.2	-89.2
Closing balance December 31, 2018	**-56.6**	**10.6**	**64.6**	**18.6**	**-4.1**	**14.5**

REVALUATION OF FINANCIAL INSTRUMENTS

MSEK	2018	2017
Recognized in the statement of income		
Financial income and expenses	6.8	0.4
Deferred tax	–	–
Impact on net income for the year	**6.8**	**0.4**
Recognized via hedging reserve in other comprehensive income		
Transfer to cash flow hedging reserve before tax	194.6	63.2
Transfer to cost of hedging reserve before tax	-56.6	–
Deferred tax on transfer to hedging reserve	-30.4	-13.9
Transfer to hedging reserve net of tax	**107.6**	**49.3**
Transfer to statement of income before tax	-114.4	-91.2
Deferred tax on transfer to statement of income	25.2	20.0
Transfer to statement of income net of tax	**-89.2**	**-71.2**
Change of cash flow hedging reserve before tax	80.2	-28.0
Change of cost of hedging reserve before tax	-56.6	–
Total change of hedging reserve before tax[1]	**23.6**	**-28.0**
Deferred tax on total change of hedging reserve[1]	-5.2	6.1
Total change of hedging reserve net of tax	**18.4**	**-21.9**
Total impact on shareholders' equity as specified above		
Total revaluation before tax[2]	30.4	-27.6
Deferred tax on total revaluation[2]	-5.2	6.1
Total revaluation after tax	**25.2**	**-21.5**

1 Total of transfer to hedging reserve and transfer from hedging reserve to statement of income.
2 Total revaluation and deferred tax recognized via statement of income and via other comprehensive income.

DERIVATIVES IN THE BALANCE SHEET

MSEK	2018	2017
Interest-bearing financial non-current assets		
Fair value hedges	110.2	299.0
Cash flow hedges	283.2	132.3
Other derivative positions[1]	-38.9	–
Total derivatives included in interest-bearing financial non-current assets	**354.5**	**431.3**
Interest-bearing current receivables from subsidiaries		
Other derivative positions	0.1	61.3
Total derivatives included in interest-bearing current receivables from subsidiaries	**0.1**	**61.3**
Other interest-bearing current assets		
Fair value hedges	–	5.9
Cash flow hedges	–	1.5
Other derivative positions	7.5	37.5
Total derivatives included in other interest-bearing current assets	**7.5**	**44.9**
Long-term loan liabilities		
Fair value hedges	164.5	0.8
Cash flow hedges	-66.5	–
Other derivative positions[2]	17.7	–
Total derivatives included in long-term loan liabilities	**115.7**	**0.8**
Interest-bearing current liabilities to subsidiaries		
Other derivative positions	21.6	44.3
Total derivatives included in interest-bearing current liabilities to subsidiaries	**21.6**	**44.3**
Other short-term loan liabilities		
Other derivative positions	14.7	53.3
Total derivatives included in other short-term loan liabilities	**14.7**	**53.3**

1 Cross currency interest rate swaps are split into different components, of which some elements are negative when the overall fair value is positive.
2 Cross currency interest rate swaps are split into different components, of which some elements are positive when the overall fair value is negative.

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

FAIR VALUE – HIERARCHY AS PER DECEMBER 31, 2018 AND 2017

	Quoted market prices		Valuation techniques using observable market data		Valuation techniques using non-observable market data		Total	
MSEK	2018	2017	2018	2017	2018	2017	2018	2017
Financial assets at fair value through profit or loss	–	–	7.6	98.8	–	–	7.6	98.8
Financial liabilities at fair value through profit or loss	–	–	-36.3	-97.5	–	-1.5[1]	-36.3	-99.0
Derivatives designated for hedging with positive fair value	–	–	354.5	438.6	–	–	354.5	438.6
Derivatives designated for hedging with negative fair value	–	–	-115.7	-0.8	–	–	-115.7	-0.8

1 Related to deferred considerations. These have been recognized mainly based on an assessment of the future profitability development in the acquired entities for an agreed period.

LIABILITIES FROM FINANCING ACTIVITIES 2018

			Non-cash changes			
	January 1, 2018	Cash flows[1]	Reclassification	Other changes	Translation differences	December 31, 2018
Long-term borrowings	12 887.3	3 003.7	-759.9	114.9	571.7	15 817.7
Short-term borrowings	8 298.0	-4 173.2	759.9	-61.3	244.6	5 068.0
Derivative assets held to hedge external borrowings	-299.3	–	–	-216.3	–	-515.6
Total	**20 886.0**	**-1 169.5**	**–**	**-162.7**	**816.3**	**20 370.1**

1 Excluding other derivative positions and dividend paid to shareholders of the Parent Company, that are included in cash flow from financing activities in the consolidated statement of cash flow.

NOTE 45 *Administrative expenses and other operating income*

Administrative expenses

AUDIT FEES AND REIMBURSEMENTS

MSEK	2018	2017
PwC		
Audit assignments	6.6	6.6
Additional audit assignments	2.3	1.2
Tax assignments	2.1	2.2
Other assignments[1]	1.5	1.5
Total[1]	**12.5**	**11.5**

1 Total audit fees and reimbursements to PwC amounts to MSEK 12.5 MSEK whereof MSEK 1.3 does not relate to PwC Sweden, included in Other assignments.

Additional audit assignments mainly comprise review of the interim report for the second quarter as well as review of financial reporting and internal control in additional countries than those included in the agreed audit plan. Tax assignments mainly comprise tax return compliance, transfer pricing and questions related to tax legislation compliance.

Other services mainly comprise review of pension plans.

Other operating income

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

NOTE 46 *Personnel*

AVERAGE NUMBER OF YEARLY EMPLOYEES: DISTRIBUTION BETWEEN WOMEN AND MEN

	Women		Men		Total	
	2018	2017	2018	2017	2018	2017
Board of Directors	3	3	5	5	8	8
President	-	-	1	1	1	1
Other employees, Sweden	28	28	22	28	50	56

STAFF COSTS

	2018			2017			Of which bonuses	
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)	2018	2017
Board of Directors and President[1]	31.0	7.3	(0.8)	31.0	15.3	(4.5)	6.4	9.0
Other employees	72.6	41.5	(12.8)	77.4	42.0	(8.8)	17.0	18.5
Total	**103.6**	**48.8**	**(13.6)**	**108.4**	**57.3**	**(13.3)**	**23.4**	**27.5**

1 Refer to note 9 for further information regarding remuneration to the Board of Directors and President.

NOTE 47 Other financial income and expenses, net

MSEK	2018	2017
Realized profit on shares in subsidiaries[1]	–	831.3
Liquidation losses, shares in subsidiaries[2]	–	-659.2
Exchange rate differences, net	447.4	-876.5
Bank costs and similar income/expense items	-19.1	-17.8
Revaluation of financial instruments (IAS 39)	6.8	0.4
Total other financial income and expenses, net	**435.1**	**-721.8**

1 Capital gain 2017 due to internal restructuring.
2 Impairment loss 2017 on shares in connection with dividend received at liquidation of a subsidiary.

NOTE 48 Taxes

Statement of income

TAX EXPENSE

MSEK	2018	2017
Tax on income before taxes		
Current taxes	-220.4	-0.9
Deferred taxes	-68.3	23.4
Total tax expense	**-288.7**	**22.5**

The Swedish corporate tax rate was 22.0 percent (22.0).

DIFFERENCE BETWEEN STATUTORY SWEDISH TAX RATE AND ACTUAL TAX EXPENSE FOR THE PARENT COMPANY

MSEK	2018	2017
Income before taxes according to the statement of income	**2 558**	**2 365**
Tax based on Swedish tax rate	-563	-520
Tax related to untaxed reserves	-73	28
Tax related to previous years / foreign withholding tax	-1	-1
Tax related to non-taxable income	351	663
Tax related to non-deductible expenses	-3	-147
Actual tax expense	**-289**	**23**

Tax related to non-taxable income in 2018 mainly relates to dividends from subsidiaries. Previous year tax related to non-taxable income mainly relates to dividends from subsidiaries and divestiture of a subsidiary. Tax related to non-deductible expenses in 2018 relates mainly to miscellaneous non-deductible expenses. Previous year tax related to non-deductible expenses was mainly related to liquidation of a subsidiary.

Other comprehensive income

TAX ON OTHER COMPREHENSIVE INCOME

MSEK	2018	2017
Deferred tax on cash flow hedges	-17.7	6.1
Deferred tax on cost of hedging	12.5	–
Deferred tax on other comprehensive income	**-5.2**	**6.1**

Balance sheet

Deferred tax assets are attributable to employee related debt.

Tax loss carryforwards

The tax loss carryforwards for the Parent Company amounted to MSEK 0 (0) as of December 31, 2018.

NOTE 49 Intangible assets[1]

MSEK	2018	2017
Opening balance	288.3	245.9
Disposals	-9.6	–
Capital expenditures	28.2	42.4
Closing accumulated balance	**306.9**	**288.3**
Opening amortization	-158.8	-135.3
Disposals	5.3	–
Amortization for the year	-25.1	-23.5
Closing accumulated amortization	**-178.6**	**-158.8**
Closing residual value	**128.3**	**129.5**

1 Mainly related to Securitas Guard Management System, which is a system used for communicating, coordinating, performing and reporting services. The estimated useful life is 15 years, based on how similar communication systems are used. The amortization rate is set to the corresponding period. Furthermore the brand name Securitas in one of the Group's countries of operations is included with MSEK 15.9 (15.9). The trademark is tested annually for impairment. Refer to note 17 section impairment testing for further information.

NOTE 50 Machinery and equipment

MSEK	2018	2017
Opening balance	60.7	52.5
Disposals	-34.9	–
Capital expenditures	0.0	8.2
Write-offs	-1.5	–
Closing accumulated balance	**24.3**	**60.7**
Opening depreciation	-40.6	-35.2
Disposals	21.7	–
Write-offs	1.5	–
Depreciation for the year	-1.1	-5.4
Closing accumulated depreciation	**-18.5**	**-40.6**
Closing residual value	**5.8**	**20.1**

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NOTE 51 Shares in subsidiaries[1]

Subsidiary name	Corporate identity no.	Domicile	Number of shares 2018	% of share capital/ voting rights 2018	Book value 2018, MSEK	Book value 2017, MSEK
Grupo Securitas Mexico S.A de C.V[2]	GSM930817U48	Monterrey	4 999	99.98	14.5	14.5
Protectas S.A.	CH-550-0084385-3	Lausanne	50 000	100	32.8	32.8
Securitas Argentina S.A.[3]	1587929	Buenos Aires	282 399	20	13.5	13.5
Securitas Asia Holding AB	556691-8800	Stockholm	100 000	100	286.0	286.0
Securitas Aviation d.o.o.	MBS 080689871	Zagreb	1	100	0.8	0.8
Securitas BH d.o.o.	65-01-0503-11	Sarajevo	–	100	86.8	86.8
Securitas Biztonsági Szolgáltatások Magyarország Kft	Cg.01-09-721946	Budapest	–	100	22.1	22.1
Securitas Bulgaria Ltd	204820136	Sofia	200	100	0.0	0.0
Securitas Canada Ltd	454437-4	Toronto	4 004	100	85.6	85.6
Securitas ČR sro	43872026	Prague	–	100	185.5	185.5
Securitas Eesti AS	10188743	Tallinn	1 371	100	32.1	32.1
Securitas Fire & Safety Services SRL[4]	J40/13561/2007	Bucharest	1	5	0.0	0.0
Securitas Group Reinsurance DAC	317030	Dublin	2 000 000	100	576.5	576.5
Securitas Holding GmbH	HRB 33348	Düsseldorf	1	100	2 572.3	2 572.3
Securitas Holdings Inc.	95-4754543	Parsippany	100	100	2 208.0	2 208.0
Securitas Hrvatska d.o.o	MBS 080132523	Zagreb	1	100	176.8	177.5
Securitas Intelligent Services AB	556655-4670	Stockholm	1 000	100	50.1	50.1
Securitas Invest AB	556630-3995	Stockholm	1 000	100	7.1	7.1
Securitas Middle East and Africa Holding AB	556771-4406	Stockholm	100 000	100	179.6	179.6
Securitas Montenegro d.o.o.	02387620	Niksic	–	100	0.8	0.8
Securitas Nordic Holding AB	556248-3627	Stockholm	1 000 000	100	9 269.5	9 269.5
Securitas NV[5]	0427.388.334	Brussels	8 238	99.90	941.8	941.8
Securitas Podjetje za varovanje d.o.o.	8075280000	Ljubljana	–	100	0.1	0.1
Securitas Polska Sp. z o. o.	0000036743	Warsaw	18 000	100	27.4	27.4
Securitas Rental AB	556376-3829	Stockholm	1 000	100	3.6	3.6
Securitas Security Consulting Holding AB	556087-1468	Stockholm	1 000	100	127.8	91.0
Securitas Security Services Ireland Ltd	275069	Dublin	2 410 002	100	28.9	28.9
Securitas Seguridad Holding SL	B83446831	Madrid	7 023	100	8 042.8	8 042.8
Securitas Services d.o.o.	17487809	Belgrade	–	100	147.6	147.6
Securitas Services Holding U.K. Ltd	5759961	London	34 000 400	100	976.2	976.2
Securitas Services International BV	33287487	Amsterdam	25 000	100	2 345.3	2 345.3
Securitas Services Romania SRL	J40/2222/2001	Bucharest	21 980	100	49.5	49.5
Securitas Sicherheitsdienstleistungen GmbH	FN148202w	Vienna	–	100	92.3	92.3
Securitas SK sro[6]	36768073	Prievidza	–	4.65	0.8	0.8
Securitas Toolbox Ltd	316907	Dublin	100	100	0.0	0.0
Securitas Transport Aviation Security AB	556691-8917	Stockholm	5 100 000	100	272.6	272.6
Securitas Treasury Ireland Ltd	152440	Dublin	21 075 470	100	12 475.0	12 475.0
Securitas UAE LLC	615702	Dubai	–	–	–	0.2
Total shares in subsidiaries					**41 332.1**	**41 296.2**

