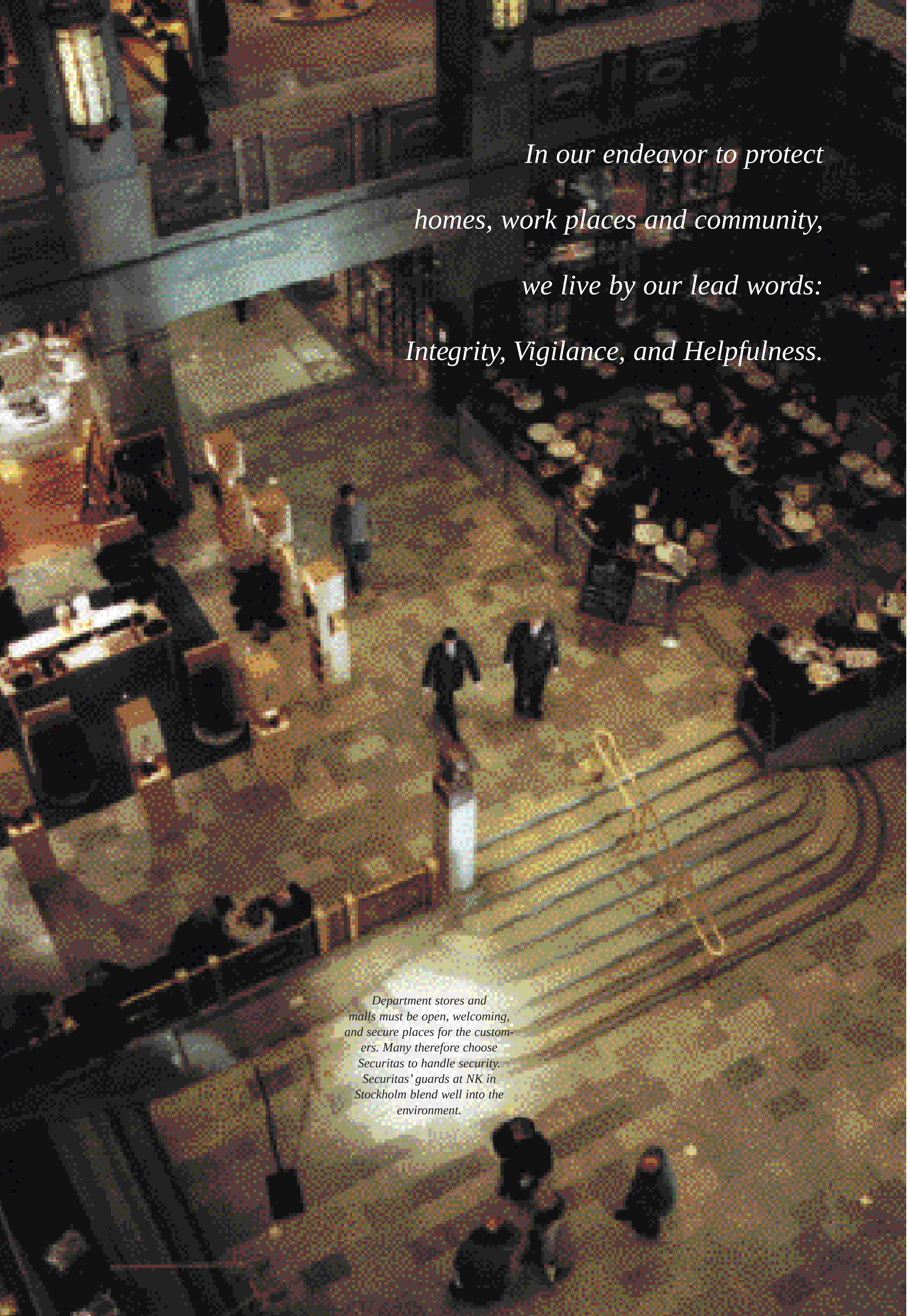
Securitas AB
Annual Report 1998



In our endeavor to protect homes, work places and community, we live by our lead words: Integrity, Vigilance, and Helpfulness.

