



Interim Report  
January - June 2003

# Half year results 2003

## Today's agenda

**14.00**

### **Information meeting in Stockholm**

Results presentation followed by Q & A

Live webcast at [www.securitasgroup.com](http://www.securitasgroup.com)

Call in number: +44 (0)20 7162 0179 – listen in only

**16.00**

### **Q & A conference call**

Results highlights followed by Q & A

Call in number: +44 (0)20 7162 0180

# Half year results 2003

## Information meeting

**Introduction**

Henrik Brehmer

**Group & divisional performance**

Thomas Berglund

**Financial review**

Håkan Winberg

**Outlook 2003**

Thomas Berglund

**Q & A**

Thomas Berglund  
Håkan Winberg

**Closing**

Henrik Brehmer

# Full year forecast 2003

- Cash Handling Services
    - Slowdown stronger impact than expected
    - German restructuring on track but slightly higher costs
  - Security Services Europe and USA
    - Slowdown slightly stronger impact than expected
  - Security Systems and Direct
    - Improved performance - outperforming market
- 
- Full Year
    - Approximately 2% organic growth
    - Flat PBT compared to last year

# The base going forward

- Security Services - good development in key drivers
  - Contract portfolio growth in both USA and Europe
  - Client retention up in USA and stable in Europe
  - Prices and wages in balance
  - Employee turnover down in USA and Europe
  
- Systems and Direct
  - refinement gives strong continued growth and margin improvement
  
- Cash Handling Services
  - Non-Euro countries good growth and stable margin
  - USA - result can lift through cost reductions

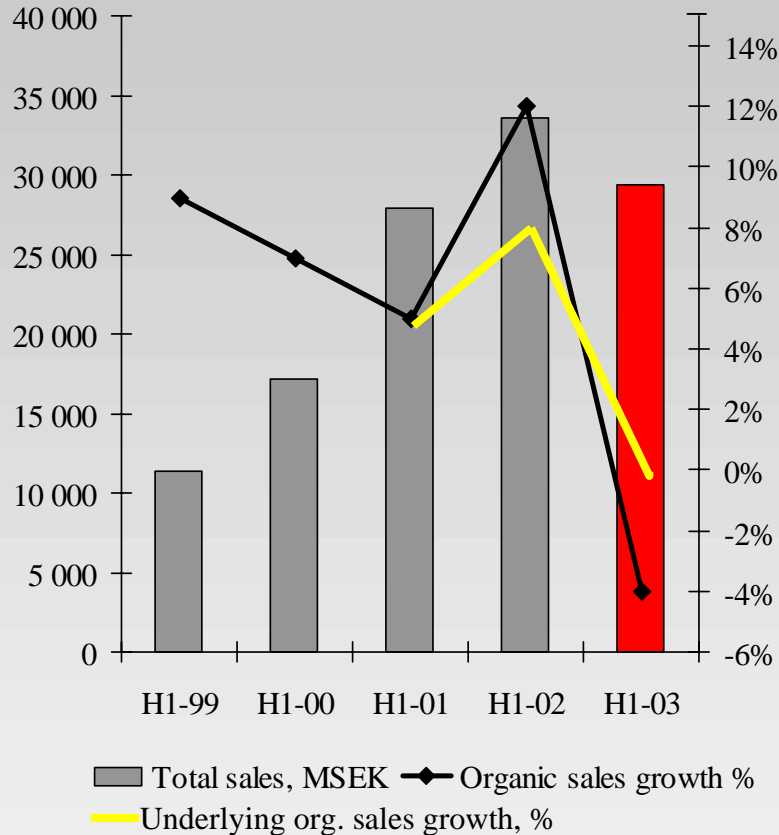
Sound operational and financial base for continued improvement



# Group Performance

January-June 2003

# Total sales & organic sales growth H1 1999-2003



## H1 2003:

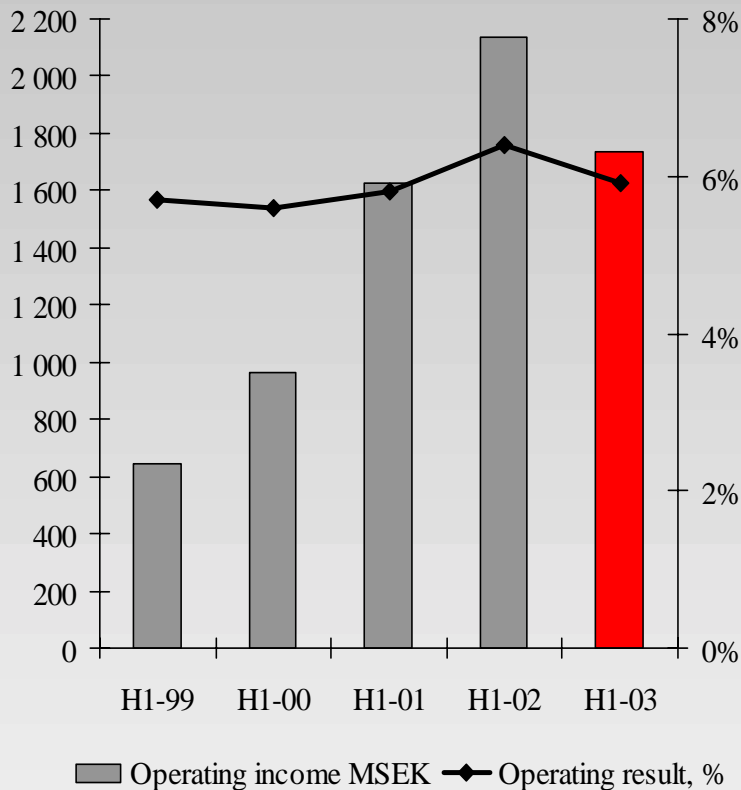
### □ Underlying organic sales growth 0%