1 The main business in the subsidiaries is specialized guarding and mobile services, monitoring, technical solutions and consulting and investigations. The subsidiaries also comprise of the Group's internal bank, Securitas Treasury Ireland Ltd, as well as the Group's internal insurance company, Securitas Group Reinsurance DAC. A complete specification of the subsidiaries can be obtained from the Parent Company.
2 The remaining 0.02 percent of Grupo Securitas Mexico S.A de C.V are held by Securitas Rental AB.
3 The remaining 80 percent of Securitas Argentina S.A. are held by Securitas Seguridad Holding SL.
4 The remaining 95 percent of Securitas Fire & Safety Services SRL are held by Securitas Services Romania SRL.
5 The remaining 0.1 percent of Securitas NV are held by Securitas Rental AB.
6 The remaining 95.35 percent of Securitas SK sro are held by Securitas CR sro.

CHANGE ANALYSIS OF SHARES IN SUBSIDIARIES

MSEK	2018	2017
Opening balance	41 296.2	40 947.8
Acquisitions	–	0.2
Divestitures	-0.2	-634.5
Liquidation	–	-660.6
Capital contributions	36.8	1 642.4
Revaluation of deferred considerations	-0.7	0.9
Closing balance	**41 332.1**	**41 296.2**

NOTE 52 Shares in associated companies

HOLDINGS 2018 AND 2017

Company	Domicile	Share in equity, %	Voting rights, %	Book value, MSEK
Walsons Services Pvt Ltd	Delhi	49	49	112.1
Holdings 2018				**112.1**
Walsons Services Pvt Ltd	Delhi	49	49	112.1
Holdings 2017				**112.1**

NOTE 53 Prepaid expenses and accrued income

MSEK	2018	2017
Prepaid software licenses and support costs	3.9	4.9
Prepaid insurance premiums	1.1	1.0
Other prepaid expenses	3.7	7.1
Total prepaid expenses and accrued income	**8.7**	**13.0**

NOTE 54 Liquid funds

Liquid funds include short-term investments with a maximum duration of 90 days that are readily convertible to a known amount of cash and subject to an insignificant risk of change in value. Liquid funds also include cash and bank deposits. Short-term investments refer to fixed interest rate bank deposits.

In the Parent Company's balance sheet, utilized internal credits in the Swedish cash-pool account are reported under the Group account bank overdraft.

NOTE 55 Shareholders' equity

Number of shares outstanding December 31, 2018

			MSEK
Series A	17 142 600	each share with a quota value of SEK 1.00	17.1
Series B	347 916 297	each share with a quota value of SEK 1.00	348.0
Total	**365 058 897**		**365.1**

The number of Series A and Series B shares is unchanged in relation to December 31, 2017. As of December 31, 2018 there were no outstanding convertible debenture loans that could result in any dilution of the share capital.

Each Series A share carries ten votes and each Series B share one vote. This is the only difference between the two series of shares.

Shareholders with more than 10 percent of the votes

The principal shareholders are Gustaf Douglas, who through family and the companies within the Investment AB Latour Group holds 10.9 percent of the capital and 29.6 percent of the votes, and Melker Schörling, who through family and Melker Schörling AB holds 4.5 percent of the capital and 11.0 percent of the votes.

Proposed allocation of earnings

The statements of income and the balance sheets of the Parent Company and the Group are subject to adoption by the Annual General Meeting on May 6, 2019.

RETAINED EARNINGS IN THE PARENT COMPANY AVAILABLE FOR DISTRIBUTION

	MSEK[1]
Hedging reserve	14.5
Retained earnings	18 418.4
Net income for the year[2]	2 269.0
Total	**20 701.9**

THE BOARD OF DIRECTORS PROPOSED THAT THE EARNINGS ARE ALLOCATED AS FOLLOWS

	MSEK[1]
a dividend to the shareholders of SEK 4.40 per share	1 606.3
retained earnings to be carried forward	19 095.6
Total	**20 701.9**

1 Refer to the Report of the Board of Directors for the proposed allocation of earnings in SEK and for the Board's statement on the proposed dividend.
2 Includes Group contributions to subsidiaries of MSEK 135.5.

Share-based incentive scheme

Securitas' share-based incentive scheme has had the following impact on retained earnings:

MSEK	2018	2017
Swap agreement[1,2]	-140.6	-149.8
Redemption of previous year's swap agreement[1]	149.8	117.7
Share-based remuneration to employees[3]	7.6	9.0
Settlement of previous year's share-based remuneration to employees[3]	-9.0	-7.1
Total	**7.8**	**-30.2**

1 Related to the whole Group's share-based incentive scheme.
2 The number of shares that have been hedged in this swap agreement amount to a total of 999 831 (1 079 190) and have been allotted to the participants during the first quarter 2019, provided that they were still employed by the Group at that time.
3 Related to share-based remuneration for Securitas AB's employees only.

NOTE 56 Untaxed reserves

MSEK	2018	2017
Accumulated depreciation and amortization in excess of plan	21.2	22.8
Tax allocation reserve	433.6	100.5
Total untaxed reserves	**454.8**	**123.3**

NOTE 57 Long-term liabilities

LONG-TERM LIABILITIES FALL DUE FOR PAYMENT AS FOLLOWS

MSEK	2018	2017
Maturity < 5 years	12 879.5	9 755.8
Maturity > 5 years	3 189.7	3 445.6
Total long-term liabilities	**16 069.2**	**13 201.4**

NOTE 58 Accrued expenses and prepaid income

MSEK	2018	2017
Employee-related items	42.7	51.5
Accrued interest expenses	209.9	175.2
Other accrued expenses	31.1	28.7
Total accrued expenses and prepaid income	**283.7**	**255.4**

NOTE 59 Pledged assets

MSEK	2018	2017
Pension balances, defined contribution plans	128.7	124.1
Total pledged assets	**128.7**	**124.1**

NOTE 60 Contingent liabilities

MSEK	2018	2017
Guarantees	0.4	6.8
Guarantees related to discontinued operations	15.4	15.3
Total contingent liabilities[1]	**15.8**	**22.1**

1 Guarantees on behalf of subsidiaries are disclosed in note 43.

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

The Board of Directors and the President declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The statutory administration report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

The Board of Directors and the President also submit Securitas AB's Sustainability Report for 2018. The sustainability report describes the Group's work with regards to economic, environmental and social aspects. The report is prepared according to the Sustainability Reporting Standards, issued by Global Reporting Initiative (GRI).

The statements of income and balance sheets of the Parent Company and the Group are subject to adoption by the Annual General Meeting on May 6, 2019.

Stockholm, March 18, 2019

Marie Ehrling
Chairman

Carl Douglas
Vice Chairman

Ingrid Bonde
Director

John Brandon
Director

Anders Böös
Director

Fredrik Cappelen
Director

Sofia Schörling Högberg
Director

Dick Seger
Director

Susanne Bergman Israelsson
Director
Employee Representative

Åse Hjelm
Director
Employee Representative

Jan Prang
Director
Employee Representative

Magnus Ahlqvist
President and Chief Executive Officer

Our report has been submitted on March 18, 2019
PricewaterhouseCoopers AB

Patrik Adolfson
Authorized Public Accountant
Auditor in charge

Madeleine Endre
Authorized Public Accountant

Auditor's report

(This is a translation of the Swedish original. For any interpretation the Swedish version prevail)

To the general meeting of the shareholders of Securitas AB (publ), corporate identity 556302-7241

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Securitas AB (publ) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 57-138 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Securitas' business consists of performing various protective services. Its clients differ in size and operate in diverse segments and businesses. The Group has arisen through acquisitions and contracts with clients. Operations are conducted in some 58 countries. The business is labor intensive, and the number of employees amounts to 370 000 people.

- In the Group audit, we focused on the operations of the Parent Company and the 12 most significant reporting units. These units account for approximately 77 percent of net income, 90 percent of operating profit and 66 percent of the Group's operating assets. For the seven largest entities and the Parent Company, our audit activities encompassed a limited review of the half-yearly report as of June 30, an assessment of key controls related to financial reporting according to Securitas' framework, early warning of the closing on September 30 prior to the year-end closing, and an audit of the year-end closing for the Group's consolidated financial closing. For the other entities, our audit focused on internal control over financial reporting and the year-end closing.
- During the year, the auditor in charge, the co-signer and members of the audit team visited some in 14 countries encompassing 16 operations in order to gain a further understanding of the operations in these countries, perform an overall review of the financial reporting based on the Group's accounting principles and evaluate compliance with Securitas' framework for internal control. Some of these countries are included in the audit procedures described above, and are also subject to a statutory audit. The countries visited account for approximately 14 percent of the Group's net income.