Department stores and malls must be open, welcoming, and secure places for the customers. Many therefore choose Securitas to handle security. Securitas' guards at NK in Stockholm blend well into the environment.

Contents

The Securitas Group

Statement of the Chief Executive Officer:
The Securitas Model Works 2
The Securitas Model – Strategy for Profitable Growth 4
Strong Base in Europe 6
The Model in Figures – Securitas' Six Fingers 8
The Securitas Share 10

Business Areas

Focus on Three Business Areas 12
Guard Services and Alarm Systems:
Conceptual Solutions from Alarm to Response 14
Security for Homes and Small Companies 18
Cash In Transit Services:
Safe and Efficient Flow of Money 20

Development in Countries of Operation

Sweden • Norway 24
Denmark 25
Finland 26
Germany • France 27
Great Britain 28
Spain 29
Switzerland • Austria 30
Portugal 31
Hungary • Poland 32
Estonia • Czech Republic • Latvia 33

Information Technology 34
Environment 35

Financial Reporting

Report of the Board of Directors 36
Consolidated Statement of Income 42
Consolidated Cash Flow Analysis 43
Consolidated Balance Sheet 44
Parent Company 46
Accounting Principles 48
Financial Policy 50
Definitions 51
Notes to the Financial Statements 52
Auditors' Report 58

Management

Group Management 60
Country Management 61
Board of Directors and Auditors 62

Other Information

Addresses 64
Financial Information 65
Invitation to the Annual General Meeting 65

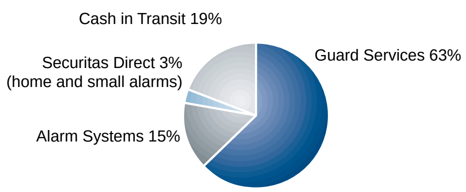
Europe's Leading Security Company

In a little more than ten years, Securitas has evolved from a domestic security business to Europe's leading security company with operations in sixteen countries and with about 65,000 employees. In our endeavor to satisfy the needs of our customers, we have grown organically by specialization and product development, while acquisitions have also contributed to robust growth and rising profitability.

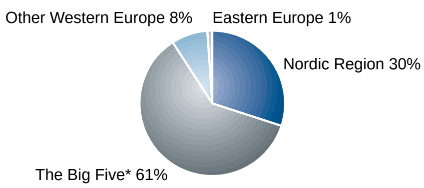
Securitas mission is to protect homes, work places, and community. In so doing, our ambition during our more than 60-year history has always been to live by our three lead words – Integrity, Vigilance, and Helpfulness.

The technological development and the specialization of security services have raised the requirements for competence on the part of our associates. Securitas therefore makes the most of and develops the skills of its associates. Professional ethics is a central term. The Securitas emblem with the three red dots worn by all Securitas employees remind us in our daily work of our three lead words – Integrity, Vigilance, and Helpfulness, which remain the foundation of Securitas.

