

November 10, 1998

Securitas AB

Interim Report

January – September 1998

*Sales increased by 18 percent to MSEK 9,154 (7,747),
8 percent of which is organic growth.*

Income before taxes increased by 22 percent to MSEK 502 (410).

Earnings per share after full taxes increased by 26 percent to SEK 1.22 (0.97).

Securitas AB

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Sales and result

Consolidated sales of the Securitas Group amounted to MSEK 9,154 (7,747). This is an increase of 18 percent compared to the similar year-ago period. The increase is 18 percent also in local currencies. The acquisitions, *TeleLarm* in Sweden, *Kessler* in France, *Segurcat* in Spain, and *Deutsche Sicherheit* in Germany, have increased sales by 10 percent. Organic growth was 8 percent (6).

Operating income before amortization of goodwill was MSEK 661 (524), which is an increase of 26 percent, compared to the similar year-ago period. The corresponding increase in local currencies was also 26 percent. The operating margin was 7.2 percent (6.8).

Income before taxes amounted to MSEK 502 (410). This is an increase of 22 percent compared to the similar period last year. In local currencies, the increase is also 22 percent.

Development in the countries of operation

On a cumulative and quarterly basis, the Group's organic growth reached 8 percent during the third quarter.

The *Nordic countries* show good and increased organic growth for all business areas. Cash-in-Transit operations in particular posted a strong development in these countries.

On the *big markets* in Europe, guarding operations in *Germany, France* and *Spain*, as well as Cash-in-Transit

operations in *the UK* record good growth. In *Germany*, the integration of *Deutsche Sicherheits AG* is proceeding according to plan and the acquisition will make a positive contribution to 1998 earnings. The acquired unit is part of the Securitas Group as of the third quarter of 1998.

Portugal posts continued good growth in all business areas and continues to be the Group's most profitable unit.

In the *Securitas Direct division*, volumes and results continue to develop in a positive manner and the number of installed units during the first three quarters totalled 19,700, which is an increase of about 50 percent compared to the similar period one year ago. The total installed base is now about 93,000. Sales increased by 36 percent.

Cash flow

Adjusted income amounted to MSEK 505 (385). The cash flow effect of changes in working capital amounted to MSEK -190. The change in working capital is attributable primarily to the organic growth and normal seasonal variations. For the full year 1998, a free cash flow of more than 70 percent of adjusted income, is expected.

Investments in operating assets amounted to MSEK 492 (365).

Free cash flow amounted to MSEK 214 (231).

The Group's Sales by Country

Country	Jan.- Sept. 1998 MSEK	Share of total	Jan.- Sept. 1998 M(local)	Jan.- Sept. 1997 M(local)	Change in % organic	total
Sweden	2,358	24	2,358	1,779	6	33
Norway	877	10	836	714	14	17
Denmark	203	2	173	139	25	25
Finland	515	6	351	310	13	13
Germany	1,322	14	296	287	-2	4
France	876	10	660	519	7	28
UK	747	8	57	50	13	13
Spain	1,023	11	19,494	17,632	9	11
Switzerland	198	2	37	36	2	2
Austria	99	1	156	138	13	13
Portugal	576	6	13,246	12,167	9	9
Hungary	68	1	1,825	1,468	24	24
Poland	46	1	20	13	64	64
Estonia	11	0	20	9	128	128
Securitas Direct	292	3	292	214	36	36
Elimination	-57	-2	-57	-57		
Total (MSEK)	9,154		9,154	7,747	8	18

Capital employed, net indebtedness, and shareholders' equity

The Group's operating capital employed amounted to MSEK 2,571 (2,182 as of December 31, 1997), which is equivalent to 21 percent of sales, adjusted for full-year sales of acquired entities. The increase is explained by the organic growth and normal seasonal variations in working capital.

The Group's net debt amounted to MSEK 1,866 (1,532 as of December 31, 1997). The net debt equity ratio was 0.71 (0.65).