For other reporting units, analytical audit procedures are performed as a part of the audit of the consolidation. In addition to this, statutory audit procedures are performed in some 31 countries or entities, corresponding to 21 percent of net income, 22 percent of operating profit and 21 percent of the Group's operating assets. The outcome of the statutory audits are reported separately to Securitas in connection with the review of half-yearly report. As this is not deemed to be material, is not used as support in the audit of the financial closing for the group. The outcome is used in the planning of the audit in order to follow up on any significant matters noted for any reporting unit regarding financial reporting or internal control.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Audit of impairment testing of goodwill and other acquisition related intangible assets *We refer to Note 4 Critical accounting estimates and assessments, Note 16 Acquisition and divestment of subsidiaries and Note 17 Goodwill and impairment testing. In Note 17, information regarding the sensitivity analysis performed with regards to which adjustment of assumptions made would trigger an impairment of goodwill.* Goodwill and other acquisition related intangible assets, including client relations, amount to MSEK 22 520, and are as such a significant portion of Securitas' consolidated balance sheet per December 31, 2018 corresponding to 41 percent of the total assets. The balance sheet item is subject to management's assessments and assumptions, and with regards to the significance and complexity in the assessment of the value of the balance sheet item, also considered as a key audit matter in the audit. Securitas annually performs a test to assess the value of goodwill and if there is any need for impairment if the book value of the assets exceeds the calculated fair value according to the test. Securitas has an established process to test the valuation, based on the identified cash generating units (CGU), as described in note 17. For 2018, there was 59 identified cash generating units. Securitas process implies that they prepare the impairment test based on business plans, financial plans and prognosis for the five immediate years. The cash flows from the years beyond the five immediate years are extrapolated based on the business plan. The process therefore contains assumptions that have a significant impact on the impairment test. This includes assumptions on sales growth, margin development and discount rate (WACC). These parameters are as such affected by unexpected future market or economic conditions, particularly those relating to the cash flow forecast and the applied discount rate. The value according to the test corresponds to the value of discounted cash flow for identified cash generating units. Even if a unit passes the impairment test, a future negative development compared to the assumptions and assessments that constituted the basis for the test, can imply that there is a need for an impairment write-down. The risk for an impairment is larger for the recently acquired entities, and for entities that currently perform worse in comparison with the approved business plan. Other acquisition related intangible assets are subject to depreciations according to plan. For these assets, an impairment test is performed if it can be assumed that the value of the assets have reduced so that an impairment may be necessary. Securitas conclusion, based on the best assessment and the information available at the time of preparing the annual impairment test, is that there is no need for impairment related to the assets mentioned above per 31 December, 2018.	When testing for impairment of goodwill and other acquisition-related intangible assets, in order to ensure primarily the valuation and accuracy, we have performed audit procedures including: • Evaluation of the assumptions as disclosed in note 17 as well as that the model used are in accordance with IFRS, we used PwC valuation experts to test and evaluate the models and methodology used, as well as the significant assumptions. • On a sample basis we have tried, verified, evaluated and challenged the data used in the calculation versus the Company's long term plans and where possible external information. We have focused on assessed growth rates, margin developments and discount rate applied per cash generating unit. We also followed-up the accuracy and inherent quality of the Company's process to prepare business plans and financial plans based on the historic outcome. • Control of the sensitivity in the valuation for negative changes to key assumptions, that either individually or collectively could imply an impairment of goodwill. • Assessment of that the disclosures provided in the financial statements are correct based on the impairment test performed, particularly for information on the sensitivity in the valuations. • Comparison of the disclosures in the annual report to the requirement of IAS 36 and found them to be consistent in all material aspects. The relative high number of CGUs implies an increased sensitivity for impairment. This, in particular, regard smaller or recently acquired entities, compared with if the entities would be assessed on a collective basis with other entities. Furthermore (see further note x), the hyperinflation accounting in Argentina implies a revaluation of the goodwill in this cash generating unit, which leads to increased sensitivity for impairment relating to this entity. For some of the assumptions used, we have a different view from those applied by Securitas in their impairment test. Based on our audit, it is however our conclusion that Securitas' assumptions are such that they are within an acceptable interval. Furthermore, the information included in note 17 comply with the requirement for disclosures regarding assumptions and risks, for which a fair change in assumptions imply, or can imply, a need for impairment.

Key audit matter

Routines and processes including accounting of employee-related expenses and pension and medical plans

We refer to note 4 Critical accounting estimates and assessments, note 9 Remuneration to the Board of Directors and senior management, note 12 Personnel, note 31 Provisions for pensions and similar commitments as well as note 32 Other long-term provisions, note 34 Other current liabilities and note 35 Short-term provisions

Securitas has 370 000 employees in its subsidiaries. The Group's employee-related expenses mainly regard salaries and payroll overhead, including social charges and employers' contributions as well as other short-term remuneration, including holiday pay and variable compensation. Employee-related expenses amount to approximately BSEK 79, corresponding to 77 percent of operating costs. This is thus the most significant cost item in Securitas' consolidated income statement. The related costs consist of both salaries and other remuneration, including variable compensation and directly related taxes and social contributions.

In addition to this, Securitas is responsible for, or its employees participate in, a number of pension plans and plans implying medical benefits to employees. For these plans, Securitas has an obligation, which is recognised as liability.

The risk refers partly to the completeness of these items, meaning that they are correctly calculated, properly cut off and valued. There is also an inherent complexity in the management of payroll when various groups of employees are under different employment contracts and collective agreements, which in itself gives rise to differences in how salaries, other remuneration and benefits should be calculated, and which actuarial assumptions are to be used regarding the plans. Securitas' internal control framework includes specific controls on the management of payroll and personnel costs to ensure that proper salaries and remuneration and attributable taxes and charges are paid.

How our audit addressed the Key audit matter

In order to be able to pay salaries to 370 000 employees on a monthly basis, or in some cases more frequently, there must be well-functioning routines and processes in place in order to calculate and control the salaries and remuneration to be paid.

Our audit is therefore based both on an evaluation of the internal control environment and on other analytical procedures, including system-based analysis of certain balance sheet and income statement items for selected subsidiaries, and detailed testing. These subsidiaries correspond to some 67 percent of the employee-related costs and have approximately 191 000 employees.

The basis for the evaluation of internal control has been Securitas' internal control framework for financial reporting. The testing of controls and amounts has been performed on a sample basis. Our audit procedures have, inter alia, included:

- Reconciling significant accruals and/or provisions regarding, for example, holiday pay, accrued salaries, taxes and social charges with system-generated support and calculations and estimates made by management.
- Auditing of employee-related costs, including plans, using analytical procedures with regard to changes in costs in the income statement, accruals and provisions compared with our knowledge and understanding and use of systems based data analysis.
- With regards to pension and medical plans, we have audited significant supporting assumptions, assessed historical outcome and assessed the reasonability of management's estimates. Wherever possible, we also verified this information with external support, including reports from independent and external actuaries.

Based on our audit, no significant observations have been noted which have resulted in reporting to the audit committee. Our overall conclusion is that there are, in all material respects, proper processes in place to manage and account for payroll and employee-related expenses.

Key audit matter

Valuation of provisions related to disputes, and disclosures on contingent liabilities

We refer to note 4 Critical estimates and judgments, and note 37 Contingent liabilities.

Subsidiaries within the Group are involved in a number of legal proceedings and related matters. These legal disputes include litigations in various countries, for example, Estrela Azul (Brazil) and Mutua (Spain). The key assumption is management's assessment of the future outcome of the ongoing proceedings and exposures, which directly affects the valuation of these matters and the disclosures provided in the financial reports.

The company consults external legal advisors regarding significant queries relating to these matters. The future outcome of the matters, and the accounting effects thereof, are based on assessments and complex legal matters which may take time to finally solve. The risk primarily regards the valuation of the outcome of these cases. As a part of our audit, we have considered the ongoing matters and disputes given the inherent subjectivity and uncertainty regarding the final outcome. Securitas has an established routine whereby the Group's Senior Vice President, General Counsel reports each quarter on the development of and significant events related to these matters to the CEO and audit committee. This report is also sent to the Board of Directors.

How our audit addressed the Key audit matter

In our audit, we examined the accuracy and valuation of the aforementioned matters. Securitas has a documented assessment of the outcome of the ongoing cases and exposures, and monitors these on a continuous basis, assisted by both in-house legal counsel and external lawyers. A follow-up is conducted at both the local and Group level. We have discussed these assumptions with the company's in-house legal counsel, and with Group legal for some of the more significant cases.

We have evaluated the assessments and estimates made by management with regard to the existing disputes and exposures. This was performed based on documentation of the individual matters, the historical outcome of similar cases and statements from external legal advisors regarding disputes, contingent liabilities and other exposures of which they are aware, or for which they are supporting or representing Securitas.

As outlined in the financial statements, the outcome of such matters are dependent on the future outcome of continuing legal and regulatory procedures. As such, calculations of provisions are subject to inherent uncertainty. We have not noted any inconsistencies in the documentation that we have received and examined, or that the disclosures provided did not correspond to the requirements in IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Key audit matter	How our audit addressed the Key audit matter
Valuation of provisions for tax-related matters *We refer to note 4 Critical estimates and judgments, and note 15 Taxes.* Companies within the Group are involved in tax-related matters and tax audits. This includes, inter alia, the ongoing tax audits in the US and Spain. The key assumption is management's assessment of the future outcome of the ongoing proceedings and exposures, which directly affects the valuation of these matters, and the disclosures provided in the financial reports. The risk primarily regards the valuation of the outcome of these cases. As a part of our audit, we considered the tax cases, given the inherent subjectivity and uncertainty related to the final outcome. The company consults external legal advisors and tax advisors for significant queries. The future outcome of the matters, and the accounting effects thereof, are based on assessments and complex legal matters which may take time to finally solve. The risk primarily regards the valuation of the outcome of these cases. As a part of our audit, we have considered the ongoing matters and disputes given the inherent subjectivity and uncertainty regarding the final outcome.	In our audit, we checked the accuracy and valuation of these matters. Securitas has a documented assessment of the outcome of the ongoing matters and exposures, and monitors these on an ongoing basis. The audit procedures performed include, for example: • Discussion of these matters with the company's in-house tax counsel for some of the more significant matters. • Examination of Securitas' tax calculations and application of tax regulations. • Evaluation of the assessments and estimates made by management with regard to the existing tax disputes and ongoing tax audits. This was based on the historical outcome of similar cases and statements from external legal advisors regarding disputes, contingent liabilities and other exposures of which they are aware or for which they are supporting or representing Securitas. • Review of the written communication between the company and the tax authorities with regard to ongoing tax audits. For these cases, we also consulted PwC tax experts, who participated in our audit. As disclosed in the financial statements, the outcome of these matters are dependent on the future outcome of legal procedures, and associated with an inherent uncertainty. Thus, the calculations of the provisions are subject to inherent uncertainty. We have not noted any inconsistencies in the documentation that we have received and examined, or that the disclosures provided did not correspond to the requirements in IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-31 and 160-164. The Board of Directors and the President and CEO are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the President and CEO are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the President and CEO are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the President and CEO intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the President and CEO of Securitas AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the President and CEO be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Director's and the President and CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company´s organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The President and CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the President and CEO in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

PricewaterhouseCoopers AB was appointed the auditor of Securitas ABs (publ) by the annual general meeting on May 2, 2018, and has been the auditor of the company since 1987.

Stockholm, March 18, 2019
PricewaterhouseCoopers AB

Patrik Adolfson
Authorised public accountant
Auditor in charge

Madeleine Endre
Authorised public accountant

Sustainability notes

About this report

The report is prepared according to the Global Reporting Initiative (GRI) sustainability reporting standards, with the Core application level. This report also highlights how our priorities reflect the UN Global Compact's Ten Principles for labor and human rights, the environment and anti-corruption and therefore acts as our UNGC Communication on Progress. The 2017 Sustainability report was published on April 11, 2018. We aim to publish a report on annual basis. Unless otherwise noted, the report pertains to the 2018 calendar year and it encompasses all companies within the Securitas Group. Wherever possible, the baseline of the report data is 2017.

Information meeting the Swedish legal requirements on sustainability reporting is found on pages 10, 11 ,15 and 144-157. For more information, contact:

Cecilia Alenius
Group Sustainability Officer
cecilia.alenius@securitas.com

Stakeholder dialogs

Securitas aims to be a responsible, honest and transparent company. We encourage an ongoing dialog with our stakeholders in order to better understand their expectations and to identify areas in which there is room for improvement. We meet many of our stakeholders regularly during the course of our daily work. Listed below are Securitas' key stakeholders and a description of how we engage with them.

Our main stakeholders are identified based on the impact they might have on our business, as well as on their interests and potential influence on Securitas.

Stakeholder group	Method of dialog	Important topics	How we respond
Clients We must have an in-depth understanding of our clients' needs and industry-specific requirements, both to provide optimal and cost-effective security solutions and to meet their requirements on us as a supplier regarding sustainability.	Securitas' employees at different levels frequently meet with clients and continuously engage in dialog with them. Client satisfaction surveys and evaluation reports are important tools.	• The benefits of security solutions consisting of different combinations of protective services • The cost efficiency of security solutions including electronic security • Securitas' ability to ensure continuity and performance delivery	Securitas communicates in a clear, transparent and sustainable way, the benefits of protective services, including electronic security, providing data showing how a predictive approach increases the level of security and, at the same time, makes security more cost efficient.
Shareholders An ongoing dialog with our shareholders and investors ensures the long-term development of our business.	We publish interim reports and other continuous financial information, organize Investor Days, and conduct other investor and analyst meetings, roadshows and conferences. At the Annual General Meeting, all shareholders are able to exercise their influence.	• How Securitas leads the transformation of the security industry • How to manage the challenges related to the transformation to electronic-driven security solutions • Maintaining stable, profitable and long-term operations	Securitas provides data and figures supporting our strategy, and informs on how the transformation of offered services affects the financial results. We illustrate the benefits of the position as industry leader and having a strong competitive advantage.
Employees and employee representatives Securitas' most valuable assets are our 370 000 employees, distributed over 58 countries around the world. Past, present and future employees are important to Securitas and considered part of our company's foundation.	The most important forum is the ongoing daily dialog between our employees and Securitas managers at different levels, facilitated by collaboration tools, such as Office 365 and Workplace by Facebook. Securitas also conducts employee surveys. Securitas has a continuous dialog with local unions, UNI and the EWC.	• Values and ethics • Recruitment and onboarding • Training and skill development • Talent management • Fair wages and terms of employment • Health and safety • Data privacy	In order to attract, retain and develop our employees, Securitas strives to be a reliable employer. Solid human resources processes is a vital part of this. Securitas values proactive relationships and a constructive dialog with local unions as well as global union associations.