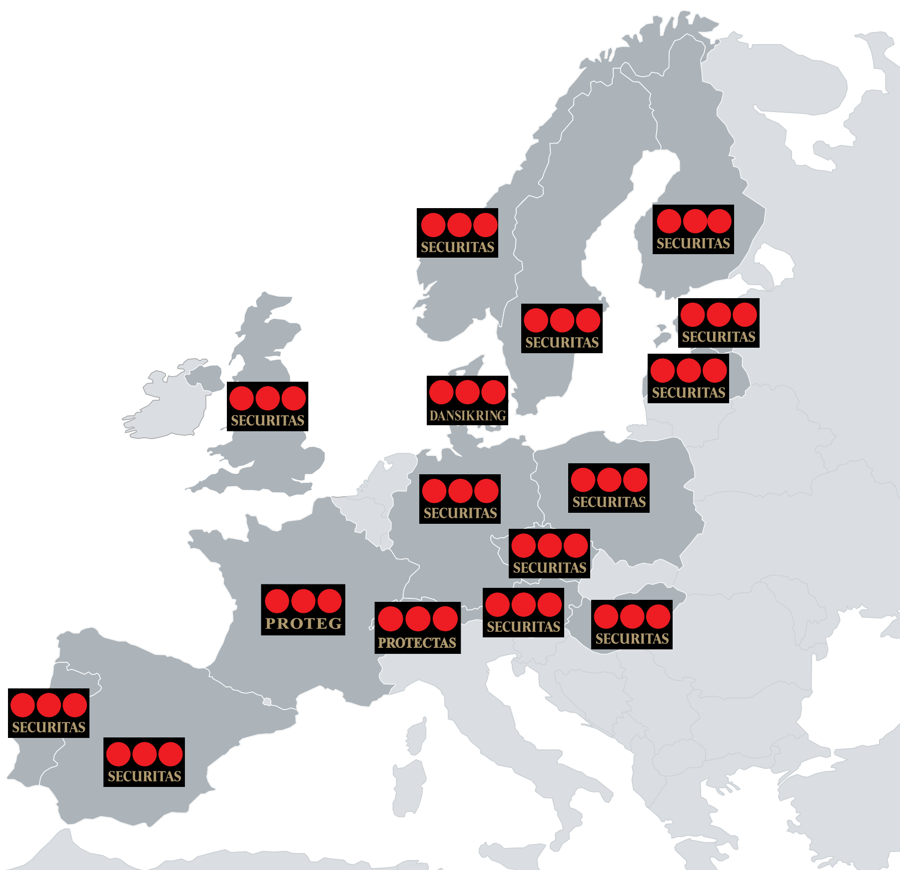
Securitas' sales by Business area 1998



Securitas' sales by market 1998



*France, Germany, Great Britain, Spain and Italy. Securitas has no operations in Italy.



1998 in Brief

- Sales increased by 27 percent to MSEK 13,710 (10,763). 9 percent of this increase was organic growth, with the remaining part due to acquisitions.
- The operating margin was 7.3 percent (7.2). Adjusted for the acquisitions of Raab Karcher and Proteg, the operating margin was 7.7 percent.
- Income before taxes increased by 25 percent to MSEK 766 (614).
- Free cash flow increased by 29 percent to MSEK 583 (451).
- Earnings per share after standard taxes increased by 21 percent to SEK 1.82 (1.50).
- The Board of Directors proposes a dividend for 1998 of SEK 0.85 (0.69).
- The acquisition of market-leaders Proteg in France and Raab Karcher in Germany increases annual sales, by more than 50 percent, primarily in Guard Services. The acquisitions raised Securitas' total market share in Europe from 6 percent to 9 percent.

Key figures

	1998	1997	1996	1995	1994*
Sales, MSEK	13,710	10,763	9,074	7,309	6,844
– of which organic growth, %	9	7	7	5	0
– of which growth by acquisitions, %	17	11	24	0	14
Operating margin, %	7.3	7.2	7.6	7.5	7.0
Income before taxes, MSEK	766	614	550	472	392
Free cash flow, MSEK	583	451	391	308	394
Average operating capital employed in % of sales	14.5	16.3	14.1	14.9	15.3
Net debt equity ratio, times	0.45	0.65	0.36	-0.04	0.08
Earnings per share after standard taxes, SEK	1.82	1.50	1.37	1.18	0.98

For definitions, refer to page 51.

* Pro forma accounting for the full year 1994 is made up of the sum of the two abbreviated financial years during 1994.

The Securitas Model Works – after Ten Years in Europe, we are Ready for the Next Step

The large acquisitions in Germany and France secures our position as the market leader in Europe. A sharper focus on the various areas of operation has accelerated the organic growth and raised earnings in each business area. We have clear goals for the future development and continue to see great opportunity in Europe. We are ready for the next step.

THE SECURITAS MODEL WORKS

We have worked for more than ten years according to the Securitas Model. First in Sweden, and then in a growing number of countries in Europe. By applying a few simple principles, we have gone from a Swedish guard services company into a market leader in Europe: Understand the market. Build a clear and simple organization. Six Fingers. Step by step. People make the difference.

