



Securitas AB

Half-Year Report
January – June 1999

*Sales increased by 91 percent to MSEK 11,352 (5,959),
of which 9 percent is organic growth*

Income before taxes increased by 44 percent to MSEK 418 (291)

*Earnings per share after standard taxes increased by
30 percent to SEK 0.91 (0.70)*

The integration of Pinkerton continues according to plan

Half-Year Report January-June 1999

Sales and result

Consolidated sales of the Securitas Group amounted to MSEK 11,352 (5,959). This is an increase of 91 percent. In local currencies, the corresponding increase is 89 percent compared to previous year. Organic growth, not including the acquisitions of Proteg, Raab Karcher and Pinkerton, amounts to 9 percent (8). The acquisitions increased sales by 80 percent.

Operating income before amortization of goodwill was MSEK 644 (392), which is an increase of 64 percent. The increase is equivalent to 62 percent in local currencies. The operating margin was 5.7 (6.6).

Adjusted for the acquisitions of Proteg, Raab Karcher and Pinkerton, the underlying operating margin is improving gradually.

Income before taxes amounted to MSEK 418 (291). This is an increase of 44 percent compared to the similar period last year. In local currencies, the increase is 42 percent.

Development in the business areas

Within Guard Services the refinement and specialization is continuing. Organic growth was 5 percent. The opera-

ting margin has been negatively affected, according to plan, by the acquisition of Pinkerton, which has a lower operating margin.

Business area Alarm Systems grows organically by 18 percent with good profitability. There is also an increased focus on small alarm systems, and the number of installed small alarm systems (excluding Direct) amounts to 169,000 and grows with approximately 12 percent annually.

In the Securitas Direct division, volume is growing and earnings development continues to be positive. The number of installed units was approximately 17,300 during the first six months of the year, which is an increase of about 40 percent compared to the similar period last year. The total installed base is now about 117,000 units. Sales increased organically by 29 percent.

Outsourcing in the banking sector brought good growth to the Cash In Transit operations, which are growing organically by 8 percent.

All business areas increased their operating income compared to previous year.

Development in the countries of operation

The *Nordic countries* posted good organic growth for all

Sales by country and division

Country	Jan-Jun	Share of total	Jan-Jun	Jan-Jun	Change in %	
	1999 MSEK		1999 M(local)	1998 M(local)	organic	total
Sweden	1,498	13	1,498	1,452	6	3
Norway	646	6	607	551	10	10
Denmark	171	2	143	111	11	29
Finland	397	3	266	230	9	15
Germany	1,928	17	424	186	5	128
France	2,149	19	1,585	436	0	263
UK	642	6	48	37	9	30
Spain	800	7	14,965	12,929	8	16
Switzerland	163	1	29	24	14	20
Austria	135	1	209	101	4	107
Portugal	425	4	9,576	8,612	11	11
Hungary	48	1	1,345	1,205	7	12
Poland	42	0	20	12	56	56
Estonia	23	0	40	12	220	235
Czech Republic	23	0	98	-	-	-
Latvia	2	0	0	-	-	-
USA*	1,725	16	204	-	-	-
Canada*	137	1	24	-	-	-
Mexico*	35	0	39	-	-	-
Securitas Direct	255	2	255	186	29	31
Consulting & Investigations*	143	1	17	-	-	-
TeleLarm Care	-	-	-	140	-	-
Elimination	-35		-35	-42		
Total (MSEK)	11,352	100	11,352	5,959	9	91

* Only included April 1 – June 30

products. Alarm systems posted continued good order booking volume and volume growth.

In *Germany*, the integration of Raab Karcher is proceeding according to plan and volume as well as profitability are showing a positive development. Extensive integration work in *France* has caused a temporary drop in organic growth. In *Spain*, Guard Services and Alarm Systems operations continue to post good and profitable growth. Cash In Transit operations in *Spain* are again showing volume increases. The positive development of volumes and profitability continues in *Great Britain*.

The operations in *Switzerland* and *Austria* show good growth. Also *Portugal* continues to show good growth, especially in Cash In Transit, and continues to be the Group's most profitable unit.

The countries in *Eastern Europe* show good organic growth and the previous acquisitions develop according to plan.

Cash flow

Adjusted income amounted to MSEK 477 (298). The cash flow effect of changes in working capital amounted to MSEK -320. The change in working capital is for the most part attributable to normal seasonal variations and organic growth.