Acquisitions have affected net indebtedness by MSEK -306. Conversion of convertible subordinated debentures had a positive effect on the Group's net indebtedness by MSEK 21, increasing shareholders' equity correspondingly. Dividends to shareholders were paid in an amount of MSEK 201 during the second quarter.

The Group's shareholders' equity amounted to MSEK 2,633. The new share issues in connection to the acquisitions of Proteg and Raab Karcher have not effected the group's shareholders' equity in the period. The number of shares outstanding as of September 30, 1998, was 293,758,772, adjusted for the split (4:1). During the period, 282,740 shares have been converted. The total number of shares outstanding after full conversion and after having adjusted for the split (4:1), equals 305,776,612.

Stock dividend, split and new share issue

Pursuant to the resolution on the Extra General Meeting on September 8, 1998, stock dividend, split and new share issue have been effected during October, 1998. The record date for the stock dividend and split, (4:1), was October 14, 1998. The new share issues to Raab Karcher-VEBA and to the shareholders of Proteg SA, increased the company's registered share capital with 31,345,700 through issuance of 31,345,700 new Class B shares. After having effected the stock dividend, split and new share issue, the number of shares outstanding is 325,104,472 and after full conversion the total number of shares will amount to 337,122,312.

Acquisitions

At an Extra General Meeting of Securitas AB held September 8, 1998 the proposal of the Board of Directors for authorization to make decisions on new shares issues in connection with the acquisitions of *Raab Karcher* in Germany and *Proteg* in France was approved.

Raab Karcher

Securitas in Germany formally took over the ownership of Raab Karcher Sicherheit GmbH September 11, 1998. After that, the Board of Directors made a decision to issue new shares in Securitas AB, in accordance with the authorization of the Extra General Meeting. The share capital of Securitas AB was increased by SEK 14,356,056 through issuance of 14,356,056 new Class B shares. All shares were subscribed for by Raab Karcher-VEBA Immobilien Management at a price of SEK 85.25 per share. The new shares entitle their holder to dividends and all other rights in the same manner as previously outstanding Class B shares in the Company. The new shares also entitle their holder to receive dividends from the 1998 financial year.

The competition authority in Germany approved the acquisition of Raab Karcher in September.

Proteg

Securitas formally took over the ownership of Proteg October 23, 1998. After that, the Board of Directors made a decision to issue shares in Securitas AB in accordance with the authorization of the Extra General Meeting. By this resolution the share capital of Securitas AB is increased by SEK 16,989,644 through issuance of 16,989,644 new Class B shares in Securitas AB. The new shares were subscribed for by the shareholders of Proteg SA at a price of SEK 77.50 per share. Payment for the new shares was made in kind in the form of shares in Proteg SA. In addition to the new shares, the shareholders of Proteg SA will receive an amount of SEK 1,017,000 in cash for the shares in Proteg SA. The new shares entitle their holders to dividends and all other rights in the same manner as previously outstanding Class B shares. The new shares entitle their holders to receive dividends from the 1998 financial year.

Securitas' Acquisitions 1997-1998

Included from	Company	Country	Sales	Business Area
Jan. -97	JLMT	France	18	Alarm
Apr. -97	SGI Surveillance	France	420	Guarding
Oct. -97	TeleLarm	Sweden	920	Alarm
			1,358	
Jan. -98	Kessler	France	120	Guarding & Alarm
Apr. -98	Segurcat	Spain	55	Guarding, Alarm & Cash-in-Transit
July -98	Deutsche Sicherheits AG	Germany	290	Guarding
Oct. -98	Proteg	France	3,800	Guarding, Alarm & Cash-in-Transit
Oct. -98	Raab Karcher Sicherheit	Germany	2,000	Guarding
			6,265	

The competition authority in France has reserved the right to evaluate Protectas' and Proteg's aggregate market shares for an additional period of four months in certain segments of the French market.