Stakeholder group	Method of dialog	Important topics	How we respond
Society Securitas plays an active role in thousands of local communities across the globe. Ensuring security and safety in all areas of society is a prerequisite for a functioning community.	As a large employer and a trusted partner to our clients, we engage in a constant dialog with different parts of the societies where we operate.	• Contribution to increased security and safety in local communities, through cooperations • Create work opportunities • Equal conditions for men and women, ethnic and religious minorities, individuals with disabilities, etc.	Securitas protects workplaces, public areas and properties, carried out in a responsible way. We also aim to be engaged in the local communities, for example, by actively participating in various local projects.
Suppliers Securitas has many suppliers in its operations. Ensuring that our suppliers follow our requirements concerning values and ethics, among other things, is essential to Securitas.	The main forum is the ongoing dialog between our suppliers and Securitas representatives on all levels.	• Quality of procured goods and services • Requirement to comply with Securitas' Values and Ethics Code • Compliance with anti-corruption policy • Contract commitment and fulfillment of deliveries	We provide our suppliers with information regarding Securitas' Values and Ethics Code and include compliance with the Code in our supplier contracts. We also have specific guidelines and standards for suppliers and conduct supplier risk assessments when required.
Industry organizations As one of the largest companies in the security industry, Securitas is a driving force in raising the standards and levels of professionalism in the industry.	Securitas holds memberships in local and global industry organizations, such as the International Security Ligue, the American Society of Industrial Security (ASIS) and the National Association of Security Companies in the US. Meetings are conducted regularly.	• Regulatory issues • Status of security officers and the profession • Remuneration issues • Employee skills development • Terms for values and ethics in the international security industry	Within industry organizations, we strive to increase industry regulation to improve the status of the security officer profession, raise industry wage levels and intensify skills development efforts.
Policy makers and authorities Securitas cooperates closely with authorities in all countries where we operate – both to improve our business conditions and to explore new business opportunities.	Securitas maintains a continuous dialog with authorities and policy-makers at the local, national and international level.	• Laws and regulations concerning the security industry • Possibilities to expand assignments to ensure a safer society	Securitas works to improve the business conditions in the security industry. We also explore opportunities to take over non-core police tasks.

Materiality analysis

Material issues are topics that reflect Securitas' most significant economic, environmental and social impacts. These are issues that substantively influence stakeholders' perception of our performance and impact our ability to create and sustain value. Materiality is the point at which an issue becomes important enough to be included in the business strategy and the way we manage and report on non-financial issues.

Our process for identifying materiality provides a future focus to our sustainability work and helps us analyze our impacts across the value chain. Importantly, it yields deeper insights into expectations on Securitas, how the sustainability agenda will evolve, and how clients, employees and investors perceive the outcome of our progress and strategy.

The process is divided into three steps. In the first step, and with the future focus, we identified how our business landscape may change, how society is evolving, what kind of company our employees want to work for, our clients' perceptions; and competitors' and partners' priorities.

The first step generated a long list of topics of potential importance for Securitas and our stakeholders. In the following step, some 25 topics were selected that contribute either to creating long-term economic, social or environmental value or to reduce negative impacts.

As a last step, each topic was weighted, considering its relevance from a strategic and a stakeholder perspective. The result was a list of the topics that have the highest relevance both to different stakeholders and to business priorities.

OUR FOCUS AREAS

Securitas material aspect	GRI Topic
Anti-corruption	205 Anti-corruption
Occupational health and safety	403 Occupational health and safety
Talent training and retention	401 Employment 404 Training and education
Labor practices, non-discrimination and human rights	405 Diversity and equal opportunity
Client relations	418 Client privacy

Sustainability governance

The Board of Directors decides on Securitas' sustainability strategy and policies together with the President and CEO of Securitas AB, who has ultimate responsibility for the realization of the Group's sustainability work. The Group has a Sustainability Steering Committee, which establishes the principles for our work and follows up cases of alleged non-compliance with Securitas' Values and Ethics Code. The committee meets regularly and comprises the SVP General Counsel and the SVP Group Brand and Communications. Our system for managing its work in environmental, social and governance areas comprises six key components:

1. **Securitas' Values and Ethics Code:** One of the company's most important policies, it stipulates the basic principles that Securitas expects all of its employees and business partners to follow at all times.
2. **Employee training:** All Securitas employees undergo training in Securitas' Values and Ethics Code. An in-depth e-learning program for managers and office personnel is available in more than 40 languages. Local-language e-learning and classroom training sessions are held for the company's security officers. Relevant employees also receive training in other core policies, such as the anti-corruption policy.
3. **System for reporting non-compliance:** Securitas Integrity Line (known as Securitas Hotline in the US and Canada, and Linea de Alerta in Mexico) is a Group system used for reporting cases of non-compliance with Securitas' Values and Ethics Code. All employees and business partners are encouraged and expected to report any cases of non-compliance, with the assurance that the reporter will not be subjected to any negative consequences.
4. **Risk management:** Non-compliance with Securitas' Values and Ethics Code is considered a risk, and as such, it has been classified as one of seven priority risks in the Group's enterprise risk management process. These risks are followed up on a regular basis.
5. **Monitoring:** To meet the demands of clients and other stakeholders with respect to increased transparency and communication, Securitas AB publishes a sustainability report that follows the Global Reporting Initiative (GRI) standards.
6. **Group Sustainability Officer:** The Group Sustainability Officer leads the ongoing work, and in addition to following the regular reporting line, also reports to the Board of Directors' Audit Committee. Responsibilities include coordination of sustainability activities across the Group, which involves working closely together with other core functions. Other responsibilities include stakeholder engagement on sustainability issues, and supporting countries of operation with respect to sustainability matters.

Supply chain

We must ensure that our suppliers live up to our requirements, set in the Securitas supplier and sub-contractor policy, and they must all adhere to Securitas' Values and Ethics Code. Suppliers of uniforms and electronic security equipment are defined as critical suppliers, meaning suppliers whose failure to perform in accordance with our specific requirements could severely impact Securitas' performance or brand, locally or globally.

Suppliers' adherence to our anti-corruption policy is also a key area for monitoring performance. While selecting, assessing and monitoring critical suppliers, we also evaluate whether the supplier has established a selection procedure, and conducted risk assessments of its own critical suppliers.

Memberships and engagements in organizations

Securitas is a member in the following industry organizations:
- International Security Ligue
- Aviation Security Services Association International (ASSA-I)
- ASIS International
- National organizations for security companies in most of countries where we operate, for example National Association of Security Companies (US), Bundesverband der Sicherheitswirtschaft (Germany), Cámara Argentina de Empresas de Seguridad e Investigación (Argentina), The Hong Kong Security Association (Hong Kong)

International commitments
- UN Global Compact
- International Security Ligue's Code of Conduct and Ethics

Sustainability indexes
- FTSE4Good Index Series
- STOXX Global ESG Leaders

Supplier rating systems and reporting
- EcoVadis (silver level and industry leader)
- Sedex
- CDP

Management approach

Anti-corruption

Acting with integrity and ensuring we take an active stand against corruption are prioritized issues. Securitas has operations in 58 countries all over the world and certain markets are more challenging than others in this regard. However, this does not mean that low-risk countries are not subject to situations of bribery or corruption.

Securitas' Values and Ethics Code and the Securitas anti-corruption policy set out minimum requirements that ensure compliance with applicable local and extraterritorial laws. The anti-corruption policy also sets out the principle of zero tolerance for any corrupt practices, with clear definitions, requirements for risk assessment, guidance regarding third-party relationships, training and follow-up. Local entities are subsequently asked to create their own detailed policies for gifts and entertainment.

Non-compliance with Securitas' Values and Ethics Code and other key policies is considered an operational risk, and as such, is part of the Group's enterprise risk management process (ERM). ERM is an integral component of Securitas' operations, and risk awareness is part of the company culture. Risk assessments are conducted within the framework of the Securitas ERM process. Controls are performed on several levels within the organization and are established based on the process concerned.

Relevant managers and administrative staff must complete a detailed e-learning course on the anti-corruption policy. Approximately 90 percent of these have completed the course.

Securitas encourages all employees to report incidents of non-compliance with Securitas' Values and Ethics Code or any irregularities that they encounter in their work. This can be done through various channels, for example, the Group's reporting system Securitas Integrity Line, which is publicly available at www.securitasintegrity.com.

Occupational health and safety

Health and safety work is vital to our operations and often form part of the services we offer our clients. Our security officers are trained not only to protect themselves, but also to help others while on assignment, for example, by performing first-aid and CPR, and fire safety. A thorough risk assessment helps us identify and scope safety hazards. Our learnings from our approach have even become part of services we offer our clients.

Securitas makes extensive efforts to secure the health and safety of both our security officers and the individuals they must, from time to time, act against. If threatening situations occur, the security officers are instructed to avoid confrontation and await the arrival of the police. The vast majority of our security officers do not carry weapons. Those who do have undergone specialist training and licensing requirements and are usually placed in special assignments, for example, in a critical infrastructure facility such as an airport.

Security officers receive training, instruction and equipment in line with the assignment. We work actively with occupational health and safety issues in all countries. 19 countries of operation are OHSAS 18001 / ISO 45001 certified and most countries have health and safety committees. We closely monitor the number of work-related injuries and work-related ill health.

Breaches can be reported through various channels, for example, the Group's reporting system Securitas Integrity Line.

Talent training and retention

Securitas' clients are demanding a higher degree of security and more advanced security solutions. We build on the experience and expertise of our people, leveraging our competence to meet new challenges. Expanding business areas within technology requires Securitas to develop and empower our existing employees in new capacities. With our focus on innovation, we provide our employees with the tools they need to help our clients stay safer. Using technology efficiently requires both a wide set of skills and specialized capabilities.

Securitas has its own training centers in most countries of operation, to ensure that the employees have the necessary competence to provide the clients with high quality security services. By improving the knowledge and skills of employees, we contribute to their professional growth and to the understanding of the security profession. Empowering employees means greater focus on training, skills and opportunities for professional development. We also encourage people to take on responsibility early in one's career.

The average number of training hours per employee was 25.2 in 2018. Approximately 90 percent of our managers and office personnel have completed the course in Securitas' Values and Ethics, and approximately 80 percent of the security officers.

We conduct recurring employee surveys. In 2018, employee surveys were carried out in Security Services Europe covering all employees. Security Services North America conducted an employee survey covering managers and office personnel. Our long-term ambition is to extend the survey to all employees in all major markets. Results consistently indicate that a critical factor for employees' job satisfaction is feeling empowered.

Labor practices, non-discrimination and human rights

With such a large workforce, working conditions are important. Decent labor practices, the right to organize, human rights and non-discrimination are all vital to Securitas, and our employees and our clients, to be able to attract and retain people with the right skillset and values to meet future demands.

We work in many diverse markets around the world and prioritize fair wages and working conditions wherever we operate. Securitas' Values and Ethics Code ensures that the company upholds and promotes the highest ethical business standards and we also exert our influence in discussions with clients, unions and with industry associations.

Securitas has entered into framework agreements with UNI Global Union, the Swedish Transport Workers' Association, and the European Workers' Council in our European division. The agreements underline our joint commitment to universal principles of business conduct as outlined by the United Nations Global Compact and ILO's core conventions and sets our level of ambition and open dialog. In countries where Securitas does not have collective bargaining agreements or union representation, we encourage other ways of maintaining open dialog with our employees including workplace meetings, employee ombudsmen, call centers, and channels for reporting concerns such as the Securitas Integrity Line.