- Services USA improving from -6% in Q1 to -4% in Q2
- CHS Germany exiting retail customer segment
- Systems and Direct on track

### □ Total sales growth.

- Weakening US dollar impacts total sales with MSEK 2,800

# Operating income & margin H1 1999-2003



## H1 2003:

### □ Operating Margin

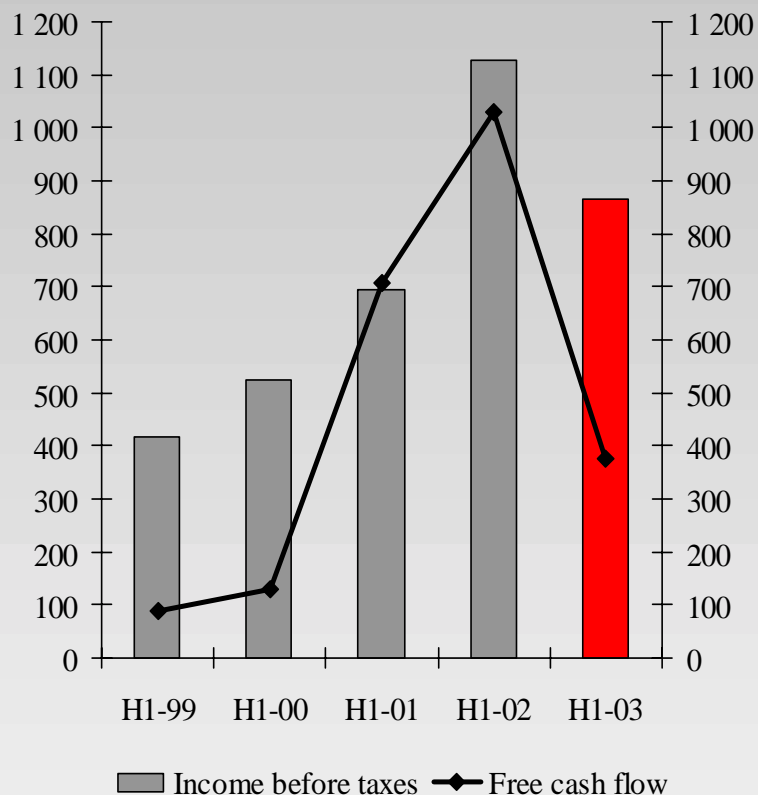
- Services USA tough comparable with high margin post September 11 extra sales
- Services Europe stable but difficult price increases
- Systems and Direct strong development
- CHS Germany burdened by German restructuring of MSEK 148

### □ Operating income

- Negative US dollar impact of MSEK 144



# Income before taxes & free cash flow H1 1999-2003



## H1 2003:

### □ **Income before taxes MSEK 865 (1,128)**

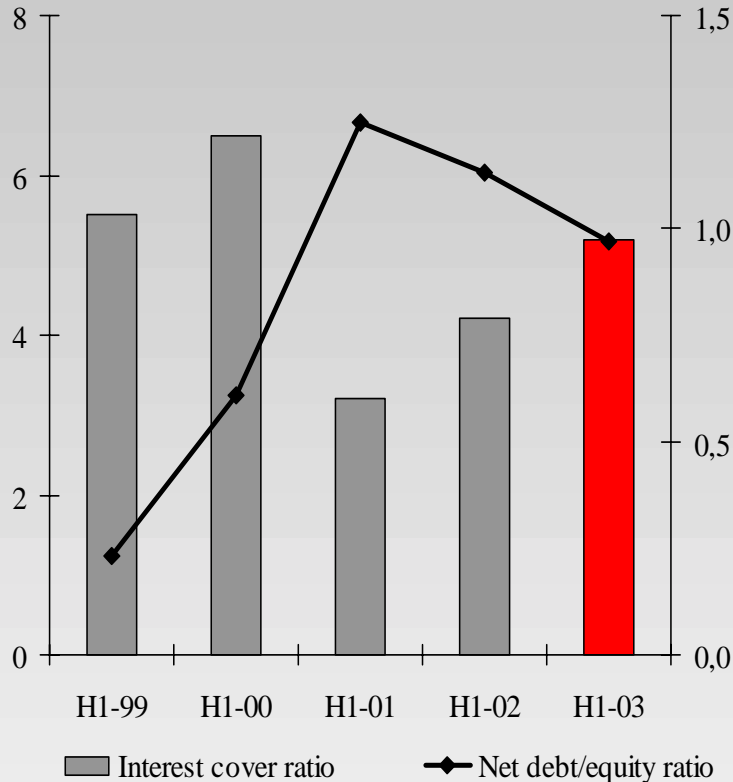
- German losses and restructuring
- Flat development compared to 2002

### □ **Free cash flow MSEK 377 (1,029)**

- Non-recurring items of MSEK 280
- On track for full year 75-80% free cash flow of adjusted income

\* Adjusted income: Operating income (pre goodwill)  
adjusted for net financial items and current taxes

# Interest cover and net debt/equity ratio H1 1999-2003



## H1 2003:

□ Interest cover 5,2 (4,6)

□ Net debt/equity ratio 0.97 (0.85 per December 31, 2003)

Impacted by:

- dividend payment of MSEK 730
- acquisition related payments of ~ MSEK 1,200 during first half 2003

