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Annual General Meeting Speech, May 7, 2009 President and CEO Alf Göransson

Dear shareholders,

In Ernest Hemingway's novel "The Sun Also Rises," Mike Campbell is asked: "Sir, how did you go bankrupt?"

"First gradually, and then suddenly" is the answer.

We could view the economic developments in 2008 in the same way. How did the global recession happen? First gradually, and then suddenly.

The way in which we managed Securitas in 2008 and how we will maneuver the Group through what will probably be a drawn out and difficult recession and beyond, is what I will be addressing in my speech.

Briefly, I could summarize 2008 as a strong year for Securitas. Our organic sales growth reached 6% – the same as the year before. Our operating income improved by 13% and our operating margin by 0.2 percentage points to 5.8%. Unlike in 2007, we had no goodwill write-down and no large items affecting comparability or extraordinary costs. Also, we sorted out the problems that existed within Loomis' cash handling operation. All in all this resulted in a significant improvement in net profit over 2007.

The earnings per share, excluding all items affecting comparability for 2007 improved by around 20%.

We promised that we would list and distribute Loomis to our shareholders in 2008. We did this in December. In 2007 Loomis was a company plagued by problems, disappointments and harsh realities. Today it is a company with new management, self-confidence and a positive growth trend. Recently I was entrusted with the position as Loomis' Chairman. I am delighted about this and I know it will be an exciting company to follow.

In 2008 we increased the number of Securitas employees by around 15,000, partly through organic growth but mainly through acquisitions.

In line with our strategy of having a presence in more and more markets in order to guarantee that Securitas' security services are of the standard our global customers demand, we have planted our flag in a number of new markets.

In some places we have just begun (in China we have around 10 security officers in a market that has around 5 million security officers), while in other markets we are well on our way. In South America, for example, we have around 20,000 security officers today and in India we have around 10,000.



On several occasions I have stated that the security services market is significantly less cyclical and sensitive to economic fluctuations than many other industries, and accordingly to GNP trends. There is, however, a greater correlation between GNP and the security market in the USA than in Europe.

I believe that this is still the case, but the problem is that many companies do not experience cyclicity. Today some are fighting for their survival. Today we are experiencing a downturn that we do not recognize when we use history as a template for the current state of the market. No one is, or at least very few are, recession proof to today's recession. We are not immune either, although we are being affected far less than other companies and industries. We actually experienced growth in the first quarter, albeit modest at 1%.

Many of our customers are cutting back on their security arrangements as well. They are closing gates, limiting patrols, cutting off alarm connections, removing reception functions etc. In individual cases they are even using their own personnel for guarding to avoid lay-offs and to be able to keep the competence they have within their companies. Airports, of which we are guarding 120 in Europe, are in many places experiencing a decline in the number of passengers of 15 – 20%. The result of this, quite simply, is fewer security checks.

How are we handling the market and our customers in this situation?

- Our approach is to try to help our customers find solutions that reduce their total security costs. Reprioritizing guarding solutions, more patrolling but less permanent guarding, more technology and alarm monitoring, combined solutions etc. Simply put, our priority is to maintain our customer portfolio.
- We keep a close check on our margins – profitability first, volume second. Sometimes we may also even extend the term of a contract in exchange for more creative and cost-effective overall solutions.
- We are working intensely with the contracts that have the lowest margins and trying to replace them with contracts with slightly better margins. Every time we succeed, our average margin goes up a little bit.
- We are also working to identify weak competitors or customers and contracts where there is good potential for us to win, and then we go after them with all the means at our disposal – sometimes this involves adjusting price levels.
- Finally, we are paying more attention than ever to making sure our customers pay on time. The number of bankruptcies is likely to rise in 2009, which is of course a source of exposure and risk for Securitas as we have all types of industries and sectors in our portfolio. In the first quarter our operating margin declined by approximately 0.1 percentage points compared to the same quarter the previous year due to bad debt losses.

So how are we doing? How resilient are we?

In North America we had organic growth of 3% in 2008, which is in line with growth in the North American security market in general. We maintained our market share of 16% and we are still the biggest security services company in North America. We had growth of 1% in the fourth quarter and -2% in the first quarter of this year. If we are to compare apples with apples, we should make an adjustment for the extra day in 2008 which was a leap year. This would put our growth close to zero in the first quarter. A weak result without a doubt, but it is far from a dramatic volume decline, nor is it a sustained decline compared to the fourth quarter of 2008.