As a leading actor in the security market, it is important we pay wages that meet or exceed industry levels. Securitas has sound processes in place to ensure we live up to all legal standards, following local and regional legislation and regulations regarding for example, wages, working hours, overtime, social security charges and taxation.

Client relations

Significant opportunities lie in developing our technology offering, but it also poses challenges and high expectations to deliver these solutions responsibly. It is vital that we protect data that we process on behalf of our clients. It is also essential that data is only shared and retained based on client approvals, in accordance with applicable law and in a way that protects the privacy rights of individuals.

Many large corporations have strict requirements for the use of big data. It is important to be watchful and establish processes and practices to safeguard data privacy. At Securitas we have policies, processes and training, developed in accordance with the General Data Protection Regulations (GDPR) and according to local laws and regulations, to manage these concerns.

We address negative implications of these technological advances by, at a minimum, complying with all relevant legislative requirements. In addition, our policies, including Securitas' Values and Ethics Code and purchasing guidelines help support us to address these issues. Our emphasis on processes for risk assessment has enabled us to analyze risks efficiently, including newer implications of increased digitization of the industry and society.

Environment

Environment was not considered a material topic in our materiality analysis, but as we are signatory of UN Global Compact it is important for us to be transparent and work for reduced climate impact, and we have therefore chosen to report CO_2 emissions anyway. Securitas Group emissions policy states that we should strive to continually reduce our climate impact, focusing primarily on the energy and transport areas. The policy sets limits for CO_2 emissions for new purchased or leased company vehicles and Securitas AB participates in CDP. We strive to follow the Rio declaration's precautionary principle regarding threats of serious or irreversible environmental damage. The Group's operations do not require a permit under the Swedish Environmental Code.

Child labor and forced labor

Securitas does not employ or accept any form of child labor or forced labor. In the countries of operation, there are regulations regarding who can work as a security guard, including age limits. Licenses for security officers are not given to persons under the age of 18 years. Age is also verified in the recruitment processes. Securitas' UK operations comply with the disclosure obligations under the Modern Slavery Act 2015.

Securitas requires its suppliers to comply with Securitas' Values and Ethics Code, which includes non-acceptance of child labor and forced labor.

Sustainability risks

At the highest level, the Board considers where future strategic opportunities and risks lie, and helps shape the corporate strategy. Balanced and focused risk management is necessary for the fulfillment of Securitas' strategies and the achievement of its corporate objectives.

Enterprise risk management is an integral component of Securitas' operations, and risk awareness is part of the company culture. Risk assessment is a dynamic process that aims to identify and analyze risks in relation to Securitas' objectives. It serves as the basis for implementing mitigating actions after considering the controls in place (reduce, transfer/share or accept the risk in question). Sustainability risks are handled in the same way. Our major sustainability risks are described below.

For more information on the Group's risk management process, see pages 44–51.

Risk area	Description	Consequence	Preventions
Working conditions	Risk that labor practices, the right to organize, human rights and non-discrimination are not complied with.	Licenses to conduct security operations could be lost, which will lead to loss of business, negative financial impact and brand damage. It might also lead to difficulties to recruit and retain employees.	Securitas has policies and sound processes in place to ensure we live up to all legal standards and comply with local and regional legislation and regulations. We have a global framework agreement with UNI Global Union and the Swedish Transport Workers' Association.
Occupational health and safety	Risk that employees are injured or even die due to inadequate health and safety processes and procedures.	Poor health and safety procedures that put our employees at risk can lead to reputational and brand damage, loss of business and difficulties to recruit and retain employees.	Employees are trained continuously to ensure that they can perform their tasks safely. Adequate equipment must also be provided.
Access to talent	Risk that we will not be able to attract and retain the right talent to remain a leader in the development of the security industry.	Not being able to fulfill our clients' requirements might lead to loss of business and market position.	We must continuously improve recruitment and on-boarding processes, talent management and training, and use modern tools for sharing knowledge and best practices.
Training	Risk that our employees do not have the right competence for the assignments or for developing new services and the business.	Not meeting client demands on us as a provider of high-quality professional security services could lead to lost client contracts and difficulties to recruit and retain employees.	Securitas has training centers in most countries and provides both basic and highly specialized training for employees at all levels, including skills that support the strategy of data driven innovation and digitization.
Securitas' Values and Ethics Code	Risk that employees or business partners do not comply with Securitas' Values and Ethics Code and the company's core values.	Licenses could be lost, which will lead to loss of business, negative financial impact and brand damage. It might also lead to difficulties to recruit and retain employees.	Securitas has policies and sound processes in place to ensure we live up to all legal standards and comply with local and regional legislation and regulations. We have a global framework agreement with UNI Global Union and the Swedish Transport Workers' Association.

Risk area	Description	Consequence	Preventions
Ethical business standards	Risk that employees or business partners are involved in corruption, unfair competition, conflicts of interest and other non-ethical business behavior.	In worst case, this type of non-ethical business behavior can lead to major negative financial impact, loss of business and reputation.	Securitas has a zero-tolerance policy against all forms of bribery and corruption. Without exception, all employees and business partners must comply with local laws and regulations, as well as Securitas' Values and Ethics Code and other key policies.
Protecting data	Risk that our data is not being properly protected.	Inadequate protection of data could lead to reputational and brand damage, loss of business and fines.	Data protection and privacy are important and thus protected through strong security, organizational and technical measures. Securitas complies with all relevant legal requirements related to the protection of data and have policies, processes and training in place.
Client relations	Risk that we do not meet our clients' sustainability requirements.	Inability to comply with our clients' sustainability requirements can lead to loss of business, negative financial impact and brand damage.	We must have an in-depth understanding of our clients' needs and industry specific requirements, and a business that is sustainable in all areas. Our emphasis on employee safety and fair labor practices ensure that we deliver high quality services.
Security practices	Risk that employees act in a way that is contrary to local law, authority, Securitas' policies and human rights conventions.	Acting outside the law, policies and conventions, and in worst case contributing to human rights violations can lead to reputational and brand damage, loss of business and difficulties to recruit and retain employees.	Securitas has policies and sound processes in place to ensure that we live up to all legal standards. We make risk assessments both of the countries we operate in and of clients, when necessary. As a signatory of UN Global Compact, Securitas commits to its ten principles.
Environment	Risk that our operations cause environmental damage.	Not working to reduce climate impact might lead to brand damage, loss of clients and difficulties to recruit and retain employees.	Securitas complies with or exceed environmental requirements in the countries where we operate and we continuously work to reduce the consumption of resources, emissions and waste.

Key figures

NUMBER OF EMPLOYEES PER BUSINESS SEGMENT

	2018	% of total	2017	% of total	2016	% of total
Security Services North America	121 740	33	113 636	33	111 997	33
Security Services Europe	128 109	35	120 513	35	117 155	35
Security Services Ibero-America	63 156	17	60 993	18	60 848	18
Other	56 628	15	50 383	14	45 945	14
Total	**369 633**		**345 525**		**335 945**	

SALARIES AND BENEFITS PER BUSINESS SEGMENT

MSEK	2018	% of total	2017	% of total	2016	% of total
Security Services North America	33 689	43	30 596	43	29 380	42
Security Services Europe	33 469	43	30 433	42	29 847	43
Security Services Ibero-America	9 712	12	9 563	13	8 609	12
Other	1 662	2	1 358	2	1 313	2
Total	**78 532**		**71 950**		**69 149**	

GENDER DISTRIBUTION, AVERAGE NUMBER OF YEARLY EMPLOYEES

	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Number of employees	234 421	65 892	300 313	227 460	60 272	287 732	225 289	56 739	282 028
Percentage of employees	78	22	100	79	21	100	80	20	100

GENDER DISTRIBUTION, BOARD OF DIRECTORS

	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Number of Board members[1]	5	3	8	6	3	9	4	2	6
Percentage of Board members	62	38	100	67	33	100	67	33	100

1 Excluding employee representatives

SHARE OF EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS, %

	2018	2017	2016
Share of employees covered by collective bargaining agreements	56	58	55

EMPLOYEE TURNOVER, %

	2018	2017
Employee turnover[1]	39.9	40.8

1 Does not include India and Vietnam

The employee turnover for 2017 has been recalculated for certain temporary employments that were previously included in the employee turnover if they did not work during the period

NEW EMPLOYEES (NUMBER)

	2018	2017	2016
Actual number[1]	162 798	175 057	165 084
% of average number of yearly employees	54	61	59

NEW EMPLOYEES – AGE GROUP AND GENDER IN RELATION TO TOTAL NEW EMPLOYEES, %

	2018			2017			2016		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Under 30 years	12	39	51	13	37	50	12	39	51
30–50 years	8	29	37	8	27	35	7	30	37
Over 50 years	3	9	12	3	12	15	2	10	12

SHARE OF EMPLOYEES WITH FULL-TIME AND PART-TIME EMPLOYMENT, RESPECTIVELY, %

	2018	2017	2016
Full-time	86	85	85
Part-time	14	15	15

SPLIT PER GENDER, %

	2018	2017	2016
Full-time, men	70	69	70
Full-time, women	16	16	15
Part-time, men	10	11	11
Part-time, women	4	4	4

SHARE OF EMPLOYEES WITH PERMANENT AND TEMPORARY WORK CONTRACTS, RESPECTIVELY, %

	2018	2017	2016
Permanent	91	92	88
Temporary	9	8	12

SPLIT PER GENDER, %

	2018	2017	2016
Permanent employees, men	72	74	71
Permanent employees, women	19	18	17
Temporary employees, men	7	6	10
Temporary employees, women	2	2	2

WORKFORCE SPLIT ON EMPLOYMENT CATEGORY

	2018			2017		
	Men	Women	Total	Men	Women	Total
Managers/office personnel	11 247	5 555	16 802	9 760	6 065	15 825
Security officers	274 996	68 306	343 302	257 132	60 527	317 659
Total[1]			**360 104**			**333 484**

1 The difference compared with total number of employees 2018 is explained by missing or inadequate information from nine countries of operation.

AREA MANAGERS AND BRANCH MANAGERS, SPLIT ON GENDER

	Men	Men, %	Women	Women, %	Total
Area managers	363	78	104	22	467
Branch managers	1 453	87	225	13	1 678
Total	**1 816**		**329**		**2 145**

SPECIFICATION OF YEARS OF SERVICE PER EMPLOYMENT CATEGORY

	2018	% of total	2017	% of total	2016	% of total
Managers and office personnel						
Less than 1 year	2 962	18	3 510	19	2 303	17
1–2 years	2 450	15	2 394	13	1 741	13
2–5 year	3 280	19	3 753	21	2 671	20
5–10 years	2 963	18	3 562	19	2 802	21
Over 10 years	5 106	30	5 187	28	3 860	29
	16 761		**18 406**		**13 377**	
Security officers						
Less than 1 year	115 943	34	103 649	33	94 801	31
1–2 years	59 315	17	52 332	17	53 920	17
2–5 year	66 588	20	59 650	19	65 167	21
5–10 years	45 439	13	48 117	15	53 946	17
Over 10 years	56 014	16	50 581	16	42 968	14
	343 299		**314 329**		**310 802**	
Total[1]						
Less than 1 year	118 905	33	107 159	32	97 104	30
1–2 years	61 765	17	54 726	16	55 661	17
2–5 year	69 868	19	63 403	19	67 838	21
5–10 years	48 402	14	51 679	16	56 748	18
Over 10 years	61 120	17	55 768	17	46 828	14
	360 060		**332 735**		**324 179**	

1 The difference compared with total number of employees 2018 is explained by missing or inadequate information from nine countries of operation.

WORK-RELATED INJURIES

	2018	2017	2016
Total hours worked	741 330 169	667 461 053	682 254 373
Actual number of work-related injuries	6 131	5 647	6 139
Injury rate	1.7	1.7	1.8
Actual number of work-related fatalities	2	5	3

Notes: The injury rate is calculated based on 200 000 hours worked. Totals for 2016 and 2017 have been restated to comply with the GRI definition; fatalities caused by traffic accidents occurring while traveling to or from work, or heart attacks, if not proven to be directly connected to work, have been omitted.

