



*Security solutions  
through people*

## Full Year Report January – December 2006

Stockholm, 9 February 2007

# Agenda

## Information meeting – Full Year 2006

- Introduction *Henrik Brehmer*
- Highlights 2006 *Thomas Berglund*
- Divisional Performance *Thomas Berglund*
- Financial Review *Håkan Winberg*
- Summary *Thomas Berglund*
- Q&A *Thomas Berglund/Håkan Winberg*
- Closing *Henrik Brehmer*



## Highlights 2006

# Highlights 2006

- **Four focused security companies created**
  - Securitas Systems and Securitas Direct successfully listed
  - Loomis separated and on track to be listed H2 2007
  - New management in place in Securitas
- **Stable and improving operations in Security Services and Loomis**
- **Income before tax includes provisions of MSEK -2,060**
- **Proposed dividend SEK 3,10 maintaining 2005 level (if Securitas Systems dividend of SEK 0,40 is included)**



# Financial Highlights 2006

MSEK	Q4 2006	Q4 2005	Total change %	FY 2006	FY 2005	Total change %
<b>Sales</b>	15,180	15,437	-2	60,523	58,201	4
<i>Organic sales growth, %</i>	5	5		6	4	
<b>Operating income before amortization</b>	996	1,030	-3	3,591	3,526	2
<i>Operating margin, %</i>	6.6	6.7		5.9	6.1	
<i>Real change, %</i>	3	9		4	5	
<b>Income before taxes and items affecting comparability</b>	844	883	-4	2,943	2,992	-2
<i>Real change, %</i>	2	15		4	8	
<b>Income before taxes</b>	-659	732	-	883	2,841	-69
<b>Net income for the period, continuing operations</b>	-550	556	-	513	2,158	-
Net income for the period, discontinued operations	-	199	-	339	556	-
<b>Net income for the period, all operations</b>	-550	755	-	852	2,714	-
Earnings per share, before items affecting comparability, continuing operations (SEK)	1.70	1.91	-11	5.97	6.24	-4
Earnings per share, continuing operations (SEK)	-1.50	1.51	-	1.41	5.84	-76
Earnings per share, discontinued operations (SEK)	-	0.53	-	0.90	1.47	-39
Earnings per share, all operations (SEK)	-1.50	2.04	-	2.31	7.31	-68

*Increased organic sales growth  
and stable margins*



# Items Affecting Comparability

	<u>Income</u>		<u>Cash Flow</u>
	Q4 2006	FY 2006	FY 2006
Security Services	-333	-333	-4
Cash Handling Services	-1,138	-1,511	-
Group	-32	-216	-125
<b>Total</b>	<b>-1,503</b>	<b>-2,060</b>	<b>-129</b>