Investments in operating assets amounted to MSEK 411 (321). The increase is explained by organic growth and by acquisitions.

Free cash flow amounted to MSEK 89 (65). Free cash flow for the quarter amounted to MSEK 224. For the full year, cash flow as a percentage of adjusted income is expected to be at a level similar to that of prior years, i.e. about 75 percent.

Capital employed, net indebtedness and shareholders' equity

The Group's operating capital employed amounted to MSEK 3,279 (2,948 as of December 31, 1998), which is equivalent to 13.2 percent of sales (19.5 as of December 31, 1998), adjusted for full-year sales of acquisitions.

Proceeds of the sale of fire alarm operations in France

and TeleLarm Care amounted to MSEK 1,044. The acquisition of Pinkerton has affected net indebtedness negatively by MSEK 3,558. Goodwill in connection with the acquisition amounts to MSEK 2,844. The issue of 28 million shares had a positive effect on net indebtedness of MSEK 3,394. Conversion of convertible debentures has affected net debt positively by MSEK 73, increasing shareholders' equity by the same amount. Dividends were paid to the shareholders in an amount of MSEK 277 during the second quarter. Payment regarding insurance of long-term bonus amounts to MSEK 250.

A strengthening of the Swedish krona during the period entailed a positive effect by MSEK 66 on the Group's net indebtedness expressed in Swedish kronor.

The Group's net debt amounted to MSEK 1,961 (2,419 as of December 31, 1998). The net debt equity ratio was 0.23 (0.45 as of December 31, 1998). Shareholders' equity amounted to MSEK 8,544 (5,351 as of December 31, 1998).

The total number of shares after full conversion was 365,125,314. The average number of shares during the period after full conversion was 341,791,981.

Integration of Pinkerton

The integration of Pinkerton, which is a part of the Securitas Group as of April 1, 1999 continues according to plan. Guard Services operations in the United States show a growth rate of about 2 percent at present. Alarm Systems operations, with their base in Atlanta, and which grow by more than 10 percent, are undergoing a planned restructuring aimed at improving profitability. Consulting & Investigations, which also grows by about 10 percent, will form a separate division within the Securitas Group. This area of operation is also currently undergoing a planned review and restructuring.

The European units of Pinkerton have been integrated with the corresponding units in Securitas.

Financing

Equity offering completed

The bank syndicate led by Deutsche Bank, has utilized its option to subscribe for further 3,652,174 new Series B

Business Area Overview					
	<u>Guarding*</u>	<u>Alarm</u>	<u>Direct</u>	<u>Cash In Transit</u>	<u>Total</u>
	June	June	June	June	June
	1999	1999	1999	1999	1999
Sales, MSEK	8,023	1,600	255	1,474	11,352
<i>Organic growth, %</i>	5	18	29	8	9
Operating income, MSEK	417	138	28	61	644
<i>Operating margin, %</i>	5	9	11	4	6
<i>Operating capital employed in % of sales</i>	6	25	23	40	12

* Includes Consulting & Investigations from April 1, 1999

shares no later than May 20, 1999. The subscription was exercised May 12, 1999. In accordance with the decision of the General Meeting, 28,000,000 new Series B shares have thus been issued at a price of SEK 124 per share. The offering of a total of approximately SEK 3.4 billion was placed with institutional investors in Sweden, the rest of Europe, and the United States, thus broadening the ownership base significantly, at the same time as the capital base is strengthened for the Group's future expansion.

The offering was made pursuant to Rule 144 A of the U.S. Securities Act of 1933 with respect to qualified institutional investors in the United States and pursuant to Regulation S of the same legislation outside the United States.

Management and Board of Directors

Executive Management Bonus Program

The Board of Directors and Group Management of Securitas have agreed to terminate executive management's long-term bonus program in such a way that funds accrued under the program up to June 16 are invested in an insurance policy owned by Securitas. The value of the insurance will follow the market price performance of the Securitas share up to and including year 2002. To the extent the members of the management team are still in Securitas' employment December 31, 2002, the insurance will then be transferred to these persons.

This agreement means that Securitas will not be

burdened with additional costs for long-term bonus and that the desired continuity of management will be sustained, which was an important consideration at the time when the program was created.

Certain management functions to be moved

As an element of the Group's continued expansion, parts of the Group Management and the Financial Staff will move from Stockholm to London during the fall of 1999. The reason for the move is to get closer to the now larger operations in Continental Europe and North America and to the financial markets. Group Management and Group Staff are currently made up of about 35 persons, 5 of whom are already based in Dublin. About 10 of the 30 persons based in Stockholm will be affected by the move to London.