CAUSES, WORK RELATED FATALITIES

	2018	2017	2016
Traffic accident	1	3	1
Shooting, other fatal attack	1	1	1
Fall accident	0	1	0
Other accident	0	0	1

WORK RELATED FATALITIES 2018 PER COUNTRY

	Traffic accident	Assault
Colombia	0	1
Portugal	1	0
	1	**1**

WORK RELATED FATALITIES 2017 PER COUNTRY

	Traffic accident	Shooting, other fatal attack	Fall accident
USA	1	0	0
France	1	0	0
Poland	1	0	0
Argentina	0	1	0
Saudi Arabia	0	0	1
	3	**1**	**1**

WORK RELATED FATALITIES 2016 PER COUNTRY

	Traffic accident	Shooting, other fatal attack	Other accident
France	0	0	1
Poland	0	1	0
Thailand	1	0	0
	1	**1**	**1**

TRAINING HOURS

	2018	2017	2016
Total number of hours of training	9 084 536	8 046 648	7 957 045
Average number of hours of training per employee	25.2	25.8	24.1

TRAINING HOURS, PER EMPLOYMENT CATEGORY

	2018	2017	2016
Managers/office staff	370 739	283 065	N/A
Security officers	8 713 797	7 763 583	N/A

PROPORTION OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY, %

	2018	2017	2016
Hired from local community	98	96	95
Hired from outside local community	2	4	5

GROSS DIRECT EMISSIONS AND INDIRECT MARKET-BASED EMISSIONS OF CO_2 EQUIVALENT 2018

	Direct (Scope 1)	%	Indirect (Scope 2)	%	Indirect (Scope 3)	%	Total	%
Security Services North America	22625	21	2336	8	8747	17	33708	18
Security Services Europe	60601	55	23322	77	27998	54	111921	58
Security Services Ibero-America	23646	21	3024	10	10047	19	36717	19
AMEA	3169	3	1406	5	4006	8	8581	4
Other	43	0	39	0	1046	2	1128	1
Total	**110084**		**30127**		**51844**		**192055**	
Change compared to 2017	19		-1		-4		8	
tCO_2 emission per employee (full-time equivalent, FTE)							0.568	

GROSS DIRECT EMISSIONS AND INDIRECT MARKET-BASED EMISSIONS OF CO_2 EQUIVALENT 2017

	Direct (Scope 1)	%	Indirect (Scope 2)	%	Indirect (Scope 3)	%	Total	%
Security Services North America	10684	12	2538	8	9465	17	22687	13
Security Services Europe	57172	62	24130	80	30342	56	111644	63
Security Services Ibero-America	22324	24	2572	8	9791	18	34687	2
AMEA	2272	2	1146	4	3195	6	6613	4
Other	54	0	83	0	1368	3	1505	1
Total	**92506**		**30469**		**54161**		**177136**	
Change compared to 2016	1		11		0		2	
tCO_2 emission per employee (full-time equivalent, FTE)							0.551	

GROSS DIRECT EMISSIONS AND INDIRECT MARKET-BASED EMISSIONS OF CO_2 EQUIVALENT 2016

	Direct (Scope 1)	%	Indirect (Scope 2)	%	Indirect (Scope 3)	%	Total	%
Security Services North America	8436	9	2932	11	9527	18	20895	12
Security Services Europe	58518	64	20952	77	31253	58	110723	64
Security Services Ibero-America	21184	23	2605	9	9471	17	33260	19
Africa, Middle East and Asia	3247	4	913	3	2845	5	7005	4
Other	77	0	40	0	1326	2	1443	1
Total	**91462**		**27442**		**54422**		**173326**	
Change compared to 2015	-2		-2		N/A		N/A	
tCO_2 emission per employee (full-time equivalent, FTE)							0.556	

2016 is the base year for the market based emissions, and it is chosen as it was the first year that Securitas assessed its climate impact using the market based calculation method. The boundary of the climate assessment includes 53 reporting units, the same units as currently reporting in accordance with the location based method.

A GHG assessment quantifies all seven Kyoto greenhouse gases where applicable and it is measured in units of carbon dioxide equivalence, or CO_2e. For Securitas the following greenhouse gases are applicable and have been included in the assessment:

Carbon dioxide (CO_2), Methane (CH_4), Nitrous oxide (N_2O). Biogenic CO_2 emissions: 22.2 tons (2017: 22.1)

The Greenhouse Gas Protocol Corporate Standard is a standard for reporting climate data. The system Our Impacts has been used as the calculation tool. Operational control is the chosen consolidation approach.

The increase in emissions in 2018 is explained by improved quality of reported Scope 1 (vehicles) data. Securitas makes ongoing efforts to refine the reporting in all its sites, why increases due to improved data quality might continue to appear in the coming years. At the same time the growth in sales and FTEs shows that the emissions intensity has stayed constant during the past three reporting years, despite the increase in total emissions. Emissions in both Scope 2 and Scope 3 have decreased during the past two reporting years. Lower emissions in Scope 3 refers to less business travel by air, which is also supported by many sites referring to increased use of for example video conference meetings.

AVERAGE CO_2 EMISSIONS, ALL COMPANY OWNED AND LEASED VEHICLES

	2018	2017	2016
Gram/km	139	140	146
Max CO_2 gram per km for new minivans (6–7 seater)	170	175	175
Max CO_2 gram per km for new company cars (max 5 seater)[1]	125	130	135
Number of vehicles	14609	14541	14651

1 According to the calculation method NEDC

SUBSCRIPTION TO/ENDSORSEMENT
OF EXTERNAL DECLARATIONS, PRINCIPLES, ETC

COUNTRY	ISO 9001	ISO 14001	ISO 27001	OHSAS 18001
Canada	■			
Austria	■			
Belgium (incl Luxembourg)	■	■	■	
Bosnia and Herzegovina	■			
Croatia	■	■	■	■
Czech Rep.(incl Slovakia)	■		■	■
Denmark	■			■
Estonia	■	■		
Finland	■	■		■
France	■			
Germany	■			
Hungary	■	■	■	
Ireland	■	■		■
Latvia	■			
Montenegro	■	■	■	■
Norway	■	■		■
Poland	■			
Romania	■	■	■	■
Serbia	■	■	■	■
Sweden	■	■		
Switzerland	■			
the Netherlands	■	■		■
Turkey	■	■	■	■
UK	■	■	■	■
Argentina	■			
Chile				■
Colombia	■			■
Costa Rica				
Ecuador	■			
Peru	■	■		■
Portugal	■	■		■
Spain	■	■	■	■
Uruguay	■			
Australia	■	■		■
Hong Kong	■			
India	■	■	■	■
Singapore	■			
UAE	■			
Vietnam	■			

Client satisfaction surveys

Clients are an important stakeholder group and client satisfaction surveys is another way of maintaining a constructive dialog with this group.

63 % of all countries of operation conduct regular client satisfaction surveys. The share of satisfied clients lies between 75 and 95%.

The three key conclusions from surveys conducted in 2018 are:

- Service quality – most clients are satisfied with the service quality
- Training – training of the security officers can be further improved
- Communication – more communication to make things easier for our clients

GRI-index

Securitas AB's sustainability report is prepared according to the Global Reporting Initiative (GRI) sustainability reporting standards, with the Core application level. Where relevant, this report also highlights how our priorities reflect the UN Global Compact's Ten Principles for labor and human rights, the environment and anti-corruption and therefore acts as our UNGC Communication on Progress.

GRI STANDARD	Disclosure	Page reference	Note	UN Global Compact
General disclosures				
GRI 102: General disclosures	Organizational profile			
	102-1 Name of the organization	57		
	102-2 Activities, brands, products, and services	17-21, 57		
	102-3 Location of headquarters	73		
	102-4 Location of operations	17		
	102-5 Ownership and legal form	162-163		
	102-6 Markets served	17-21		
	102-7 Scale of the organization	97 (note 10), 124 (note 38)		
	102-8 Information on employees and other workers	150-152	Includes data from the associated companies in India and Vietnam	6
	102-9 Supply chain	146		
	102-10 Significant changes to the organization and its supply chain	4, 61		
	102-11 Precautionary principle or approach	147		
	102-12 External initiatives	15, 146,154		
	102-13 Membership of associations	145, 146		
	Strategy			
	102-14 Statement from senior decision-maker	4-5		
	102-15 Key impacts, risks, and opportunities	8-9, 148-149		
	Ethics and integrity			
	102-16 Values, principles, standards, and norms of behavior	30-31, 146-147		10
	102-17 Mechanisms for advice and concerns about ethics	146		

GRI STANDARD	Disclosure	Page reference	Note	UN Global Compact
General disclosures				
GRI 102: General disclosures	Governance			
	102-18 Governance structure	34-39		
	102-20 Executive-level responsibility for economic, environmental, and social topics	146		
	102-21 Consulting stakeholders on economic, environmental, and social topics	144-145		
	102-22 Composition of the highest governance body and its committees	35-41		
	102-23 Chair of the highest governance body	37, 39		
	Stakeholder engagement			
	102-40 List of stakeholder groups	144-145		
	102-41 Collective bargaining agreements	150	Includes data from the associated companies in India and Vietnam	3
	102-42 Identifying and selecting stakeholders	144-145		
	102-43 Approach to stakeholder engagement	144-145		
	102-44 Key topics and concerns raised	145		
	Reporting practice			
	102-45 Entities included in the consolidated financial statements	136 (note 51)		
	102-46 Defining report content and topic boundaries	145		
	102-47 List of material topics	145		
	102-48 Restatements of information	–	Employee turnover for 2017 has been restated due to changes in the calculation method. Percentages for 2017 in the KPI Share of employees with full-time and part-time employment, Split per gender, on page 151 have been corrected, as the data in the 2017 Sustainability Report were incorrect. Totals for work-related fatalities for 2016 and 2017 have been restated to comply with the GRI definition in 403-9.	
	102-49 Changes in reporting	–	No changes in our focus areas have been made, compared with previous year.	
	102-50 Reporting period	144		
	102-51 Date of most recent report	144		
	102-52 Reporting cycle	144		
	102-53 Contact point for questions regarding the report	144		
	102-54 Claims of reporting in accordance with the GRI Standards	144		
	102-55 GRI content index	155-157		
	102-56 External assurance	158		
Material Topics				
Anti-corruption				
Management approach	103-1 Explanation of the material topic and its boundary	146		
	103-2 The management approach and its components	146		
	103-3 Evaluation of the management approach	146		
GRI 205: Anti-corruption	205-2 Communication and training about anti-corruption policies and procedures	146	Includes data from the associated companies in India and Vietnam	
Environment				
Emissions				
Management approach	103-1 Explanation of the material topic and its boundary	147	Environment was not considered a material topic in our materiality analysis, but as we are a signatory of UN Global Compact, it is important for us to be transparent and work for reduced climate impact, and we have therefore chosen to report CO_2 emissions anyway.	
	103-2 The management approach and its components	147		
	103-3 Evaluation of the management approach	147		
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	153	Includes data from the associated companies in India and Vietnam	7, 8, 9
	305-2 Energy indirect (Scope 2) GHG emissions	153	Includes data from the associated companies in India and Vietnam	7, 8, 9
	305-3 Other indirect (Scope 3) GHG emissions	153	Includes data from the associated companies in India and Vietnam	7, 8, 9