We have seen the model work in small as well as big companies. We have seen the model work in small countries and in big countries. We have seen it work in Guard Services, Alarm Systems, and in Cash In Transit Services and Direct. The Securitas Model works – regardless of size or geography.

A STRONG EUROPEAN STRUCTURE

Over these ten years, we have also built a strong European structure. We have strong management in every country and committed local managers and local supervisors. Each country runs its business and also possess competence to make both small and larger acquisitions. When it comes to our most recent acquisitions in France and Germany, the restructuring work is well on track and we are ahead of our original time schedule. Securitas is a market leader with almost ten percent of the European market.

We have a strong structure that secures our ability to instill the Group's total know-how about how we run and develop the business. We exchange knowledge and experience through international product groups and by running a combination of national and international management training programs.

THE RESULT FOR 1998 CONFIRMS

We had a good 1998. We achieved nine percent organic growth for the entire year, and during the fourth quarter we reached eleven percent. The operating margin, where our goal is to reach ten percent in existing operations 1997 by year 2000, was 7.7 percent for the whole year. During the fourth quarter the operating margin was 8.7 percent.

Income before taxes rose by 25 percent to MSEK 766, and cash flow increased by 29 percent.

GOALS FOR EACH BUSINESS AREA

At the end of 1997 we established goals, both for each business area and for the whole Group. The overall goals for the business areas are consolidated to reach organic growth over a business cycle of 5-7 percent. With two years now behind us, we feel confident about this. The operating margin in existing businesses 1997 should be ten percent or more by 2000. For 1998 – the first of the three years – the operating margin thus increased to 7.7 percent.

Beyond the organic development in the different business areas, we see opportunities for continued growth by acquisition.

We are the clear market leader in Guard Services, even though there are white spots on the map. At the same time, we feel that there is room for volume growth on existing markets.

In the ”traditional” area of alarms, we focus on small alarm systems. This is an area we have so far not given sufficient attention, but now we are introducing the same methods here as are used in Securitas Direct. Once this focus has generated results, we see opportunities for acquisitions in this business area.

Our Cash In Transit Services business is today stronger, after the problems in Germany and Spain have been resolved. There is some way yet to go in terms of profitability in these markets, but in the grand scheme of things we are closing in on the stability and strength required to take another step. In conjunction with the Euro, we see both short-term and long-range business opportunities in the cash in transit market.

In the Direct operations – home and small alarms for smaller companies – we are seeing continued increases in organic growth. Securitas Direct now operates in seven countries, and in Germany operations are just getting started. Even if this business area primarily expands by organic growth, we are not excluding the possibility of acquisitions in certain countries to get a base to expand from.

READY FOR THE NEXT STEP

We are ready for the next step. The European operation is sufficiently strong to continue its development under the management of our strong managers at all levels. A market share of 10 percent is not the ultimate goal – it is only a milestone.

Europe comprises just short of 40 percent of the global security market, the United States accounts for just over 40 percent, and the rest of the world for about 20 percent.

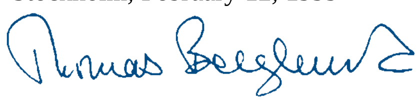
The natural step after Europe will therefore be the United States. To be strong on both of these continents means global market leadership. The goal is therefore obvious – to become the market leader also in the United States.

When we enter the American market, we will be starting a new ten-year process like the one we started in Europe ten years ago. We will then have two strong platforms for continued growth and increased profitability. Europe with a well refined business, and the United States with great potential.

1999

1999 will be one more year during which we intend to reach our goal of an increase in earnings per share by 20 percent.