The operating margin, on the other hand, improved throughout 2008 compared with 2007, and in the first quarter of this year, the margin was 0.2% better than the same quarter last year.

The situation is similar in Europe. We experienced good growth in 2008 of a full 7%. Part of the explanation for this was that we were one of the leading security services providers at the European Football Championship in Switzerland and Austria. Although things did not go so well for Sweden there, they went better for Securitas with thousands of security officers on duty and good profitability as a result. (Film)



Growth in our European security segment declined in the fourth quarter to 5% and to 2% in the first quarter of this year. A weaker result admittedly, but growth all the same. There are, however, dark clouds over Europe and in certain markets there is great concern about where we are heading.

Our operating margin was, however, at the same level throughout 2008 as in 2007. This continued through the fourth quarter, but in the first quarter of this year we lost 0.1 percentage points due to bad debt losses, lower extra sales and long-term investment made in training and increasing security expertise.

Part of our long-term strategy is to increase growth in patrolling, call-out services and alarm monitoring, because the margins in these segments are about twice as good as those within our permanent services segment.

Mobile & Monitoring grew in 2006 by 4%, by 7% in 2007 and by 8% in 2008, and in the first quarter of this year we are at 5% – a good result under the circumstances.

The operating margin in 2008 was at about the same level as the year before and there was a clear improvement in the second half of the year. This trend continued during the first quarter of this year.

All in all, it is my assessment that we are holding our own quite well so far in this recession. Our growth was, after all, positive and we have no other choice, in my opinion, but to focus on our customers and help them to the best of our ability. Compared to the same period the previous year, our operating margin was 0.1% lower and our pre-tax profit, with some help from the weak SEK exchange rate, was MSEK 714 compared to MSEK 555 the previous year. Most of this is due to currency effects, although the real improvement was still 4%.

We are also going to be cautious about acquisitions, at least in the first half of the year. The reason for this is that we believe it will be financially beneficial to wait since most of our competitors will experience weaker volume, bad debt losses and a lower payment ethic among their customers.

We have secured long-term financing through a 4 year MEUR 500 bond loan in the Eurobond market, which we took out just over a month ago. This means that the next time a large portion of our long-term financing matures will be in 2012.

Our long-term strategy rests on three cornerstones:

1. Increased geographical presence. Our global customers require us to be present in their most important markets. Growth and margins are also often higher in these markets than in Europe and the US.
2. Investment in Mobile & Monitoring by simply employing more sales personnel and opening up new patrolling.
3. The third cornerstone is increased specialization within security services.

We believe that increasing the focus on our customers and a greater understanding of security issues will result in lower costs and increased value for our customers, and hopefully, 0.1% at a time, better margins for Securitas.

We are implementing two main measures to realize our specialization goal.

1. The organizational approach, by placing our customers in different segments to the extent this is economically motivated.
2. Significant training initiatives.

We have a number of examples where our branch offices which live and die based on their expertise within their particular segments – retail, banks, logistics, aviation, hospitals etc. – have provided good results for both customers and Securitas.



Segmentation makes the cross-fertilization of good ideas and solutions possible within Securitas. Our security advising expertise is improved and our security officers can develop their skills for the particular segment in which they work. I can assure you that the work situation, skills and experience needed at the Emergency Room at Södersjukhuset hospital is completely different from the nuclear power plant in Oskarshamn or in H&M stores.

Some claim that all business is local in the security industry. I believe that relationships are local but that knowledge is global, and our customers expect Securitas' knowledge to be global. We need to organize our business accordingly.

Greater knowledge of security and technology are other key aspects of specialization. We initiated comprehensive training programs and new training centers have been opened and will be opened in 2009. The purpose is to increase our security knowledge and expertise at all levels and to provide our customers with advice, professional risk analysis and to suggest improvements and measures to increase the cost efficiency of their security arrangements and in guarding their facilities and businesses.

When the economy is weak it can sometimes be tempting to just give up, lose the spark or find excuses. Companies do not develop with negative, scared or despondent leaders and employees. Both in times of prosperity and in times of recession, companies develop when everyone has a positive attitude and adheres to a clear strategy.

Companies develop when they have managers and employees who ask themselves the following question every day: "How can I improve security and services in the best possible way for my customers?" Securitas is a company like that and this makes me hopeful and optimistic about the future. Faith and belief are the same as gum boots – it's good to wear them when needed!

Thank you!