GRI STANDARD	Disclosure	Page reference	Note	UN Global Compact
Social				
Employment				
Management approach	103-1 Explanation of the material topic and its boundary	147		
	103-2 The management approach and its components	147		
	103-3 Evaluation of the management approach	147		
GRI 401: Employment	401-1 New employee hires and employee turnover	150	Does not include data from the associated companies in India and Vietnam. Omission: Total number of leavers.	6
Occupational health and safety				
Management approach	103-1 Explanation of the material topic and its boundary	146-147		
	103-2 The management approach and its components	146-147		
	103-3 Evaluation of the management approach	146-147	Includes data from the associated companies in India and Vietnam	
GRI 403: Occupational health and safety	403-1 Occupational health and safety management systems	146-147, 154	Includes data from the associated companies in India and Vietnam	6
	403-4 Worker participation, consultation and communication on occupational health and safety	146-147	Includes data from the associated companies in India and Vietnam	
	403-5 Worker training on occupational health and safety	146-147	Includes data from the associated companies in India and Vietnam	
	403-9 Number of work-related injuries	152	Includes data from the associated companies in India and Vietnam	
Training and education				
Management approach	103-1 Explanation of the material topic and its boundary	147		
	103-2 The management approach and its components	147		
	103-3 Evaluation of the management approach	147		
GRI 404: Training and education	404-1 Average hours of training per year per employee	152	Includes data from the associated companies in India and Vietnam. Omission: Average number of training hours per gender.	6
Diversity and equal opportunity				
Management approach	103-1 Explanation of the material topic and its boundary	147		
	103-2 The management approach and its components	147		
	103-3 Evaluation of the management approach	147		
GRI 405: Diversity and equal opportunity	405-1 Diversity of governance bodies and employees	150	Includes data from the associated companies in India and Vietnam. Omission: Split per age group.	
Client privacy				
Management approach	103-1 Explanation of the material topic and its boundary	147		
	103-2 The management approach and its components	147		
	103-3 Evaluation of the management approach	147	Includes data from the associated companies in India and Vietnam	
GRI 418: Client privacy	418-1 Substantiated complaints concerning breaches of client privacy and losses of client data	29, 149	Includes data from the associated companies in India and Vietnam	
Risk for child labor		15, 147		1, 2, 5
Risk for forced labor		15, 147		1, 2, 4

This is a translation of the Swedish original report

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Securitas AB (publ) corporate identity number 556302-7241

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2018 as outlined in the table below and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm, March 18, 2019
PricewaterhouseCoopers AB

Patrik Adolfson Authorised Public Accountant Auditor in charge	Madeleine Endre Authorised Public Accountant

INFORMATION ABOUT:	See page
Environment	146-147, 149, 153-154
Social conditions	146-148
Personnel	11, 15, 144, 146, 148, 150-151
Respect for human rights	15, 146-147
Anti-corruption	146, 149
Business model	10
Significant risks for sustainability	148-149
GRI index	155-157

Statement of income 2018[1]

MSEK	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Sales	23 110.5	25 208.5	25 255.2	26 132.7
Sales, acquired business	245.2	257.8	565.5	691.3
Total sales	**23 355.7**	**25 466.3**	**25 820.7**	**26 824,0**
Organic sales growth, %	*6*	*7*	*6*	*5*
Production expenses	-19 305.0	-21 038.9	-21 140.5	-22 085.1
Gross income	**4 050.7**	**4 427.4**	**4 680.2**	**4 738.9**
Selling and administrative expenses	-2 976.4	-3 153.9	-3 240.9	-3 283.3
Other operating income	6.8	7.8	7.5	7.5
Share in income of associated companies	9.7	4.5	5.1	12.0
Operating income before amortization	**1 090.8**	**1 285.8**	**1 451.9**	**1 475.1**
Operating margin, %	*4.7*	*5.0*	*5.6*	*5.5*
Amortization of acquisition related intangible assets	-62.7	-65.5	-66.3	-65.4
Acquisition related costs	-8.6	-16.1	-16.5	-78.7
Items affecting comparability	–	–	-267.9	-186.9
Operating income after amortization	**1 019.5**	**1 204.2**	**1 101.2**	**1 144.1**
Financial income and expenses	-93.5	-102.2	-91.6	-153.3
Income before taxes	**926.0**	**1 102.0**	**1 009.6**	**990.8**
Net margin, %	*4.0*	*4.3*	*3.9*	*3.7*
Current taxes	-213.2	-263.3	-237.3	-248.4
Deferred taxes	-22.9	-7.5	-15.2	0.6
Net income for the period	**689.9**	**831.2**	**757.1**	**743.0**
Whereof attributable to:				
Equity holders of the Parent Company	689.4	832.4	755.9	738.2
Non-controlling interests	0.5	-1.2	1.2	4.8
Earnings per share before and after dilution (SEK)	1.89	2.28	2.07	2.02
Earnings per share before and after dilution and before items affecting comparability (SEK)	1.89	2.28	2.61	2.39

Statement of cash flow 2018[1]

MSEK	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Operating income before amortization	**1 090.8**	**1 285.8**	**1 451.9**	**1 475.1**
Investments in non-current tangible and intangible assets	-519.3	-556.2	-543.2	-569.1
Reversal of depreciation	379.9	415.0	449.2	449.4
Change in accounts receivable	-273.5	-463.1	-451.0	-387.4
Change in other operating capital employed	-1 602.5	119.0	506.8	914.4
Cash flow from operating activities	**-924.6**	**800.5**	**1 413.7**	**1 882.4**
Cash flow from operating activities, %	*-85*	*62*	*97*	*128*
Financial income and expenses paid	-243.4	-38.7	-50.2	-99.1
Current taxes paid	-260.1	-233.3	-146.2	-216.7
Free cash flow	**-1 428.1**	**528.5**	**1 217.3**	**1 566.6**
Free cash flow, %	*-182*	*57*	*109*	*146*
Cash flow from investing activities, acquisitions	-514.1	-721.6	-386.1	-133.4
Cash flow from items affecting comparability	–	–	-23.6	-93.8
Cash flow from financing activities	804.3	311.9	-1 000.9	-490.7
Cash flow for the period	**-1 137.9**	**118.8**	**-193.3**	**848.7**

Capital employed and financing 2018[1]

MSEK	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Operating capital employed	**9 597.7**	**10 514.0**	**9 846.5**	**9 198.6**
Operating capital employed as % of sales	*10*	*10*	*10*	*9*
Return on operating capital employed, %	*55*	*54*	*55*	*58*
Goodwill	19 553.1	20 845.5	20 786.3	21 061.3
Acquisition related intangible assets	1 367.2	1 357.6	1 482.3	1 458.2
Shares in associated companies	423.9	452.1	441.7	452.0
Capital employed	**30 941.9**	**33 169.2**	**32 556.8**	**32 170.1**
Return on capital employed, %	*15*	*15*	*15*	*15*
Net debt	**-14 467.2**	**-16 732.4**	**-15 749.1**	**-14 513.5**
Shareholders' equity	**16 474.7**	**16 436.8**	**16 807.7**	**17 656.6**
Net debt equity ratio, multiple	*0.88*	*1.02*	*0.94*	*0.82*

1 For definitions and calculation of key ratios refer to note 3.

Statement of income 2017[1,2]

MSEK	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Sales	22 136.1	22 897.3	22 534.2	23 911.5
Sales, acquired business	354.5	133.8	116.7	112.7
Total sales	**22 490.6**	**23 031.1**	**22 650.9**	**24 024.2**
Organic sales growth, %	*4*	*3*	*5*	*6*
Production expenses	-18 610.5	-18 977.7	-18 655.6	-19 707.8
Gross income	**3 880.1**	**4 053.4**	**3 995.3**	**4 316.4**
Selling and administrative expenses	-2 832.2	-2 929.2	-2 773.7	-3 058.7
Other operating income	5.7	5.9	6.3	5.9
Share in income of associated companies	2.6	6.6	7.0	5.8
Operating income before amortization	**1 056.2**	**1 136.7**	**1 234.9**	**1 269.4**
Operating margin, %	*4.7*	*4.9*	*5.5*	*5.3*
Amortization of acquisition related intangible assets	-62.8	-61.2	-58.9	-72.2
Acquisition related costs	-4.0	-8.4	-7.3	-28.7
Items affecting comparability	–	–	–	–
Operating income after amortization	**989.4**	**1 067.1**	**1 168.7**	**1 168.5**
Financial income and expenses	-102.3	-93.7	-86.2	-93.4
Income before taxes	**887.1**	**973.4**	**1 082.5**	**1 075.1**
Net margin, %	*3.9*	*4.2*	*4.8*	*4.5*
Current taxes	-211.7	-256.4	-266.6	-209.7
Deferred taxes	-48.4	-23.3	-32.8	-217.7
Net income for the period	**627.0**	**693.7**	**783.1**	**647.7**
Whereof attributable to:				
Equity holders of the Parent Company	628.2	691.7	783.4	646.4
Non-controlling interests	-1.2	2.0	-0.3	1.3
Earnings per share before and after dilution (SEK)	1.72	1.89	2.15	1.77
Earnings per share before and after dilution and before items affecting comparability (SEK)	1.72	1.89	2.15	2.11

Statement of cash flow 2017[1,2]

MSEK	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Operating income before amortization	**1 056.2**	**1 136.7**	**1 234.9**	**1 269.4**
Investments in non-current tangible and intangible assets	-417.7	-449.5	-400.4	-540.8
Reversal of depreciation	353.2	362.4	353.0	376.9
Change in accounts receivable	324.7	-169.4	-661.1	56.9
Change in other operating capital employed	-944.1	-26.6	272.4	650.2
Cash flow from operating activities	**372.3**	**853.6**	**798.8**	**1 812.6**
Cash flow from operating activities, %	*35*	*75*	*65*	*143*
Financial income and expenses paid	-306.4	-39.3	-39.7	-40.2
Current taxes paid	-311.9	-403.4	-140.6	-266.3
Free cash flow	**-246.0**	**410.9**	**618.5**	**1 506.1**
Free cash flow, %	*-33*	*52*	*70*	*156*
Cash flow from investing activities, acquisitions	-107.0	-121.2	-56.9	-18.5
Cash flow from items affecting comparability	–	–	–	–
Cash flow from financing activities	406.0	308.8	-1 023.5	-434.0
Cash flow for the period	**53.0**	**598.5**	**-461.9**	**1 053.6**

Capital employed and financing 2017[1,2]

MSEK	March 31, 2017	June 30, 2017	September 30, 2017	December 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*
Goodwill	19 251.5	18 944.2	18 361.9	18 719.1
Acquisition related intangible assets	1 342.9	1 276.5	1 213.7	1 172.8
Shares in associated companies	422.5	404.5	406.1	419.8
Capital employed	**28 865.8**	**28 742.5**	**28 087.7**	**27 871.5**
Return on capital employed, %	*16*	*16*	*17*	*17*
Net debt	**-13 682.7**	**-14 539.3**	**-13 606.0**	**-12 332.5**
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*

1 For definitions and calculation of key ratios refer to note 3.
2 Comparatives have been restated as an effect of a change in accounting principle IFRS 15. Refer to note 2 and note 6 for further information.

The Securitas Share

At year-end, the closing price of the Securitas share on Nasdaq Stockholm was SEK 142.25, corresponding to a market capitalization of MSEK 49 491 (49 822). Earnings per share was SEK 8.26 (7.53), which represented a total change of 10 percent compared with 2017, and 5 percent when adjusted for changes in exchange rates. EPS before items affecting comparability was SEK 9.17 (7.87), which represented a total change of 17 percent compared with 2017, and 12 percent when adjusted for changes in exchange rates. The Board of Directors proposes that a dividend of SEK 4.40 (4.00) per share be paid to shareholders.

Performance of the share in 2018

At year-end, the closing price of the Securitas share was SEK 142.25 (143.20). The share price decreased by 1 percent In 2018 to compare with the OMX Stockholm Price index, which decreased 8 percent. The highest price paid for a Securitas share in 2018 was SEK 164.05, which was noted on August 28, and the lowest price paid was SEK 134.70, which was noted on February 12.

Trading

A total of 325 million (339) Securitas shares were traded on Nasdaq Stockholm, representing a value of MSEK 47 720 (47 168). The turnover velocity in 2018 was 92 percent (96), compared with a turnover rate of 48 percent (48) for the entire Nasdaq Stockholm. The average number of Securitas shares traded each day was 1 298 500.

The trading on Nasdaq Stockholm represented 40 percent of all traded Securitas shares in all categories of venues in 2018 (includes, for example BATS Chi-X Europe, Turquoise as well as dark pools and off-book).

Share capital and shareholder structure

At December 31, 2018, the share capital amounted to SEK 365 058 897, distributed between an equal number of shares, each with a quota value of SEK 1.00. Of these shares, 17 142 600 are Series A shares and 347 916 297 are Series B shares. Each Series A share carries ten votes and each Series B share carries one vote. The free float of the Securitas share is 89 percent.