# Return on capital employed H1 1999-2003

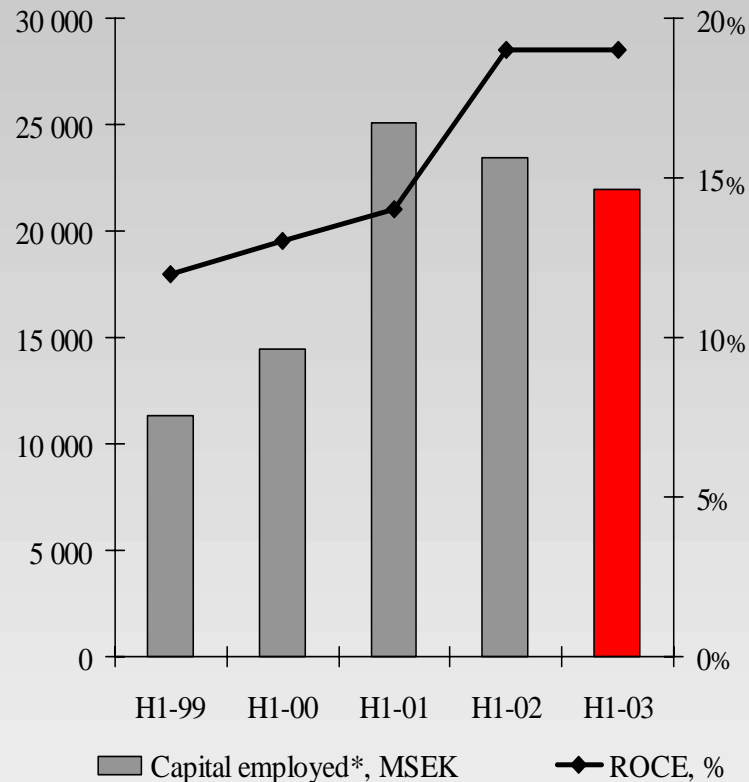
## H1 2003:

### Operating capital employed

- As percentage of sales 10% (9%)
- Stable DSO - 43 days

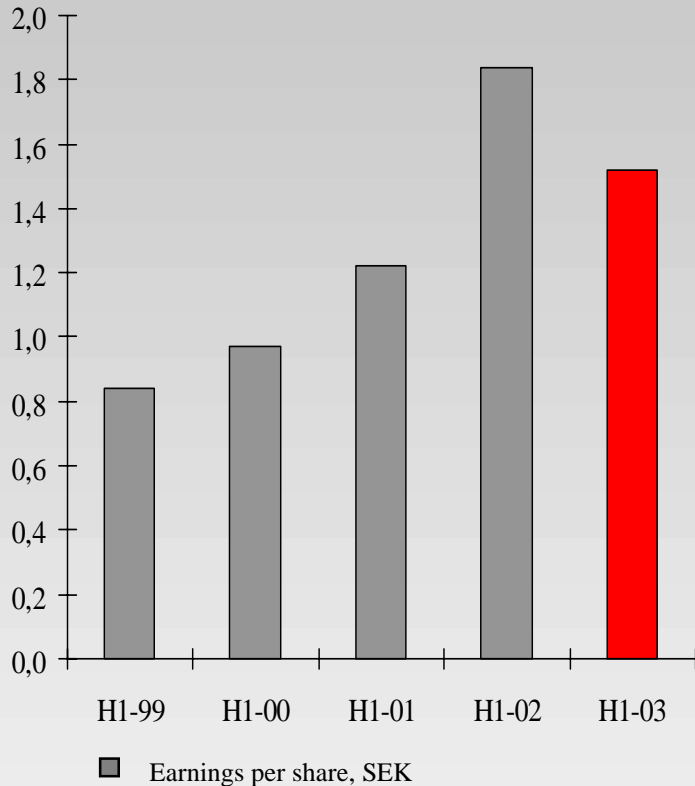
### Return on capital employed\*

- Stable at 19% (19%)
- Group long term target 20%



\* Including goodwill

# Earnings per share H1 1999-2003



## H1 2003:

### □ Earnings per share

– SEK 1.52 (1.84)

### □ Full tax

– 37.8 (40.3%)



# Divisional Performance

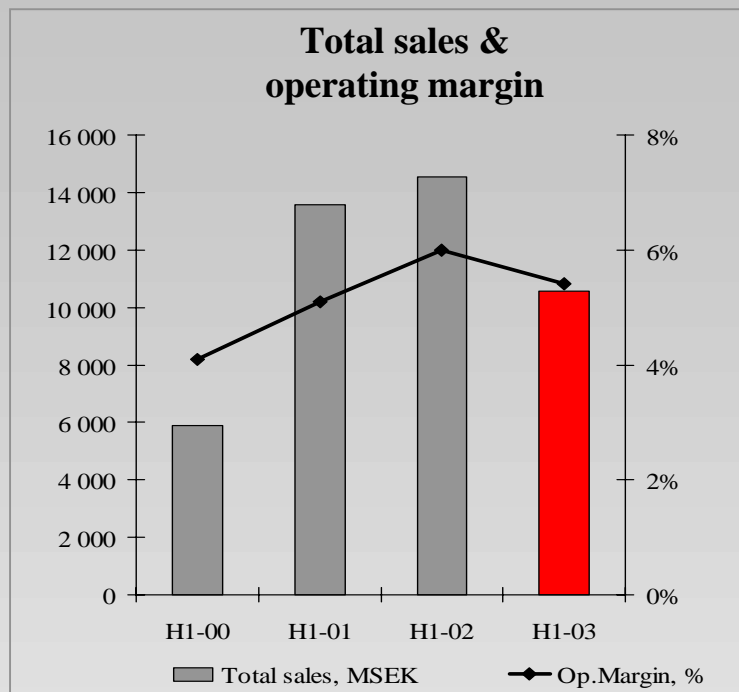
January-June 2003

# Security Services USA

MSEK	Q2 2003	Q2 2002	H1 2003	H1 2002
<b>Total sales</b>	<b>5,150</b>	<b>7,115</b>	<b>10,577</b>	<b>14,522</b>
<i>Organic sales growth, %*</i>	-13%	14%	-11%	11%
<i>Underlying org. sales growth, %*</i>	-4%	3%	-5%	4%
<b>Operating income</b>	<b>285</b>	<b>434</b>	<b>576</b>	<b>875</b>
<i>Operating margin, %</i>	5.5%	6.1%	5.4%	6.0%
<i>Op. cap. employed as % of sales</i>	-	-	7%**	6%**
<b>Capital employed</b>	-	-	<b>6,990</b>	<b>8,546</b>
<i>ROCE, %</i>	-	-	20	21