Acquisitions – summary

With the acquisitions of Raab Karcher and Proteg, Securitas strengthens its position as the leading European security company, with sales of about SEK 18 billion and a market share of 10 percent of the European security market estimated to be worth SEK 180 billion, and which is expected to grow by 5–7 percent per year. As the market leader on the two largest security markets in Europe, together accounting for 40 percent of the European security market, Securitas will now be in a position to actively drive the industry's development by specialization and product development towards increased growth and profitability.

Aggregate acquisition costs will amount to about MSEK 185 on an annual basis.

The work with the integration of the acquisitions has begun in both countries, and is proceeding according to plan.

Synergy effects on an annual basis in the order of MSEK 220–250 are expected to be reached at the end of 1999.

Strengthened Group Management

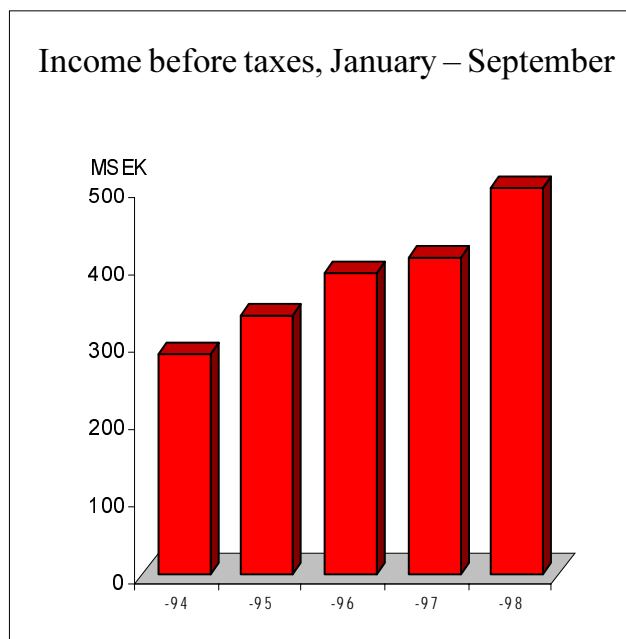
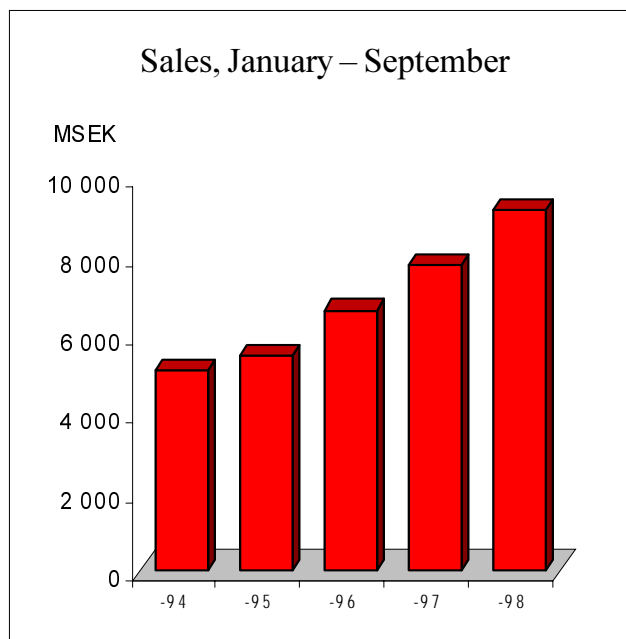
In order to meet the requirements posed by Securitas' rapid development and secure an optimal management structure, Group Management has been expanded. The country managers in Germany, France, and Spain will now be members of Group Management. In this way the largest countries of operation will be represented in Group Management. The Country manager in Great Britain is also a member of Group Management, as well as being responsible for Cash-in-Transit in the Group.

The Division Manager of Securitas Direct is also a member of Group Management.

Development 1998

For existing operations the previous forecast of earnings performance in line with the long-term trend from previous years of about 20 percent stands.

The acquisitions of Raab Karcher Sicherheit and Proteg are expected to provide a marginal positive effect on 1998 earnings, which will compensate for the dilutive effect on earnings per share of the effected new shares issue. The income before taxes is expected to amount to appr. MSEK 760 for 1998.