At December 31, 2018, Securitas had 32 197 shareholders (33 913). In terms of the number of shareholders, private individuals make up the largest shareholder category with 28 750 shareholders, corresponding to 89 percent of the total number of shareholders. In terms of capital and votes, institutional and other corporate entities dominate with 96 and 97 percent, respectively.

Shareholders based in Sweden hold 49 percent of the capital and 64 percent of the votes. Compared with 2017, the proportion of foreign shareholders in the shareholder base has increased. At December 31, 2018, shareholders outside Sweden owned 51 percent (47) of the capital and 36 percent (33) of the votes. The largest shareholdings held by foreign shareholders are in the UK and the US, with 12 percent of the capital and 9 percent of the votes in the UK and 17 percent of the capital and 12 percent of the votes in the US. Foreign shareholders are not always recorded in the share register. Foreign banks and other custodians may be recorded for multiple clients' shares and the actual owners are then not displayed in the register.

At December 31, 2018, the principal shareholders in Securitas were Gustaf Douglas, who through his family and Investment AB Latour Group holds 10.9 percent (10.9) of the capital and 29.6 percent (29.6) of the votes, and Melker Schörling, who through his family and the company Melker Schörling AB holds 4.5 percent (5.4) of the capital and 11.0 percent (11.6) of the votes. These shareholders are represented on the Board of Directors by Carl Douglas and Sofia Schörling Högberg.

Dividend policy and cash dividend

With a balanced growth strategy comprising both organic and acquisition-driven growth and continued investments in security solutions and electronic security, Securitas should be able to sustain a dividend level in the range of 50–60 percent of the annual net income. The Board of Directors proposes a dividend of SEK 4.40 (4.00) per share, corresponding to 53 percent of net income and 48 percent of net income before items affecting comparability. Based on the share price at the end of 2018, the dividend yield for 2018 amounted to 3.1 percent.

Authorization to repurchase shares in Securitas AB

The 2018 Annual General Meeting resolved to authorize the Board of Directors to resolve upon the acquisition of the company's own shares up to a maximum of 10 percent of the outstanding shares and for a period up to the Annual General Meeting in 2019.

Securitas share in brief

Series B Securitas shares are traded on Nasdaq Stockholm, part of Nasdaq Nordic, and on other trading venues such as BATS Chi-X Europe. Securitas is listed on Nasdaq Stockholm on the Large Cap List for companies, which includes large companies with a market capitalization of more than MEUR 1 000, and is included in the Industrial Goods & Services sector. The ISIN code for the Securitas share on Nasdaq Stockholm is SE0000163594.

The ticker code for the Securitas share is SECU B on Nasdaq Stockholm, SECUB:SS on Bloomberg and SECUb.ST on Reuters. Securitas has been listed on the stock exchange since 1991.

DATA PER SHARE

SEK/share	2018	2017	2016	2015	2014
Earnings per share[3, 4]	8.26	7.53	7.24	6.67	5.67
Earnings per share before items affecting comparability	9.17	7.87	7.24	6.67	5.67
Dividend	4.40[1]	4.00	3.75	3.50	3.00
Dividend as % of earnings per share	*53*[2]	*51*	*52*	*52*	*53*
Yield, %	*3.1*[2]	*2.8*	*2.6*	*2.7*	*3.2*
Free cash flow per share	5.16	6.27	4.71	5.93	5.08
Share price at end of period	142.25	143.20	143.40	130.00	94.45
Highest share price	164.05	151.80	152.90	135.00	95.80
Lowest share price	134.70	125.30	110.00	90.10	65.20
Average share price	146.96	139.07	132.01	115.80	76.94
P/E ratio	17	18	20	19	17
Number of shares outstanding (000s)[3]	365 059	365 059	365 059	365 059	365 059
Average number of shares outstanding (000s)[3]	365 059	365 059	365 059	365 059	365 059

1 Proposed dividend.
2 Calculated on proposed dividend.
3 There are no outstanding convertible debenture loans. Consequently, there is no potential dilution.
4 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.

LARGEST SHAREHOLDERS AT DECEMBER 31, 2018

Shareholder	Series A shares	Series B shares	*% of capital*	*% of votes*
Gustaf Douglas via companies and family[1]	12 642 600	27 190 000	*10.9*	*29.6*
Melker Schörling via company and family[2]	4 500 000	12 076 798	*4.5*	*11.0*
State Street Bank and Trust Co[3]	0	25 276 258	*6.9*	*4.5*
BNY Mellon SA/NV[3]	0	17 346 312	*4.8*	*3.3*
HSBC Bank Plc[3]	0	11 364 949	*3.1*	*2.2*
Lannebo Funds	0	10 870 392	*3.0*	*2.1*
Swedbank Robur Funds	0	8 743 309	*2.4*	*1.7*
AMF	0	8 056 936	*2.2*	*1.6*
Skandia	0	6 642 571	*1.8*	*1.3*
SEB Investment Management	0	6 395 995	*1.8*	*1.2*
Total, ten largest shareholders	**17 142 600**	**133 964 520**	***41.4***	***58.5***
Total, rest of owners	**0**	**213 951 777**	***58.6***	***41.5***
Total as of December 31, 2018	**17 142 600**	**347 916 297**	***100.00***	***100.00***

1 Includes the holdings of family members and Investment AB Latour Group.
2 Includes the holdings of family members and Melker Schörling AB.
3 Custodian banks

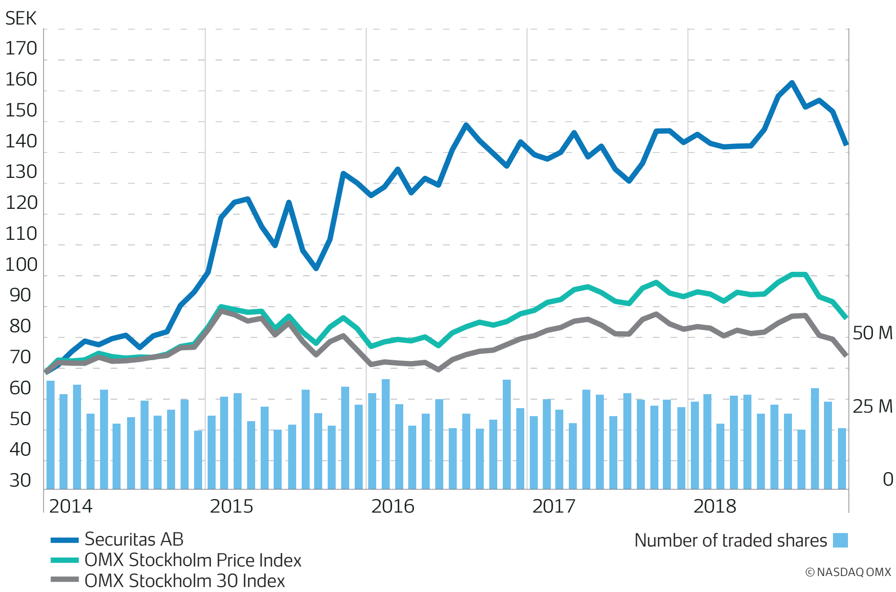
Source: Euroclear Sweden

SHAREHOLDER SPREAD AT DECEMBER 31, 2018

Number of shares	Number of shareholders	Number of Series A shares	Number of Series B shares	*% of capital*	*% of votes*
1–500	24 734	0	3 236 938	*0.89*	*0.62*
501–1 000	3 263	0	2 688 262	*0.74*	*0.52*
1 001–5 000	3 044	0	6 991 254	*1.92*	*1.35*
5 001–10 000	391	0	2 950 106	*0.81*	*0.57*
10 001–15 000	131	0	1 655 121	*0.45*	*0.32*
15 001–20 000	83	0	1 505 637	*0.41*	*0.29*
20 001–	551	17 142 600	328 888 979	*94.78*	*96.33*
Total	**32 197**	**17 142 600**	**347 916 297**	***100.00***	***100.00***

Source: Euroclear Sweden

Share prices for Securitas, January 1 – December 31, 2014–2018



Definitions

Free cash flow per share: Free cash flow in relation to the number of shares outstanding.

Market capitalization: The number of shares outstanding times the market price of the share price at year-end.

P/E ratio (Price/Earnings): The share price at the end of each year relative to earnings per share after taxes.

Turnover velocity: Turnover during the year relative to the average market capitalization during the same period.

Yield: Dividend relative to share price at the end of each year. For 2018, the proposed dividend is used.

Financial Information and Invitation to the Annual General Meeting

Reporting dates

Securitas will release financial information for 2019 as follows:

Interim Reports 2019	
January – March	May 6, 2019
January – June	July 31, 2019
January – September	November 6, 2019
January – December	February 6, 2020

Financial information

Our financial reports are available both in English and in Swedish and can be read and downloaded at our webpage at the following address: www.securitas.com/investors/financial-reports/

We also offer an order and subscribe service of financial information at the following address:
www.securitas.com/investors/order-and-subscribe/

Other questions concerning our financial information can be addressed to us through mail, telephone or e-mail:

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E-mail: ir@securitas.com
www.securitas.com

Investor Relations activities conducted in 2018

Securitas arranged an investor update in September. All the presentations from that day can be found at: www.securitas.com/investors/presentations/presentations-investor-days/. During the year Securitas participated in investor meetings, investor conferences and roadshows in London, San Francisco and Stockholm.

Financial analysts who cover Securitas

COMPANY NAME	NAME
AlphaValue	Hélène Coumes
Barclays	Paul Checketts
Carnegie	Mikael Löfdahl
Citi	Marc van't Sant
Credit Suisse	Andrew Grobler
DNB	Karl-Johan Bonnevier
Exane BNP Paribas	Allen Wells
Goldman Sachs	Milou Beunk
Handelsbanken	Carina Elmgren
HSBC	Rajesh Kumar
Jefferies	James Winckler
J.P. Morgan Cazenove	Sylvia Barker
Morgan Stanley	Edward Stanley
Nordea	Henrik Mawby
Pareto Securities	Stefan Wård
RBC Capital Markets	Andrew Brooke
UBS	Bilal Aziz

Analysts that follow Securitas might change during the year. The list above is updated regularly and can be found at www.securitas.com/investors/analyst-coverage-and-ratings/

Annual General Meeting of shareholders in Securitas AB (publ.)

The shareholders in Securitas AB are hereby invited to attend the Annual General Meeting (AGM) to be held at 4.00 p.m. CET on Monday May 6, 2019 at Courtyard by Marriott Hotel, Rålambshovsleden 50, Stockholm, Sweden. Registration for the AGM begins at 3.00 p.m. CET.

Notice of attendance

Shareholders who wish to attend the AGM must:
(i) be recorded in the share register maintained by Euroclear Sweden AB (Euroclear), made as of Monday, April 29, 2019,
and (ii) notify Securitas AB of their intent to participate in the AGM at the address:

Securitas AB, "AGM"
c/o Euroclear Sweden AB
P.O. Box 191, SE-101 23 Stockholm, Sweden
or
by telephone +46 10 470 31 30
or
via the company website www.securitas.com/agm2019,
by Monday, April 29, 2019, at the latest.

On giving notice of attendance, the shareholder shall state name, personal identity number or equivalent (corporate identity number), address and telephone number. A proxy form is available on the company website www.securitas.com/agm2019 and will be sent by mail to shareholders informing the company of their address and their wish to receive a copy of the proxy form. Proxy and representative of a legal person shall submit papers of authorization prior to the AGM. As confirmation of the notification, Securitas AB will send an entry card, which should be presented at registration for the AGM.

In order to participate in the proceedings of the AGM, owners with nominee-registered shares must request their bank or broker to have their shares temporarily owner-registered with Euroclear. Such registration must be made as of Monday, April 29, 2019 and the banker or broker should therefore be notified in due time before said date.

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NORDIC SWAN ECOLABEL
Printed matter
3041 0242

Production: Securitas AB in cooperation with Narva
Print: Elanders, Sweden, 2019
Photo: Ingemar Lindewall: Cover, pages: 1, 2, 5, 8-9, 10-11, 13, 15, 16, 18-19, 20-21, 22, 23, 24, 26, 28, 30-31, 33, 39, 40-41, 42-43, 47, 53
Unsplash/Goh Rhy Yan: 6-7
Raf Ketelslagers: 159
Photo editing: Lena Hoxter

SECURITAS

Annual and Sustainability Report 2018

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