



Press Release from Securitas AB

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February 6, 1998

# Securitas AB

## Year-End Report

January – December 1997

*Sales increased by 19 percent to MSEK 10,763 (9,074),  
of which 7 percent points is organic growth.*

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*Income before taxes increased by 12 percent to MSEK 614 (550).*

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*Free cash flow increased by 15 percent to MSEK 451 (391).*

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*Earnings per share after full taxes increased by 14 percent to SEK 6.04 (5.28).*

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*The Board of Directors proposes a dividend for 1997 of SEK 2.75 (2.40).*

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Securitas AB

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# Year-End Report January – December 1997

## Sales and income

Consolidated sales amounted to MSEK 10,763 (9,074). This is an increase of 19 percent, and in local currencies the corresponding increase is 18 percent, compared to the year before. Acquisitions, primarily Security Express in Great Britain, TeleLarm in Sweden and SGI Surveillance in France, have increased sales by 11 percent. Organic growth for the year is 7 percent (7). During the fourth quarter organic growth reached 8 percent.

Operating income before amortization of goodwill amounted to MSEK 778 (688), which is an increase of 13 percent. In local currencies the increase was also 13 percent. The operating margin was 7.2 percent (7.6), negatively affected by about 1 percent by the acquisitions and by restructuring costs in Germany.

Income before taxes amounted to MSEK 614 (550). This is an increase by 12 percent compared to the corresponding period one year ago. In local currencies the increase is also 12 percent. Earnings performance was negatively affected by restructuring costs in Germany, which amounted to approximately MSEK 50 for the period, with MSEK 5 thereof during the fourth quarter.

## Development in the countries of operation

Organic growth was 7 percent during 1997, about the same level as in 1996. Acquisitions have increased sales by MSEK 1,003.

Operations in *Sweden, Norway, Denmark and Finland* continue to show good volume and earnings development, in guard services as well as alarm systems, and in CIT services. The organic growth reached an aggregate 9 percent in these countries during the fourth quarter.

Swedish operations were reorganized and refined effective as of January 1, 1997 into five business areas. This has resulted in improved focus on the various customer segments. Integration of TeleLarm, acquired in October 1997, is progressing according to plan. The operations of TeleLarm Fire & Security have been merged into Securitas Teknik in a joint company, Securitas Larm, effective as of January 1, 1998.

In *Finland* CIT services were started during the year. Good volume growth has been achieved in the CIT business, which will contribute positively to the earnings performance.

In *Germany* the positive volume and earnings performance in guard services continues. The restructuring work in CIT services continuing during 1997, with a focus on internal efficiency, has entailed costs of approximately MSEK 50 for 1997. Restructuring costs during the fourth quarter amounted to MSEK 5. The restructuring programme was completed according to plan during

1997, and the German CIT services business is expected to generate a break-even result for 1998.

In *France* the integration of SGI Surveillance is progressing according to plan. The acquisition is included in the Group since May 1, 1997 and has affected consolidated sales by MSEK 242. The acquisition is expected to have a positive effect on income starting in 1998. Other operations in France are developing well, both in terms of volume and earnings.

In *Great Britain* the restructuring work has been completed, and price and wage negotiations have been carried out. The capital expenditure program in progress has contributed to a higher level of security.

In *Spain* the good volume and earnings performance in alarm systems continues. Guard services also posted good volume growth. The market for CIT services was characterized by an intense price war during the fall of 1996 and the spring of 1997. Securitas consciously chose to sacrifice volume rather than to lower the price level below what can be deemed reasonable in a longer perspective. Some volume was recovered during the second half of the year, and volume losses were held to approximately MSEK 30 on an annual basis.

*Portugal* retains its position as Securitas' most profitable country.

## Cash flow

Adjusted operating income amounted to MSEK 615 (522). The cash flow effect of changes in working capital amounted to MSEK -57. The change in working capital is attributable primarily to organic growth. Due to a new three-year insurance agreement for CIT services, insurance premiums totaling approximately MSEK 20 were paid during the fourth quarter. These premiums would normally have been paid in January of the following year.

Investments in operating assets amounted to MSEK 557 (476), consisting mainly of investments in vehicles and cash processing centers, and in so-called combination agreements where the customer rents security technology from Securitas.

The free cash flow amounted to MSEK 451 (391), which is an increase of 15 percent.

## Capital employed, net indebtedness and shareholders' equity

The Group's operating capital employed amounted to MSEK 2,182 (1,591), equivalent to 18.8 percent of sales, adjusted for full year's sales of acquired entities. The increase is explained by the acquisition of TeleLarm, organic growth and the increase in capital expenditures.