*A clean cut*

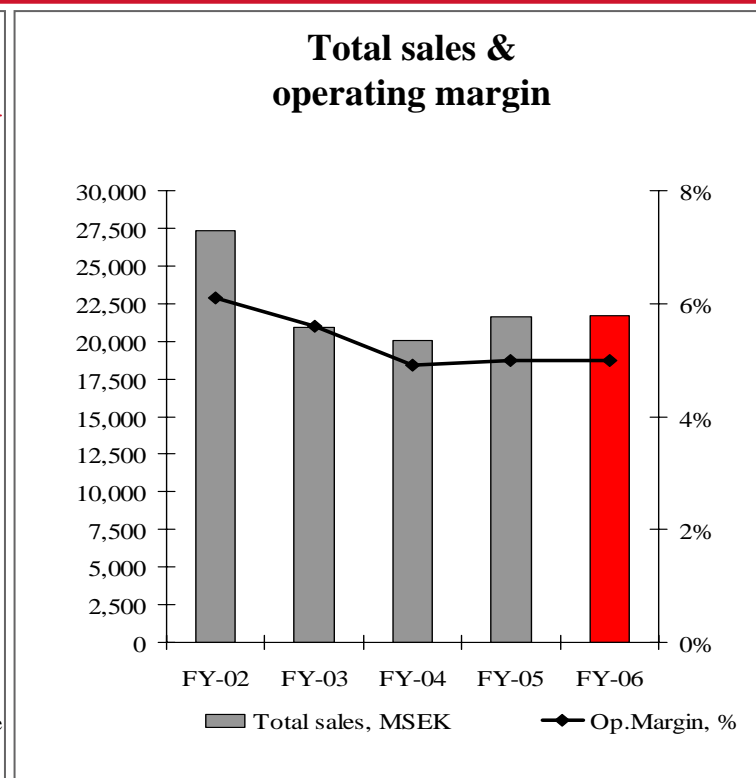


## Divisional Performance

# Security Services USA

MSEK	Q4 2006	Q4 2005	FY 2006	FY 2005
<b>Total sales</b>	<b>5,373</b>	<b>5,980</b>	<b>21,736</b>	<b>21,616</b>
<i>Organic sales growth, %</i>	3	8	5	4
<b>Operating income</b>	<b>283</b>	<b>331</b>	<b>1,088</b>	<b>1,080</b>
<i>Operating margin, %</i>	5.3	5.5	5.0	5.0
<i>Real change, %</i>	-2	35	4	6
<b>Operating capital employed</b>	-	-	<b>1,163</b>	<b>1,123</b>
<i>Op. cap employed as % of sales<sup>1</sup></i>	-	-	6	5
<b>Capital employed</b>	-	-	<b>7,116</b>	<b>8,034</b>
<i>ROCE, %<sup>1</sup></i>	-	-	15	13

<sup>1</sup> Calculation is based on end rates for balance sheet and average rates for the statement of income. The calculation excludes the impact from items affecting comparability



- Continued positive trend in organic sales growth and margin – fourth quarter organic sales growth impacted by tough comparatives from the Hurricanes in 2005
- Strong new sales and portfolio growth
- GM contract retained and expanded from 1 January 2007, annual sales 130 MUSD

## Key Drivers: (annualized)

- Contract portfolio growth 5%
- Wages and prices up 2 %
- Client retention >90 %
- Employee turnover 70%

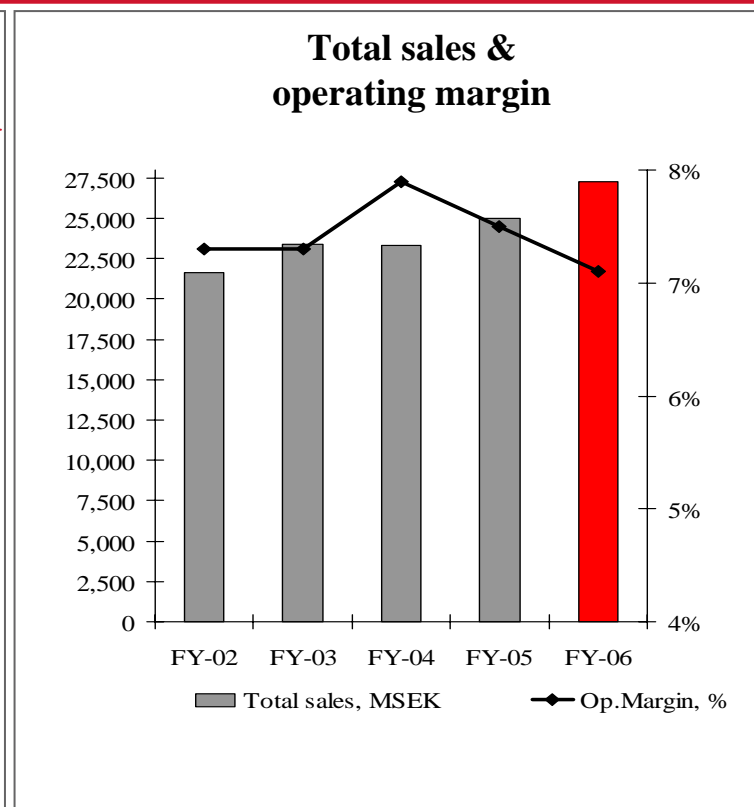




# Security Services Europe

MSEK	Q4 2006	Q4 2005	FY 2006	FY 2005
<b>Total sales</b>	<b>6,959</b>	<b>6,496</b>	<b>27,305</b>	<b>24,996</b>
<i>Organic sales growth, %</i>	7	4	7	5
<b>Operating income</b>	<b>543</b>	<b>531</b>	<b>1,937</b>	<b>1,874</b>
<i>Operating margin, %</i>	7.8	8.2	7.1	7.5
<i>Real change, %</i>	5	-5	4	-1
<b>Operating capital employed</b>	-	-	<b>1,216</b>	<b>1,288</b>
<i>Op. cap employed as % of sales<sup>1</sup></i>	-	-	5	5
<b>Capital employed</b>	-	-	<b>7,235</b>	<b>7,165</b>
<i>ROCE, %<sup>1</sup></i>	-	-	26	26

<sup>1</sup> Calculation is based on end rates for balance sheet and average rates for the statement of income. The calculation excludes the impact from items affecting comparability



- Strong development of portfolio and organic sales growth
- Aviation Security now stable and improving
- Operating margin affected by one off effects - but now stable