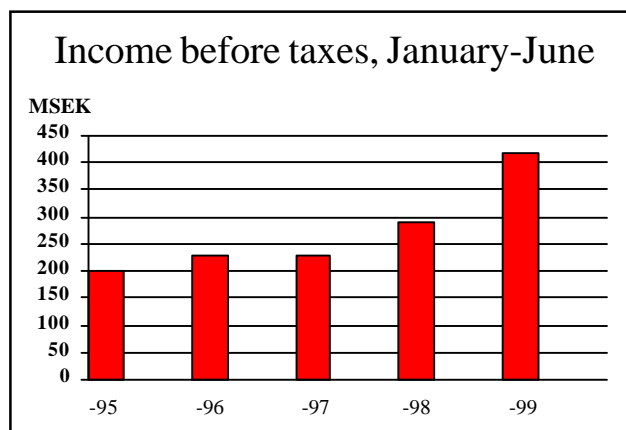
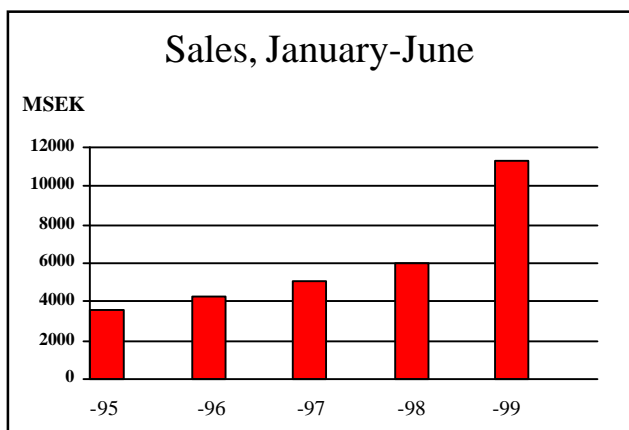
Stockholm will continue to be the domicile of the Company and its Board of Directors. Securitas will continue to be listed solely on the Stockholm Stock Exchange.

Changes in the composition of the Board of Directors

Since VEBA during summer has sold its holding of shares in Securitas AB, Wilhelm Heilmann has chosen to resign from the Board of Directors.

Development during 1999

The previous forecast for the full year 1999 of an increase in earnings per share of about 25 percent remains unchanged.



STOCKHOLM, AUGUST 5, 1999

Thomas Berglund
President and Chief Executive Officer

The Half-Year Report has been subject to a limited review by the company auditors.

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

Income

MSEK	Jan–June 1999	Jan–June 1998	Jan–Dec 1998	Jan–Dec 1997
Sales, continuing operations	6,598.0	5,423.7	11,875.4	9,760.3
Sales, acquired businesses	4,754.5	535.6	1,834.7	1,002.6
Total sales	11,352.5	5,959.3	13,710.1	10,762.9
Production expenses	-9,538.4	-4,792.2	-10,981.5	-8,665.5
Gross income	1,814.1	1,167.1	2,728.6	2,097.4
Selling and administrative expenses	-1,170.1	-775.2	-1,725.8	-1,319.6
Operating income before amortization of goodwill	644.0	391.9	1,002.8	777.8
<i>Operating margin, %</i>	5.7	6.6	7.3	7.2
Amortization of goodwill	-175.1	-66.4	-171.4	-115.5
Operating income after amortization of goodwill	468.9	325.5	831.4	662.3
Net financial items	-50.6	-34.7	-65.3	-48.2
Income before taxes	418.3	290.8	766.1	614.1
<i>Net margin, %</i>	3.7	4.9	5.6	5.7
Taxes paid	-116.9	-59.6	-183.7	-114.4
Deferred taxes	-19.0	-22.0	-60.4	-54.7
Minority interest	-0.3	-0.8	-0.5	0.9
Net income for the period	282.1	208.4	521.5	445.9

Cash Flow

MSEK	Jan–June 1999	Jan–June 1998	Jan–Dec 1998	Jan–Dec 1997
Operating income before amortization of goodwill	644.0	391.9	1,002.8	777.8
Net financial items	-50.6	-34.7	-65.3	-48.2
Taxes paid	-116.9	-59.6	-183.7	-114.4
Adjusted income	476.5	297.6	753.8	615.2
Change in working capital	-319.5	-165.9	-41.7	-57.3
Capital expenditures	-410.6	-320.7	-699.0	-557.4
Depreciation	342.6	253.9	569.6	450.5
Free cash flow	89.0	64.9	582.7	451.0