Conversion of convertible subordinated debentures had a positive effect on the Group's net indebtedness by MSEK 46, increasing shareholders' equity correspondingly. Dividends to the shareholders were paid in May in a total amount of MSEK 174 (145). The Group's net debt amounted to MSEK 1,532 (739). The increase in net debt is explained by acquisitions, primarily the acquisition of TeleLarm during the fourth quarter. The net debt equity ratio was 0.65 (0.36).

## Acquisitions

### Sweden

Securitas' acquisition of TeleLarm was approved by the Swedish Competition Authority October 17, 1997. This acquisition meant that Securitas acquired 100 percent of the shares outstanding of TeleLarm, with business areas Fire & Security and Care. Business area Alarm Communication was transferred to a separate entity, TeleLarm Multicom AB, which is owned jointly by Telia and Securitas, with Telia as majority owner with a stake of 55 percent. The price for Fire & Security and Care, with sales of MSEK 920 and income for 1997 of MSEK 50, was MSEK 620. The price paid for 45 percent of the shares in business area Alarm Communication, with sales of MSEK 200 and operating profit of approximately MSEK 45, was MSEK 250.

## Sales by country

Country	1997 MSEK	Share of total	1997 M(local)	1996 M(local)	Change in % organic	Change in % total
Sweden	2,744	26	2,744	2,328	7	16
Norway	1,127	10	1,041	929	12	12
Denmark	222	2	192	171	12	12
Finland	638	6	432	391	11	11
Germany	1,688	16	382	365	5	5
France	1,021	9	779	494	10	57
UK	865	8	69	32*	12	N/A
Spain	1,295	12	24,772	24,882	0	0
Switzerland	257	2	49	46	7	7
Portugal	715	7	16,354	15,892	3	3
Austria	118	1	189	171	10	10
Hungary	84	1	2,049	1,527	34	34
Poland	41	0	18	7	46	N/A
Estonia	7	0	14	-	-	-
Elimination	-59	0	-59	-40	-	-
<b>Total</b>	<b>10,763</b>	<b>100</b>	<b>10,763</b>	<b>9,074</b>	<b>7</b>	<b>19</b>

\* Refers to 6 months 1996

With this acquisition, a security technology business has been created in Securitas with sales of about MSEK 2,500 for 1997. The necessary critical mass in terms of know-how and size has thus been created for expansion into Europe in the alarm area. The combined operation is thus sufficiently strong to take on the heavy European alarm markets in the future.

Business area Fire & Security in TeleLarm is coordinated with Securitas Teknik's operations in Sweden under the name Securitas Larm as of January 1, 1998. The operations complement each other well as TeleLarm has a major portion of its customer base in the public sector, while Securitas has its emphasis in banking and industry.

Business area Care will form, with the units in Sweden, Finland, Germany and Great Britain, a separate division, TeleLarm Care, with its own sales, installation and service organization.

The acquisition affected the Group's result marginally positively during 1997. The acquired business is expected to generate good profit during 1998 as a result of the above mentioned coordination with Securitas Teknik. Securitas' consolidated goodwill increases by about MSEK 320 as a result of the transaction. The purchase price also includes trade marks valued at MSEK 200. The acquisition was paid for in cash and is a part of the Securitas Group as of October 1, 1997.

#### *France*

Three rather small alarm operations in the Paris region were acquired in January, 1997, *JLMT SA*, *Telesurveillance SARL* and *CTGM SARL*, with sales of MSEK 18. The acquired units are part of the Securitas Group as of January 1, 1997 and have had a positive effect on the Group's earnings.

In April 1997 the French Ministry of Finance approved Securitas' acquisition of *SGI Surveillance*. Securitas took over SGI Surveillance's guard services operation in France as of May 1, 1997, with 2,400 employees and annual sales of MSEK 420. The business was operating at a loss at the time of take-over. With this acquisition Securitas took over assets worth MSEK 40, with MSEK 39 thereof in liquid funds. The purchase price was SEK 0 and the seller, Groupe Consortium de Réalisation (CDR), also assumed responsibility for MSEK 6.7 in restructuring costs. The acquisition is a part of the Securitas Group as of May 1, 1997 and has not affected income for 1997. The acquisition is expected to have a positive effect on the Group's income for 1998.