\* Total sales growth adjusted for currency effects, acquisitions and divestments

\*\* Calculated after the reversal of the sale of accounts receivable of MSEK 1,777 (1,953)



- ❑ Contract portfolio grows by 4%
- ❑ Client retention improves from 86% to 88% during H1
- ❑ Employee turnover from 70% to 60% during H1
- ❑ Prices are up 2%, wages up 1.5%

Key drivers indicate upturn

# One company - one entity - one identity

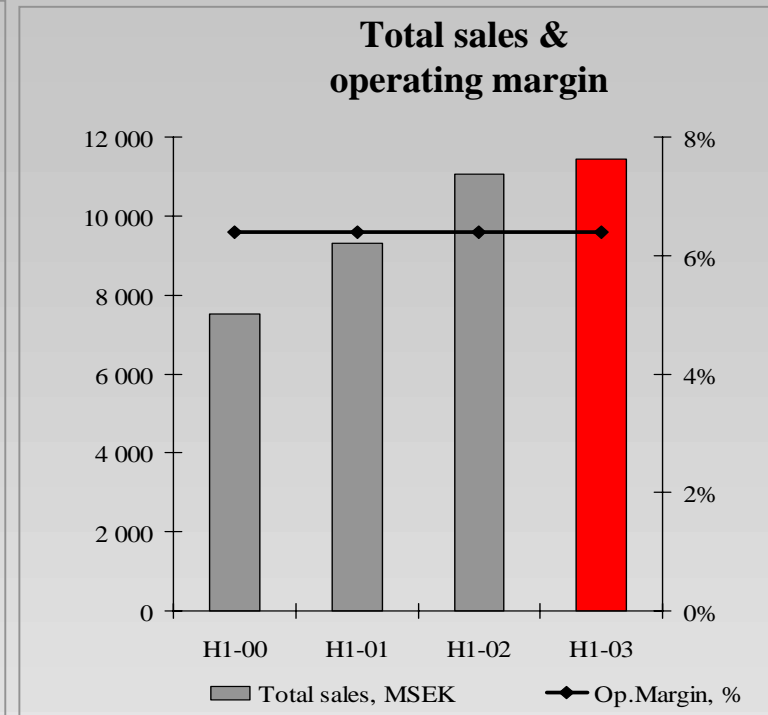
- ❑ All operations under the Securitas name 1 July 2003
- ❑ One legal entity 1 July 2003
- ❑ Last phase of IT platform under implementation

Positive reception - No disturbances

# Security Services Europe

MSEK	Q2 2003	Q2 2002	H1 2003	H1 2002
<b>Total sales</b>	<b>5,766</b>	<b>5,630</b>	<b>11,428</b>	<b>11,050</b>
<i>Organic sales growth, %*</i>	5%	11%	5%	10%
<b>Operating income</b>	<b>377</b>	<b>369</b>	<b>736</b>	<b>708</b>
<i>Operating margin, %</i>	6.5%	6.6%	6.4%	6.4%
<i>Op. cap. employed as % of sales</i>	-	-	10%	11%
<b>Capital employed</b>	-	-	<b>7,127</b>	<b>6,979</b>
<i>ROCE, %</i>	-	-	22	21

\* Total sales growth adjusted for currency effects, acquisitions and divestments



- ❑ Contract portfolio grows by 6%
- ❑ Client retention is stable above 90%
- ❑ Employee turnover is stable around 30%
- ❑ Prices and wages are up by 4%

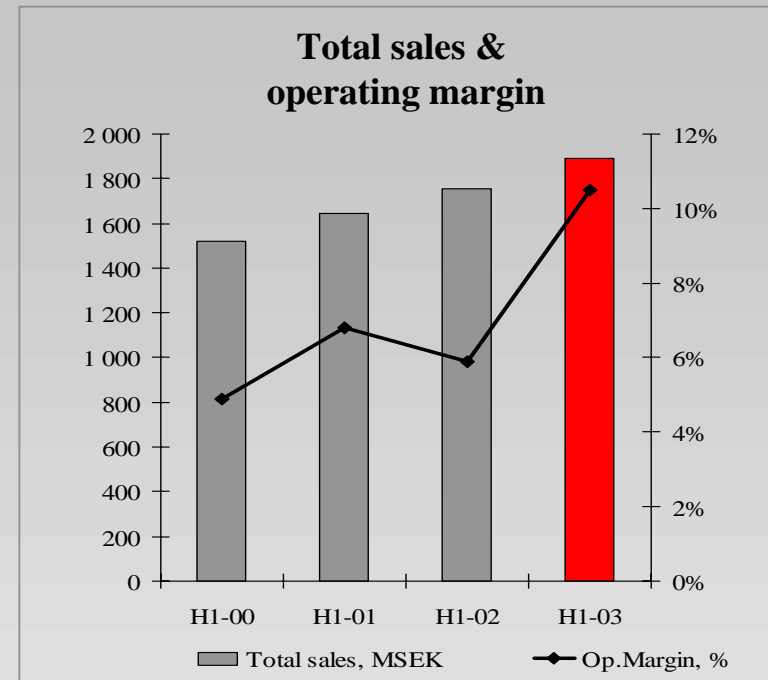
Key drivers  
indicate upturn



# Security Systems

MSEK	Q2 2003	Q2 2002	H1 2003	H1 2002
<b>Total sales</b>	<b>971</b>	<b>926</b>	<b>1,889</b>	<b>1,752</b>
<i>Organic sales growth, %*</i>	5%	9%	6%	5%
<b>Operating income</b>	<b>118</b>	<b>65</b>	<b>197</b>	<b>104</b>
<i>Operating margin, %</i>	12,2%	7,0%	10,4%	5,9%
<i>Op. cap. employed as % of sales</i>	-	-	21%	19%
<b>Capital employed</b>	-	-	<b>1,367</b>	<b>1,350</b>
<i>ROCE, %</i>	-	-	26	16