STOCKHOLM, NOVEMBER 10, 1998

Thomas Berglund
President and Chief Executive Officer

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Income

MSEK	Jan.–Sept. 1998	Jan.–Sept. 1997	Jan.–Dec. 1997	Jan.–Dec. 1996
Sales, continuing operations	8,349.1	7,064.1	9,760.3	7,290.1
Sales, acquired businesses	804.7	683.0	1,002.6	1,784.2
Total sales	9,153.8	7,747.1	10,762.9	9,074.3
Production expenses	-7,309.2	-6,309.6	-8,665.5	-7,252.9
Gross income	1,844.6	1,437.5	2,097.4	1,821.4
Administration expenses	-1,183.9	-913.8	-1,319.6	-1,133.5
Operating income before amortization of goodwill	660.7	523.7	777.8	687.9
<i>Operating margin, %</i>	7.2	6.8	7.2	7.6
Amortization of goodwill	-105.1	-81.0	-115.5	-99.4
Operating income after amortization of goodwill	555.6	442.7	662.3	588.5
Net financial items	-53.4	-32.9	-48.2	-38.7
Income before taxes	502.2	409.8	614.1	549.8
<i>Net margin, %</i>	5.5	5.3	5.7	6.1
Taxes paid	-102.2	-106.1	-114.4	-127.7
Deferred taxes	-38.3	-18.3	-54.7	-39.8
Minority interests	-0.8	0.1	0.9	-0.2
Income for the period	360.9	285.5	445.9	382.1

Cash Flow

MSEK	Jan.–Sept. 1998	Jan.–Sept. 1997	Jan.–Dec. 1997	Jan.–Dec. 1996
Operating income before amortization of goodwill	660.7	523.7	777.8	687.9
Net financial items	-53.4	-32.9	-48.2	-38.7
Taxes paid	-102.2	-106.1	-114.4	-127.7
Adjusted income	505.1	384.7	615.2	521.5
Change in working capital	-190.4	-111.8	-57.3	-8.5
Capital expenditures	-492.0	-364.8	-557.4	-475.6
Depreciation	391.1	322.4	450.5	354.0
Free cash flow	213.8	230.5	451.0	391.4

Balance

MSEK	Sept. 1998	Dec. 1997	Sept. 1997	Dec. 1996
Operating capital employed	2,571.4	2,182.1	1,849.9	1,590.7
<i>Return on operating capital employed, %</i>	37.8	35.6	40.5	43.2
<i>Operating capital employed as a % of sales¹⁾</i>	20.6	18.8	17.6	16.7
Shares in associated companies	260.1	258.4	–	–
Goodwill	1,668.0	1,457.4	1,105.1	1,180.7
Net debt	-1,866.3	-1,532.5	-797.2	-738.6
Minority interests	0.1	0.3	1.0	0.2
Shareholders' equity	2,633.1	2,365.1	2,156.8	2,032.6
<i>Equity ratio, %</i>	31.7	29.9	34.4	32.4

Data per Share

SEK	Sept. 1998	Dec. 1997	Sept. 1997	Dec. 1996
Share price, end of period ³⁾	100.50	60.00	45.12	49.62
Earnings after paid taxes ^{2) 3)}	1.35	1.70	1.03	1.45
Earnings after 28% standard taxes ^{2) 3)}	1.22	1.50	1.00	1.36
Earnings after full taxes ^{2) 3)}	1.22	1.51	0.97	1.32
Dividend ³⁾	–	0.69	–	0.60
P/E-ratio ²⁾	62	40	35	38
Number of shares ^{2) 3)}	305,776,612	296,971,584	296,971,584	296,971,584
Number of shares outstanding ³⁾	293,758,772	292,825,260	292,589,952	290,790,956

1) Adjusted for full year's sales of acquired entities

2) After full conversion

3) Adjusted for split 4:1