In January 1998 Securitas acquired the *Kessler Group*, consisting of Kessler Sécurité and Télésécur, with the bulk of its business in eastern France. Sales for 1997 reached about MSEK 120, whereof MSEK 80 in guard services and MSEK 40 in alarm systems, with 5,000 alarm connections. The number of employees is 550. The acquisition strengthens Securitas' business in the region significantly, and contributes to the building of a nation-wide structure for the alarm business. The purchase price will be between MSEK 13 and MSEK 23 depending on the actual result at year-end 1998. At the time of acquisition, the acquired unit generated a break-even result, but is expected to have a positive effect on 1998 earnings. The acquisition is a part of the Securitas Group from January 1, 1998. After the acquisition, Securitas' annual sales in France will amount to about MSEK 1,200.

#### *Acquisitions — summary*

The acquired businesses will affect sales by approximately MSEK 1,400 on an annual basis. All acquisitions have been paid for in cash. The acquisitions have increased 1997 sales by MSEK 1,003.

#### **Financing**

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##### *New syndicated loan facility*

With the aim of securing the Group's long-term financing, a new seven-year syndicated loan in the approximate amount of MSEK 3,500 (MDEM 800) was raised December 17, 1997 from a syndicate of 15 international banks. The facility was arranged by Deutsche Bank and Enskilda Dept Capital Markets with Banque Nationale de Paris and Commerzbank as co-arrangers. This loan replaces an earlier syndicated credit facility in the amount of MSEK 2,400 (MDEM 550) with maturity in 2003. The increased loan facility was raised primarily against the background of acquisitions effected during 1997.

##### *Convertible debenture loan to the employees*

An Extra General Meeting of the shareholders in Securitas AB held January 8, 1998 resolved to offer the employees of the Securitas Group to subscribe for convertible debentures in Securitas AB. The convertible subordinated loan will have a par value not exceeding MSEK 700 and run from April 24, 1998 to February 28, 2003. The loan carries an annual interest at a rate of 12-month STIBOR minus 0.25 percent. The price at which conversion may take place shall be equivalent to 137 percent of the average market price of Series B Securitas shares on the Stockholm Stock Exchange during the period January 19 - February 13, 1998. Conversion may take place to Series B shares at any time during the period May 30, 2001 up to and including January 31, 2003.

Upon full conversion about 2.3 million shares are expected to be added, resulting in a dilution of about 3.1 percent of the number of shares and about 2 percent of the number of votes.

#### **Proposed dividend and Annual General Meeting**

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The Board of Directors of Securitas AB proposes a dividend of SEK 2.75 (2.40) for 1997. The regularly scheduled Annual General Meeting will be held at 4:30 p.m., May 7, 1998 at Moderna Museet, Skeppsholmen, in Stockholm.

#### **Securitas back to the A-list**

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The Board of Directors of Securitas AB has decided to submit an application to the Stockholm Stock Exchange to move the listing of the Securitas share from the O-list back to the A-list of the Stockholm Stock Exchange.

#### **The development in 1998**

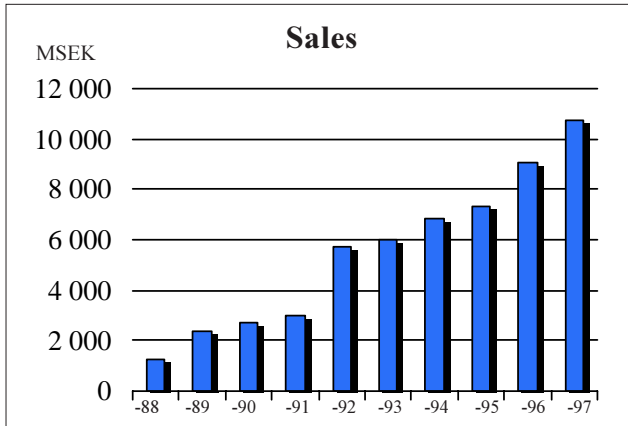
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Organic growth and positive earnings performance are expected to continue in all countries and for all businesses. The Group's earnings performance is therefore expected to revert to previous years' levels and long-term trend, of about 20 percent.