\* Total sales growth adjusted for currency effects, acquisitions and divestments

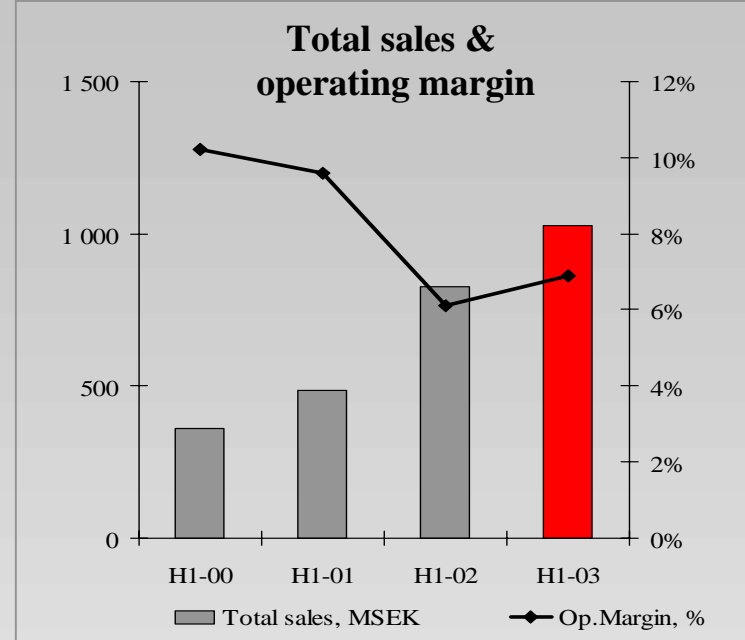


- ❑ Europe gaining market share
- ❑ Good development of orders received and service portfolio
- ❑ Spain, Sweden, France and Norway show strong improvement
- ❑ US at breakeven - organic growth

# Direct

MSEK	Q2 2003	Q2 2002	H1 2003	H1 2002
<b>Total sales</b>	<b>526</b>	<b>445</b>	<b>1,025</b>	<b>825</b>
<i>Organic sales growth, %*</i>	<i>17%</i>	<i>14%</i>	<i>19%</i>	<i>13%</i>
<b>Operating income</b>	<b>41</b>	<b>28</b>	<b>70</b>	<b>50</b>
<i>Operating margin, %</i>	<i>7.8%</i>	<i>6.3%</i>	<i>6.9%</i>	<i>6.1%</i>
<i>Op. cap. employed as % of sales</i>	-	-	28%	26%
<b>Capital employed</b>	-	-	<b>1,136</b>	<b>929</b>
<i>ROCE, %</i>	-	-	13	13

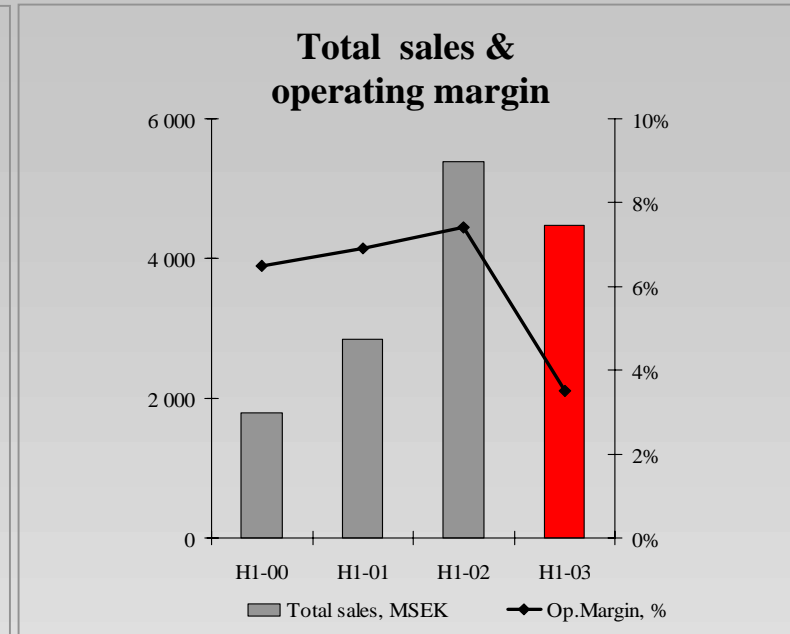
\* Total sales growth adjusted for currency effects, acquisitions and divestments



- ❑ New sales of installations increase more than 40%
- ❑ New wireless concept - 75% of new sales
- ❑ Total increase of 22% in number of connections

# Cash Handling Services

MSEK	Q2 2003	Q2 2002	H1 2003	H1 2002
<b>Total sales</b>	<b>2168</b>	<b>2548</b>	<b>4,482</b>	<b>5,384</b>
<i>Organic sales growth, %*</i>	-4,2%	18%	-7%	36%
<i>Underlying org. sales growth, %*</i>	-4%	18%	-2%	25%
<b>Operating income</b>	<b>13</b>	<b>165</b>	<b>157</b>	<b>400</b>
<i>Operating margin, %</i>	0.6%	6.5%	3.5%	7.4%
<i>Op. cap. employed as % of sales</i>	-	-	25%	25%
<b>Capital employed</b>	-	-	<b>5,304</b>	<b>5,639</b>
<i>ROCE, %</i>	-	-	10	15