## Key Drivers: (annualized)

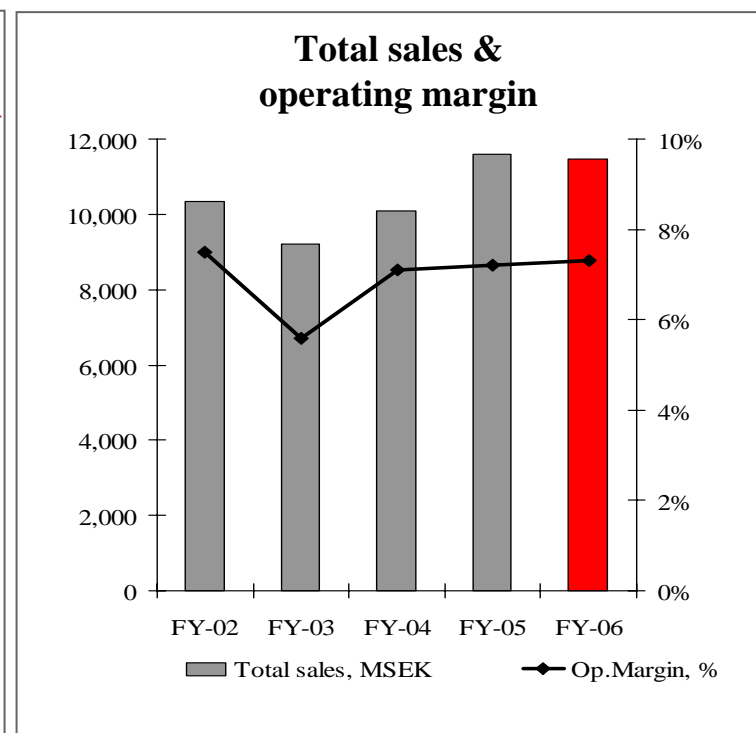
- Contract portfolio growth 5 %
- Wages and prices up 1.5 %
- Client retention > 90 %
- Employee turnover 35%



# Cash Handling Services

MSEK	Q4 2006	Q4 2005	FY 2006	FY 2005
<b>Total sales</b>	<b>2,844</b>	<b>2,960</b>	<b>11,474</b>	<b>11,581</b>
<i>Organic sales growth, %</i>	4	1	5	2
<b>Operating income</b>	<b>238</b>	<b>245</b>	<b>838</b>	<b>831</b>
<i>Operating margin, %</i>	8.4	8.3	7.3	7.2
<i>Real change, %</i>	4	6	3	14
<b>Operating capital employed</b>	-	-	<b>1,158</b>	<b>2,372</b>
<i>Op. cap employed as % of sales<sup>1</sup></i>	-	-	22	20
<b>Capital employed</b>	-	-	<b>3,674</b>	<b>5,251</b>
<i>ROCE, %<sup>1</sup></i>	-	-	16	16

<sup>1</sup> Calculation is based on end rates for balance sheet and average rates for the statement of income. The calculation excludes the impact from items affecting comparability on both the income statement and balance sheet



- Positive development of organic sales growth and stability in operating margin in spite of a turbulent 2006
- Successful integration of Valiance – strong organic sales growth and significantly improved operating margin in France
- Improved organic sales growth in the U.S. but margin still under pressure – new president for all U.S. operations appointed October 2006
- Operating margin affected by one off effects - but now stable

# Securitas Cash Management Ltd. SCM

- SCM is a company jointly owned by Loomis (75 percent) and HSBC and Barclays (12.5 percent respectively)
- SCM was created when the two banks in 2001 decided to outsource their handling of third party physical cash in UK
- During 2002–2004, 28 cash centres were reduced to 11 and the efficiency of the operations were improved
- An IT-system was introduced during this period to keep fully automated track of all third party cash received, processed, stored and distributed by the cash centres
- SCM's operation is now under control

*Performing a high quality service to the banks*



# Securitas Cash Management Ltd. SCM – cont.

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- Manual procedures created room for errors
- Historical variances discovered and communicated to the market third quarter 2005 and onward
- Estimated historical variance 61 MGBP as of 31 December 2006
- Continued efforts to solve the problem

*A provision of 61 MGBP deemed justified*



## Financial Review

# Income

MSEK	Jan-Dec 2006	Jan-Dec 2005
<b>Total sales</b>	<b>60,523.0</b>	<b>58,200.6</b>
<i>Organic sales growth, %</i>	<i>6</i>	<i>4</i>
<i>Change y/y, %</i>	<i>4</i>	<i>9</i>
<b>Operating income bef. amortization</b>	<b>3,591.1</b>	<b>3,526.0</b>
<i>Operating margin, %</i>	<i>5.9</i>	<i>6.1</i>
<i>Real change, y/y, %</i>	<i>4</i>	<i>5</i>
<i>Change y/y, %</i>	<i>2</i>	<i>8</i>
Amortization of acq rel. int. fixed assets	-93.3	-98.1
Restructuring costs	-0.4	-1.1
Items affecting comparability	-2,060.2	-150.6
Operating result after amortization	1,437.2	3,276.2
<i>Real change, y/y, %</i>	<i>-54</i>	<i>1</i>
<i>Change y/y, %</i>	<i>-56</i>	<i>4</i>
Financial income and expense	-519.8	-483.2
Revaluation of financial instr.	-35.8	36.2
Shares in associated companies	1.2	11.8
<b>Income before tax</b>	<b>882.8</b>	<b>2,841.0</b>
<i>Real change, y/y, %</i>	<i>-67</i>	<i>4</i>
<i>Change y/y, %</i>	<i>-69</i>	<i>7</i>
Income taxes	-369.3	-683.0
%	41.8%	24.0%
<b>Net income for the period</b>	<b>513.5</b>	<b>2,158.0</b>
Earnings per share, before items affecting comparability	5.97	6.24
Earnings per share	1.41	5.84