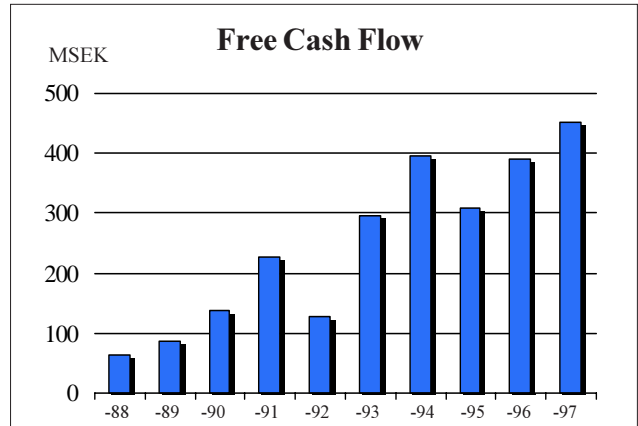
STOCKHOLM, FEBRUARY 6, 1998

*Thomas Berglund*  
President and Chief Executive Officer

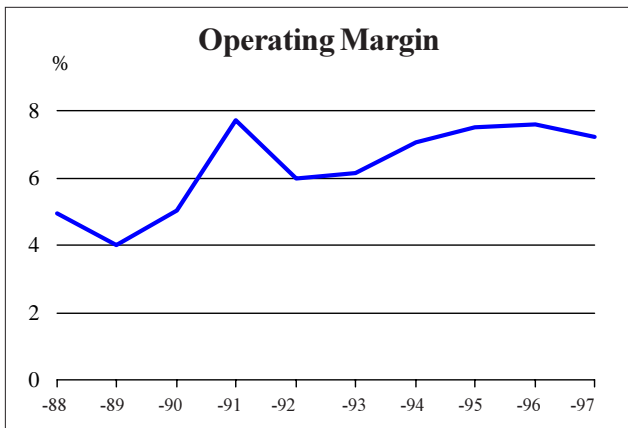
**For further information please contact Mr. Thomas Berglund, President and Chief Executive Officer, or Mr. Håkan Winberg, Executive Vice President and Chief Financial Officer, telephone +46 8 657 74 00.**



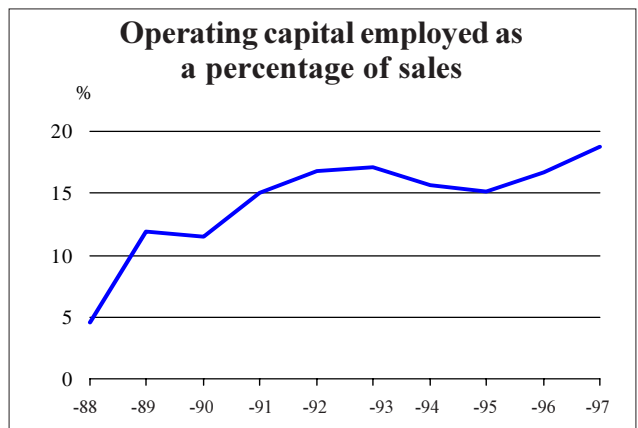
Sales have grown by an average of 27 percent per year over the last ten-year period.



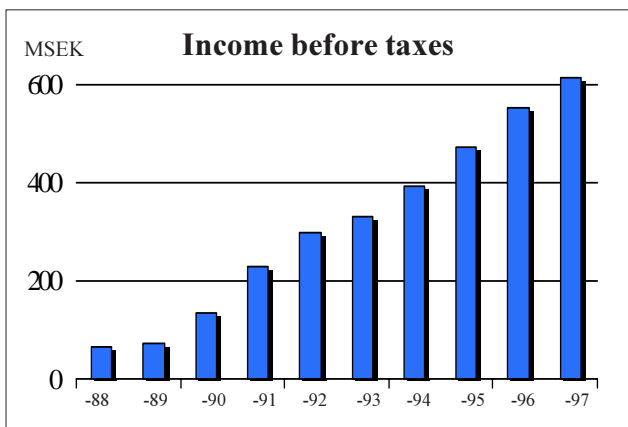
The free cash flow increased by 15 percent in 1997.



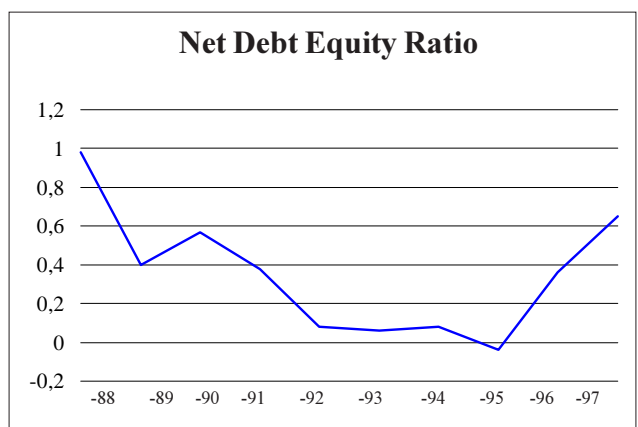
Refinement and improved efficiency have gradually raised the operating margin to 7.2 percent.



The operating capital employed amounted to 18,8 percent of the sales, adjusted for full year's sales of acquired entities. The increase is primarily explained by the acquisition of TeleLarm.



Income before taxes has over the last ten-year period increased by an average of 29 percent per year.