Balance Sheet

MSEK	June 1999	Dec 1998	June 1998	Dec 1997
Operating capital employed	3,279.1	2,948.5	2,382.2	2,182.1
<i>Return on operating capital employed, %</i>	39.3	34.0	40.0	35.6
<i>Operating capital employed as a % of sales¹⁾</i>	13.2	16.7	19.5	18.8
Goodwill	6,969.1	4,564.0	1,488.6	1,457.4
Shares in associated companies	258.2	261.0	256.4	258.4
Net debt	-1,960.6	-2,418.6	-1,723.1	-1,532.5
Minority interest	1.9	3.9	0.2	0.3
Shareholders' equity	8,543.9	5,351.0	2,403.9	2,365.1
<i>Equity ratio, %</i>	45.9	34.6	30.1	29.9

Data per share

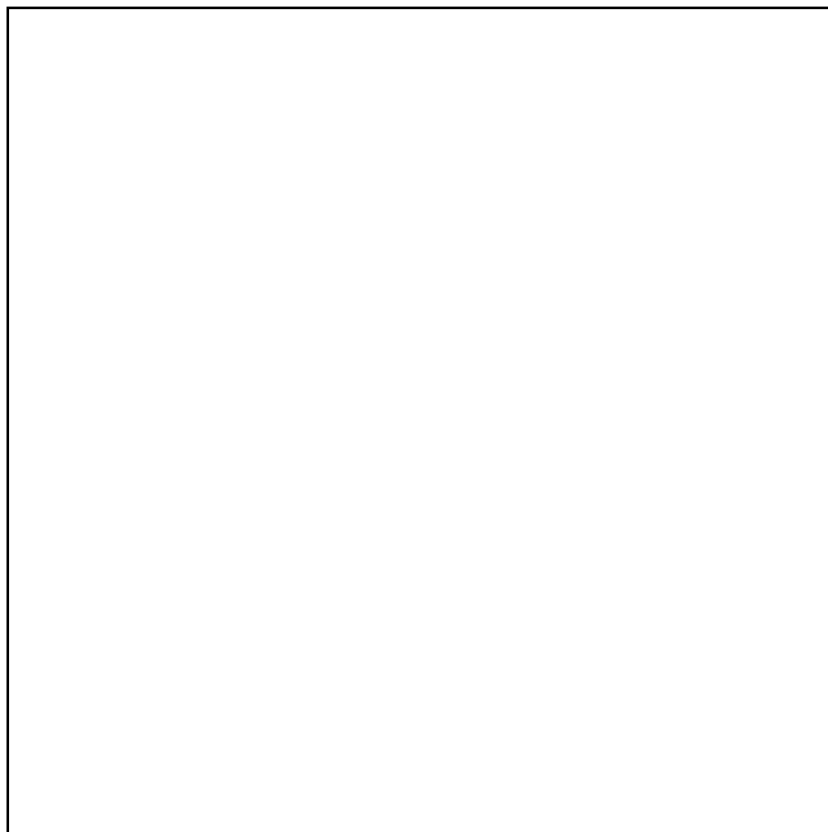
SEK	June 1999	Dec 1998	June 1998	Dec 1997
Stock price, end of period	127.00	126.00	97.60	60.00
Earnings after taxes paid ²⁾	0.91	1.92	0.78	1.70
Earnings after 28 % standard taxes ²⁾	0.91	1.82	0.70	1.50
Earnings after full taxes ²⁾	0.85	1.73	0.70	1.51
Dividend	-	0.85	-	0.69
P/E-ratio ²⁾	71	73	69	40
Number of shares outstanding	356,318,317	325,121,812	293,476,032	292,825,260
Average number of shares ²⁾	341,791,981	313,616,039	305,779,614	305,779,614
Number of shares ²⁾	365,125,314	337,125,314	305,779,614	305,779,614

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

2) After full conversion

Securitas – a World Leader in Security

Securitas is a world leader in security with operations in thirty countries within Guard Services, Alarm Systems and Cash In Transit Services. The number of employees is more than 114,000.



Financial information from Securitas

The Interim Report for January-September is published November 4, 1999.



Integrity Vigilance Helpfulness

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