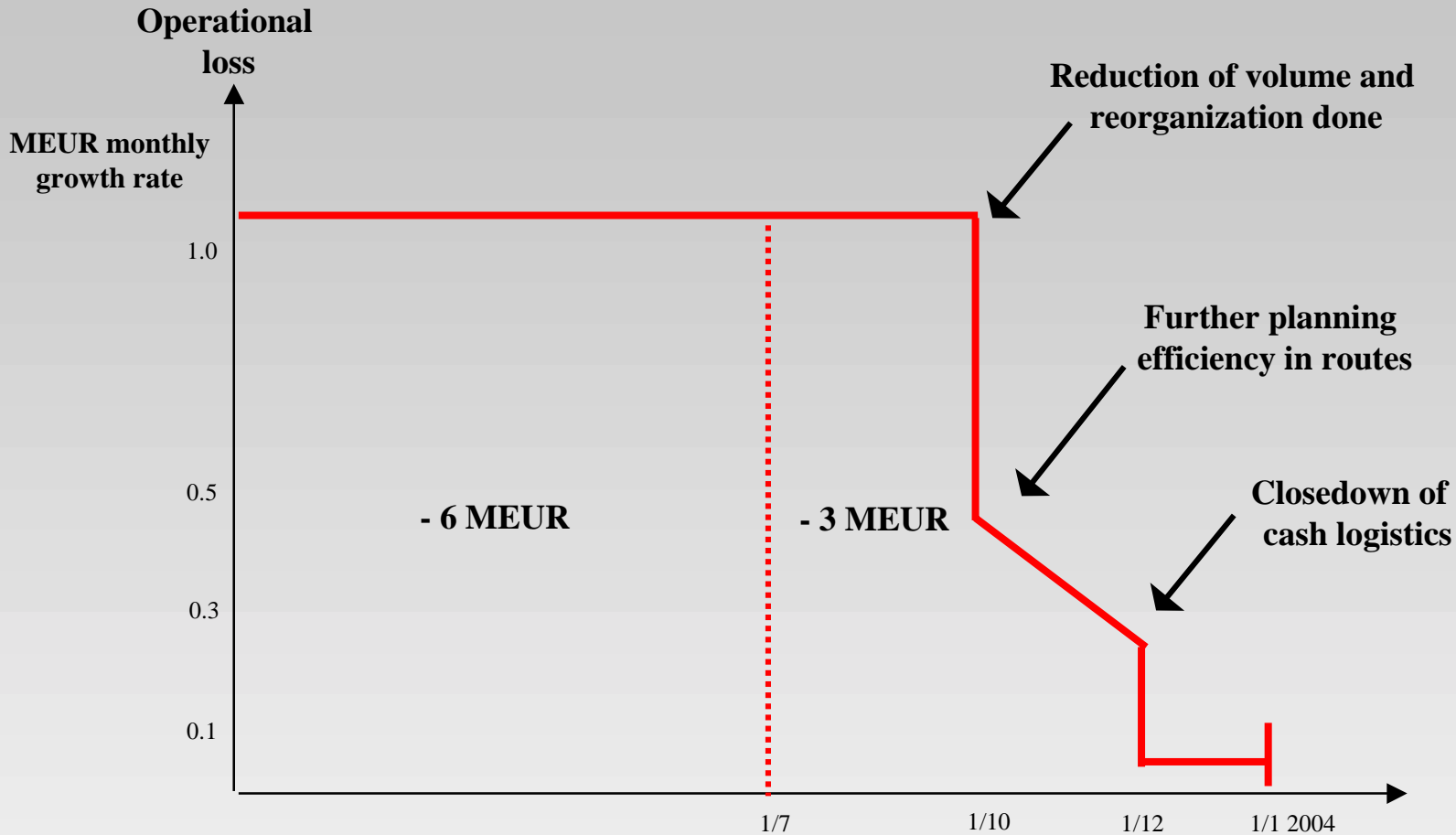


\* Total sales growth adjusted for currency effects, acquisitions and divestments

- ❑ USA slower than anticipated due to contract loss - cost reduction opportunity
- ❑ German restructuring on track - MSEK 148 in total ongoing losses and restructuring costs
- ❑ Rest of Europe acceptable performance - operating margin 8%, cash flow 93%, return on total capital 21%



# Restructuring in Germany



**Reduction of:**

<b>employees</b>	<b>900</b>	} - 40% on cost structure	⇒ Break even at year end 2003
<b>vehicles</b>	<b>250</b>		
<b>branches</b>	<b>10</b>		