The net debt equity ratio amounted to 0.65. The increase is explained by the acquisitions completed during 1997.

## Income

MSEK	1997	1996	1995	1994	1993
Sales, continuing operations	9,760.3	7,290.1	7,309.1	6,022.9	5,850.3
Sales, acquired businesses	1,002.6	1,784.2	–	820.9	160.3
<b>Total sales</b>	<b>10,762.9</b>	<b>9,074.3</b>	<b>7,309.1</b>	<b>6,843.8</b>	<b>6,010.6</b>
Production expenses	-8,665.5	-7,252.9	-5,828.0	-5,443.6	-4,728.3
<b>Gross income</b>	<b>2,097.4</b>	<b>1,821.4</b>	<b>1,481.1</b>	<b>1,400.2</b>	<b>1,282.3</b>
Administration expenses	-1,319.6	-1,133.5	-932.4	-917.7	-913.5
<b>Operating income before amortization of goodwill</b>	<b>777.8</b>	<b>687.9</b>	<b>548.7</b>	<b>482.5</b>	<b>368.8</b>
<i>Operating margin, %</i>	7.2	7.6	7.5	7.1	6.1
Amortization of goodwill	-115.5	-99.4	-65.9	-63.9	-37.2
Operating income after amortization of goodwill	<b>662.3</b>	<b>588.5</b>	<b>482.8</b>	<b>418.6</b>	<b>331.6</b>
Net financial items	-48.2	-38.7	-11.0	-26.6	-1.6
<b>Income before taxes</b>	<b>614.1</b>	<b>549.8</b>	<b>471.8</b>	<b>392.0</b>	<b>330.0</b>
<i>Net margin, %</i>	5.7	6.1	6.5	5.7	5.5
Taxes paid	-114.4	-127.7	-104.6	-98.9	-81.6
Deferred taxes	-54.7	-39.8	-19.8	-50.2	10.7
Minority interests	0.9	-0.2	-0.4	-0.2	-2.1
<b>Income for the period</b>	<b>445.9</b>	<b>382.1</b>	<b>347.0</b>	<b>242.7</b>	<b>257.0</b>

## Cash Flow

MSEK	1997	1996	1995	1994	1993
Operating income before amortization of goodwill	777.8	687.9	548.7	482.5	368.8
Net financial items	-48.2	-38.7	-11.0	-26.6	-1.6
Taxes paid	-114.4	-127.7	-104.6	-98.9	-81.6
<b>Adjusted operating income</b>	<b>615.2</b>	<b>521.5</b>	<b>433.1</b>	<b>357.0</b>	<b>285.6</b>
Change in working capital	-57.3	-8.5	-75.6	67.9	-3.2
Capital expenditures	-557.4	-475.6	-339.1	-292.7	-231.6
Depreciation	450.5	354.0	289.8	262.2	246.1
<b>Free cash flow</b>	<b>451.0</b>	<b>391.4</b>	<b>308.2</b>	<b>394.4</b>	<b>296.9</b>

## Balance

MSEK	dec 1997	dec 1996	dec 1995	dec 1994	dec 1993
Operating capital employed	2,182.0	1,590.7	1,103.2	1,068.7	1,030.0
<i>Return on operating capital employed, %</i>	35.6	43.2	49.7	45.1	35.8
<i>Operating capital employed as a % of sales <sup>1)</sup></i>	18.8	16.7	15.1	15.6	17.1
Shares in associated companies	258.4	–	–	–	–
Goodwill	1,457.4	1,180.7	590.5	649.5	440.2
Net debt	-1,532.5	-738.6	75.0	-122.6	-78.2
Minority interests	0.3	0.2	0.9	5.9	17.0
Shareholders' equity	2,365.1	2,032.6	1,767.8	1,589.7	1,375.0
<i>Equity ratio, %</i>	29.9	32.4	35.3	35.1	38.3

## Data per Share

SEK	1997	1996	1995	1994	1993
Stock price, end of period	240.00	198.50	105.00	67.00	79.00
Earnings after paid taxes <sup>2)</sup>	6.78	5.81	5.09	4.07	4.38
Earnings after 28% standard taxes <sup>2)</sup>	6.00	5.46	4.72	3.92	4.17
Earnings after full taxes <sup>2)</sup>	6.04	5.28	4.82	3.38	4.55
Dividend	2.75	2.40	2.00	1.67	1.50
P/E-ratio <sup>2)</sup>	40	38	22	20	17
Number of shares (1,000's) <sup>2)</sup>	74,243	74,243	74,243	74,243	70,899
Number of shares outstanding (1,000's)	73,206	72,697	72,349	72,349	70,899

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

2) After full conversion