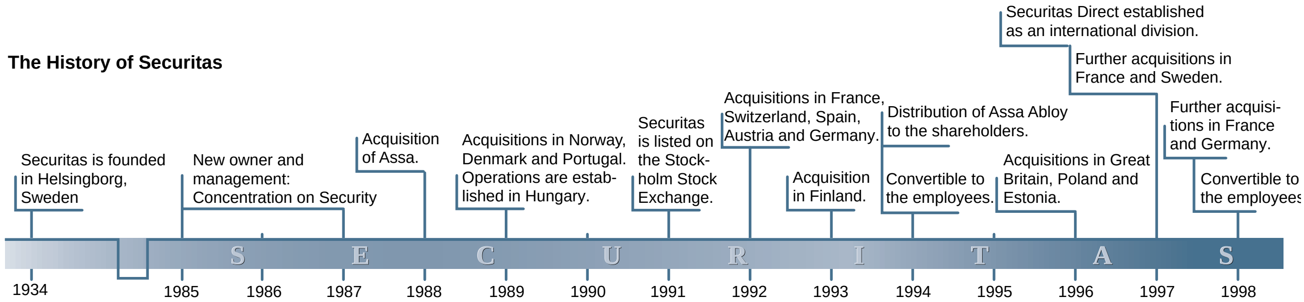
Stockholm, February 12, 1999



Thomas Berglund

President and Chief Executive Officer

The History of Securitas



The Securitas Model – Strategy for Profitable Growth

The Securitas Model has become the collective name for a number of simple – but fundamental – attitudes related to how Securitas works:

UNDERSTAND THE MARKET

The ability to recognize and take advantage of customers' detailed variations in needs for security is the basis for Securitas' ability in gaining market shares, both in the traditionally strong markets and in markets where Securitas is new.

Securitas' market matrix divides the security market into different market segments. Based on the needs of each of these segments, Securitas has developed different security concepts. The specialized services and products comprise the foundation of Securitas' range of services and products, which are combined into custom-made security solutions. By penetrating in-depth into each segment, we are better able to meet the needs of the customer.

BUILD THE RIGHT ORGANIZATION

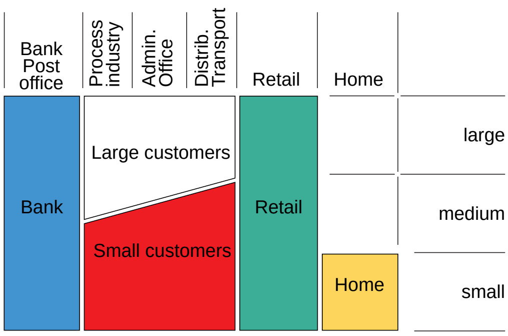
Understanding the market and the customers is achieved with a flat, simple and clear organization with decentralized responsibility. Our companies are built with a focus on the local offices where local managers and local supervisors have the competence required to assume operational responsibility. New solutions emerge when the area of contact with the customer is broad. In this way excellent opportunities are created for development of services and products that meet the specific needs of different market segments.

SIX FINGERS

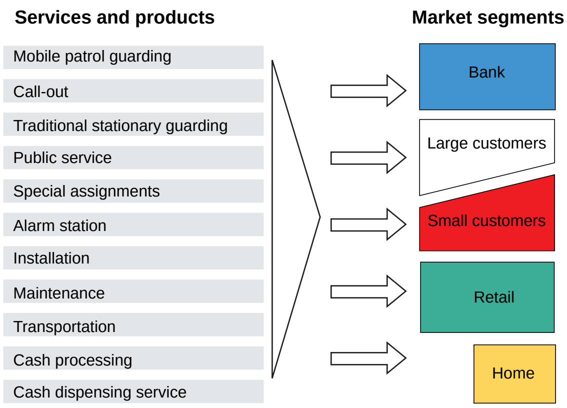
All operations in the Securitas Group use a common framework for the financial follow-up consisting of six key figures – internally called *Securitas' Six Fingers*. The framework is based on the central concept of the Securitas Model – structuring, refinement and growth. The model is a tool to follow up earnings performance in each respective country of operation and business area. Refer also to page 8.

Securitas' market matrix

Proximity to the customer, and understanding of the real needs of the customer, create opportunities of development for the customer as well as Securitas.



Custom-made security solutions



A specialization of security services gives higher quality to the customer, increased engagement by the personnel, and improved profitability for Securitas.

STEP BY STEP

Most of Securitas' acquisitions have been of unprofitable or low-profit operations, which with the introduction of the Securitas Model have evolved into growing and profitable businesses. The Securitas Model for building businesses is a process step by step through four distinct phases.