# Financial Review

January-June 2003

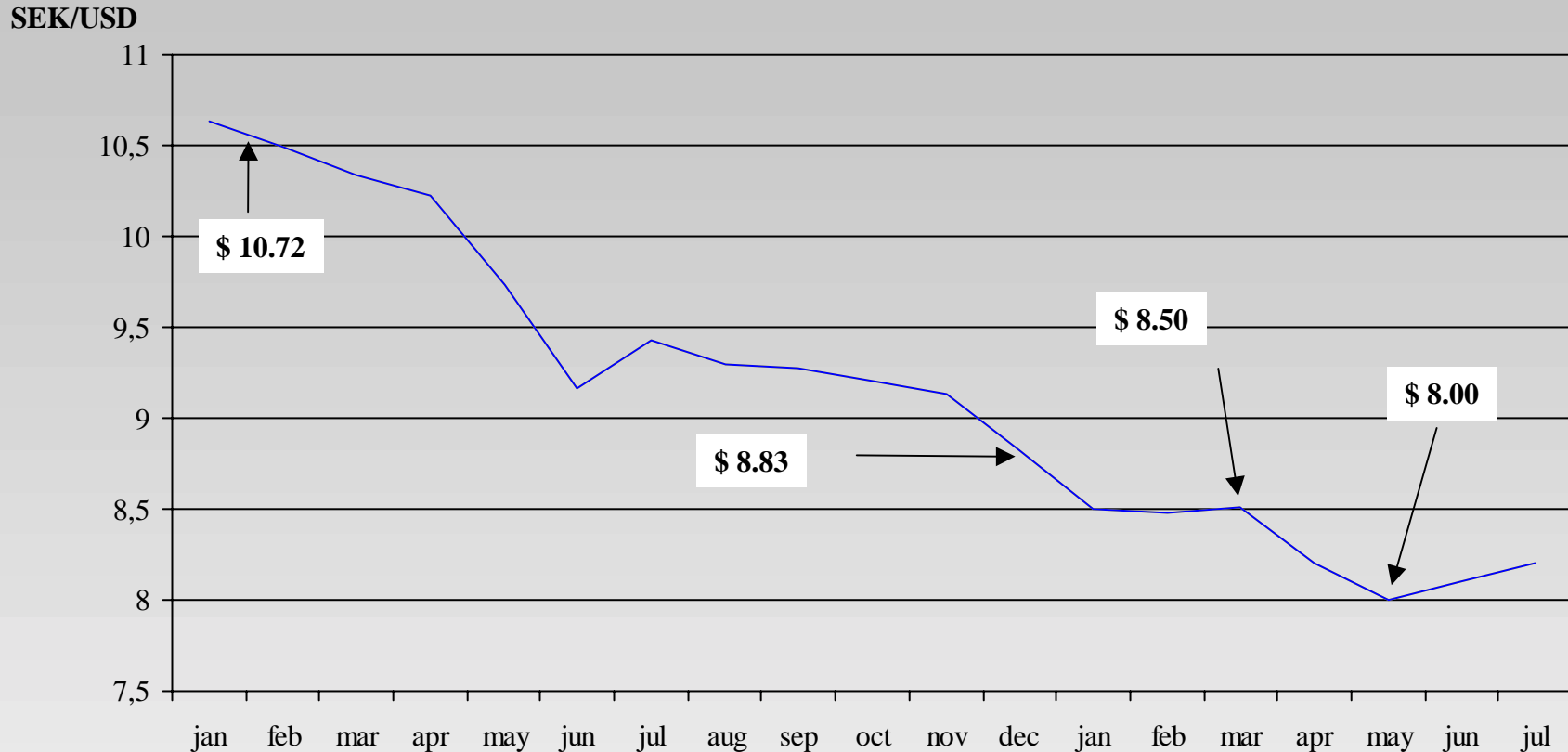
# Sales and organic growth

	April-June			January-June		
	2003	2002	<i>Growth % (last year)</i>	2003	2002	<i>Growth % (last year)</i>
<b>Total sales</b>	<b>14,581</b>	<b>16,664</b>	<b>-12 (13)</b>	<b>29,400</b>	<b>33,533</b>	<b>-12 (20)</b>
Acquisitions/divestitures	-161	-107		-341	-186	
Currency change from 2002	1,456	n/a		3,056	n/a	
<b>Organic sales</b>	<b>15,876</b>	<b>16,557</b>	<b>-4 (14)</b>	<b>32,115</b>	<b>33,347</b>	<b>-4 (12)</b>
Euro introduction	-	-	-	-	-270	-
Federalized airport operations	-	-697	-	-	-1,010	-
<b>Underlying organic sales</b>	<b>15,876</b>	<b>15,860</b>	<b>0 (12)</b>	<b>32,115</b>	<b>32,067</b>	<b>0 (9)</b>

# Income before tax and growth

	April-June			January-June		
	2003	2002	Change,% (last year)	2003	2002	Change,% (last year)
<b>Income before tax</b>	<b>393</b>	<b>563</b>	<b>-30 (50)</b>	<b>865</b>	<b>1,128</b>	<b>-23 (63)</b>
Currency change	-3	n/a		16	n/a	
<b>Income</b>	<b>390</b>	<b>563</b>	<b>-31 (57)</b>	<b>881</b>	<b>1,128</b>	<b>-22 (66)</b>
Euro introduction	-	-	-	-	-25	-
Federalized airport operations	-	-45	-	-	-65	-
<b>Underlying income</b>	<b>390</b>	<b>518</b>	<b>-25 (47)</b>	<b>881</b>	<b>1,038</b>	<b>-15 (55)</b>