## COMMENTS:

- Significant impact from items affecting comparability – PBT adjusted is MSEK 2,943
- Finance net includes MSEK -23 from Sunflower
- Revaluation of financial instruments impacts PBT with MSEK -72
- Tax rate adjusted for items affecting comparability is 25.5% in 2006
- Adjusted EPS is SEK 5.97 in 2006



# Cash Flow

MSEK	Jan-Dec 2006	Jan-Dec 2005
<b>Operating activities</b>		
Operating income before amortization	3,591.1	3,526.0
Investment in fixed assets	-1,511.8	-1,496.0
Reversal of depreciation	1,477.9	1,509.7
Change in accounts receivable	-702.6	-311.8
Changes in other operating capital employed	210.5	399.9
<b>Cash flow from operational activities</b>	<b>3,065.1</b>	<b>3,627.8</b>
<i>Cash flow from operational activities, %</i>	<i>85</i>	<i>103</i>
Financial income and expenses paid	-516.1	-445.3
Current taxes paid	-769.0	-796.9
<b>Free cash flow</b>	<b>1,780.0</b>	<b>2,385.6</b>
<i>Free cash flow, %</i>	<i>75</i>	<i>105</i>
Cash flow from investing activities, acquisitions	-361.2	-862.5
Cash flow from items affecting comparability	-129.3	19.5
Cash flow from financing activities	-1,106.3	-3,313.5
<b>Cash flow for the period, continuing operations</b>	<b>183.2</b>	<b>-1,770.9</b>
Cash flow for the period, discontinued operations	-1,251.0	2,026.2
<b>Cash flow for the period, all operations</b>	<b>-1,067.8</b>	<b>255.3</b>
<i>Free cash flow/Net debt</i>	<i>0.18</i>	<i>0.20</i>

## COMMENTS:

- Stable operating cash flow in both Security Services and Cash Handling – 80-90 percent of operating income
- Free cash flow in line with group target – 75 percent
- Free cash flow/Net debt in line with group target, 0.18
- Cash flow from provisions, MSEK -129



# Capital Employed and Financing

MSEK	Dec 31, 2006	Dec 31, 2005
<b>Operating capital employed, continuing operations</b>	<b>4,669.2</b>	<b>5,923.7</b>
<i>Operating capital employed as % of sales, continuing operations</i>	8	10
<i>Return on operating capital employed, continuing operations, %</i>	29	60
Goodwill, continuing operations	14,031.6	15,317.6
Acquisition related intangible fixed assets, continuing operations	464.2	359.3
Shares in associated companies, continuing operations	172.7	178.6
<b>Capital employed, continuing operations</b>	<b>19,337.7</b>	<b>21,779.2</b>
<i>Return on capital employed, continuing operations %</i>	8	16
Capital employed, discontinued operations	-	4,738.5
<b>Capital employed, all operations</b>	<b>19,337.7</b>	<b>26,517.7</b>
<b>Net debt, all operations</b>	<b>-9,734.6</b>	<b>-11,944.8</b>
<b>Shareholders' equity, all operations</b>	<b>9,603.1</b>	<b>14,572.9</b>
<i>Net debt equity ratio/multiple, all operations</i>	1.01	0.82

## COMMENTS:

- Items affecting comparability have also impacted capital employed
- Return on capital employed adjusted for items affecting comparability was 17 %
- Net debt to equity in line with group target, 1.0





# Financial Information 2007

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- **April 17**      **Annual General Meeting**
- **May 14**      **Interim Report January-March 2007**
- **Aug 7**      **Interim Report January-June 2007**
- **Nov 9**      **Interim Report January-September 2007**



## Summary

# Summary

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- **Four focused security companies created – last step**
  - Loomis separated and ready to be listed H2 2007
  - New chairman proposed for Loomis, Jacob Palmstierna
- **New management in place in Securitas**
  - Alf Göransson to start as CEO 5th March





*Integrity Vigilance Helpfulness*