Step 1 – Organization, structure and people

Organization and structure is established in a first step. The right people are recruited for the various assignments in the organization. Key figures are implemented and follow-up is structured. A foundation is in place and the job of improving the business can begin.

Step 2 – Focus on existing operations

In the next step the goal is to improve the existing business – not to start new services for new customer groups. By focusing on the existing business, the detailed knowledge of the organization is enhanced, at the same time as profitability rises. The organization builds self-confidence.

Step 3 – Refinement and development

With greater knowledge, and belief in its own ability, the next step for the organization is to focus on complementary services and new customer groups. The business is specialized and the concepts are refined.

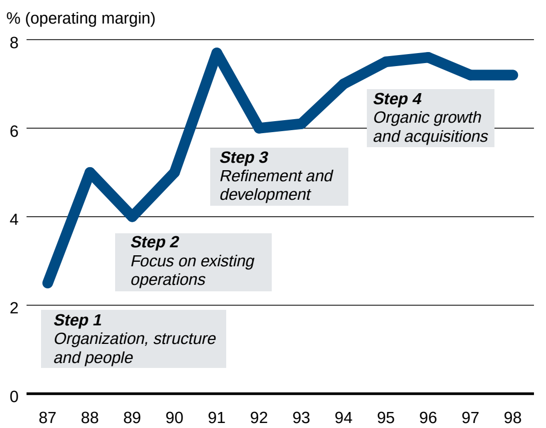
Step 4 – Organic growth and acquisitions

The refinement and the development of the service content contributes to organic growth. New customer segments and services accelerate this development. At this juncture, the organization has also gained the strength necessary to make complementary acquisitions successfully. After an acquisition is made, the process starts all over again from step 1. The structure is put in order and people are given clearer assignments and responsibilities.

PEOPLE MAKE THE DIFFERENCE

Models and structures are tools, but in the end it is people that make the difference. Engagement and commitment are key words for us. Our method for developing people and to transfer values is to live the way we teach, and by being good role models.

Step by step



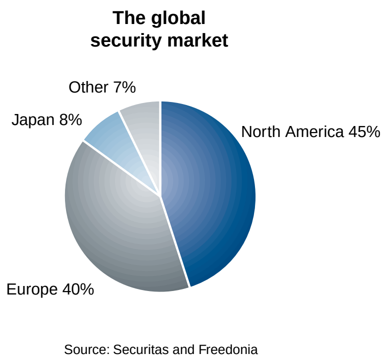
Securitas' model for building business involves a process step by step through four distinct phases.

Market and growth

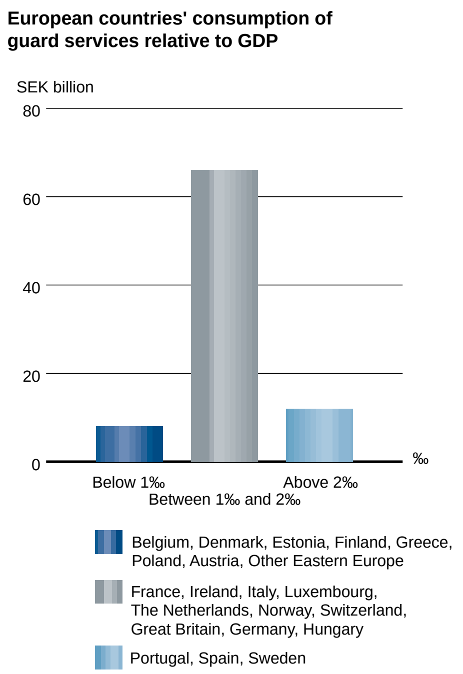
Region	Market in SEK billion	Securitas' market share in %	Growth strategy Organic	Growth strategy Acquisitions
Nordic Region	15	36	Yes	Partly
The Big Five	149	7	Yes	Yes
Other Western Europe	24	6	Yes	Yes
Eastern Europe	7	3	Yes	Partly
Total	**195**	**9**		

The European security market is estimated to be worth about SEK 195 billion, of which Securitas, as the market leader, accounts for about 9 percent.