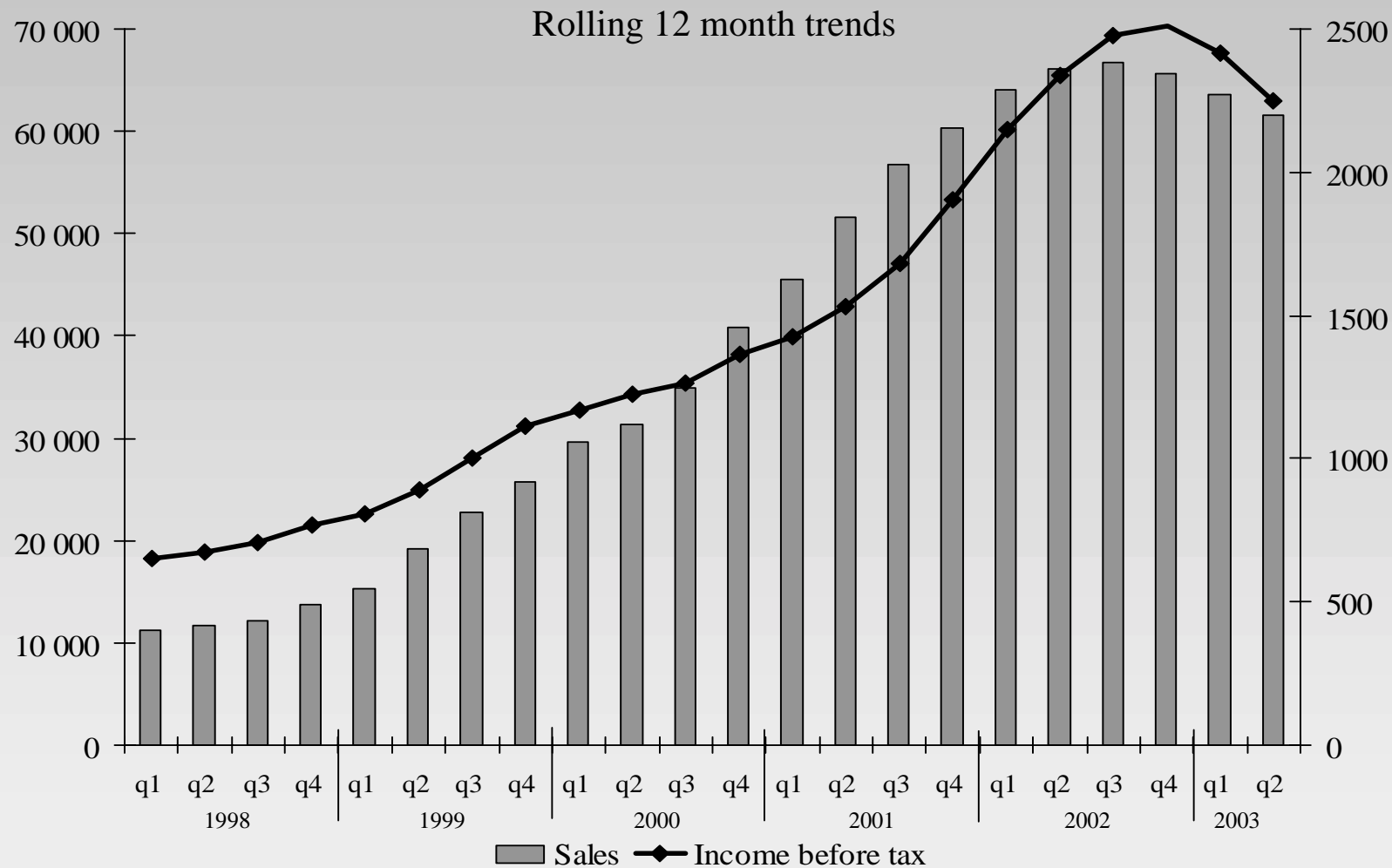
# Currency effects (SEK/USD exch. rate)



Income before tax 2002 excl. Euro introduction and federalized airport operations calculated using SEK/USD rate 8 ~ MSEK 2,200



# Sales & income before tax 1998-2003



# Cash flow

	QUARTER 2		HALF YEAR		FULL YEAR		
	2003	2002	2003	2002	2002	2001	2000
<b>Operating income before amort. of goodwill</b>	<b>835</b>	<b>1,060</b>	<b>1,736</b>	<b>2,136</b>	<b>4,458</b>	<b>3,855</b>	<b>2,560</b>
Capital expenditure on operations	-411	-518	-890	-898	-1,746	-1,764	-1,202
Depreciation (excluding amort. of goodwill)	384	368	760	742	1,494	1,377	942
Changes in other op. capital employed	-292	-2,4	-773	-334	982	-165	-122
<b>Cash flow from operating activities</b>	<b>517</b>	<b>908</b>	<b>833</b>	<b>1,646</b>	<b>5,188</b>	<b>3,303</b>	<b>2,178</b>
<i>Cash flow, %</i>	<i>62</i>	<i>86</i>	<i>48</i>	<i>77</i>	<i>116</i>	<i>86</i>	<i>85</i>
Net financial items paid	-120	-198	-245	-348	-795	-775	-503
Income taxes paid	-265	-28	-211	-269	-678	-575	-586
<b>Free cash flow*</b>	<b>132</b>	<b>683</b>	<b>377</b>	<b>1,029</b>	<b>3,715</b>	<b>1,953</b>	<b>1,089</b>
<i>Free cash flow, %</i>	<i>25</i>	<i>106</i>	<i>35</i>	<i>80</i>	<i>122</i>	<i>80</i>	<i>64</i>

Free cash flow excluding non-recurring payments of MSEK 280 was 60% of adjusted income - full year target 75 - 80%

\* Operating cash flow (pre goodwill) adjusted for net financial items and current taxes



# Return on capital employed

	2003 H1	2002 Dec	Sep	Jun	Mar	2001 Dec
Operating capital employed	5780	4 891	5 813	6 164	5 645	5 854
<i>In percent of sales</i>	<b>10</b>	<b>7</b>	<b>9</b>	<b>9</b>	<b>8</b>	<b>9</b>
Goodwill & minorities	16143	16 672	17 322	17 282	18 942	18 682
Capital employed	21924	21 563	23 135	23 446	24 587	24 536
<i>Return on capital employed</i> *)	<b>19</b>	<b>21</b>	<b>19</b>	<b>19</b>	<b>17</b>	<b>16</b>
Net debt / equity	<b>0.97</b>	<b>0.85</b>	<b>1.03</b>	<b>1.13</b>	<b>1.10</b>	<b>1.05</b>

Target of 20% achievable for all divisions



Outlook 2003

Thomas Berglund

CEO

# Forecast 2003

## Q1 Forecast

## Q2 Forecast

Division	Sales Growth	Operating Margin	Where are we now?
Services USA	Speeding up H2	Flat	Slightly behind – key drivers positive
Services Europe	≈ 6 %	Continued increase	Slightly behind – key drivers positive
Systems	Speeding up from last year's 6 %	Substantial increase	Slightly better
Direct	Back around 25%	Strong increase	Unchanged
CHS	Limited	Limited increase	Slower than anticipated
Total Group	3-4%	+0.3pp	~ 2% Organic growth      ~ Flat margin

# Outlook 2003

For 2003 an underlying organic sales growth of approximately 2 percent is expected and income before tax is expected to be in line with the underlying income before tax 2002, including restructuring charges but excluding exchange rate effects



*Integrity Vigilance Helpfulness*