Strong Base in Europe



Europe accounts for about 40 percent of the global security market.



The size of today's professional security market relative to GDP varies from country to country. With the current trend of going back to core business specialized security companies are increasingly being hired. In Europe, the guard services market accounts for SEK 92 billion of the total security market of SEK 195 billion.

Securitas' market shares

%	Guard Services	Alarm Systems	Cash in Transit Services	Direct	Total
Nordic Region	48	24	49	44	**36**
The Big Five	11	2	11	6	**7**
Other Western Europe	7	1	12	2	**6**
Eastern Europe	2	2	10	0	**3**
Total	**13**	**4**	**13**	**10**	**9**

The European security market is estimated to be worth SEK 195 billion, of which Securitas, as the market leader, accounts for about 9 percent.

The global security market is worth about SEK 550 billion. North America accounts for just over 45 percent and Europe for a little less than 40 percent. In 1998, European security companies sold services for a total of about SEK 195 billion, of which Securitas, as the market leader, accounted for about 9 percent.

GROWING MARKET

In the European market, guard services account for SEK 92 billion with an annual growth rate of just short of 5 percent, alarm systems for SEK 82 billion with an annual growth rate of almost 10 percent, and cash in transit services account for SEK 21 billion with a growth rate of a little under 10 percent.

Growth in alarm systems is especially strong in Alarm to Response services for smaller companies and homes, where the annual growth rate is estimated to exceed 20 percent.

The total security market in Europe has a growth rate estimated to be 5-7 percent annually.

Factors that drive the security market's growth are primarily society's rising technical and financial complexity, and hence greater vulnerability, increased crime, and outsourcing. The trend is the same in all parts of the world. In the United States, for example, the annual growth rate is estimated to be about 7-9 percent. Demand is to some degree cyclical and is thus dampened in times of economic downturn.

OUTSOURCING HAS ONLY JUST BEGUN

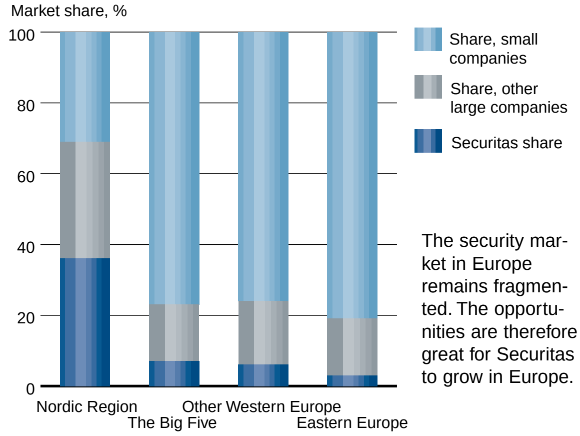
The increasing vulnerability and specialization of society is the driving force behind more and more outsourcing of security work. Crucial to the rate of outsourcing is the structure of industry and commerce in each respective country, and also the level of activity of the security industry as such.

A simple, but clear, measurement to illustrate the differences between different countries is to look at the size of the guard services industry relative to the gross domestic product. Certain European nations have a penetration as low as 0.5 ‰, while other countries are well above 2‰ – outsourcing has just begun.

SECURITAS THE MARKET LEADER – WITH A SMALL MARKET SHARE

With about SEK 18 billion in annual sales, Securitas is the market leader with a share of about 9 percent of the total European security market. This shows that the market, in spite of many structural deals, remains highly fragmented. The degree of fragmentation is highest in guard services, where there are about 7,000 players in Europe. In alarm systems and cash in transit services the degree of fragmentation is not as high, primarily due to the fact that these businesses are more capital intensive. There are about 500 players on the European cash in transit market. Since 1989 Securitas has consummated more than 50 individual acquisitions. These have added an aggregate of about SEK 14 billion in new business. Organic growth during the same period was about SEK 3 billion, equivalent to an annual organic growth rate of about 7 percent.

Structure of Europe's security market



The security market in Europe remains fragmented. The opportunities are therefore great for Securitas to grow in Europe.

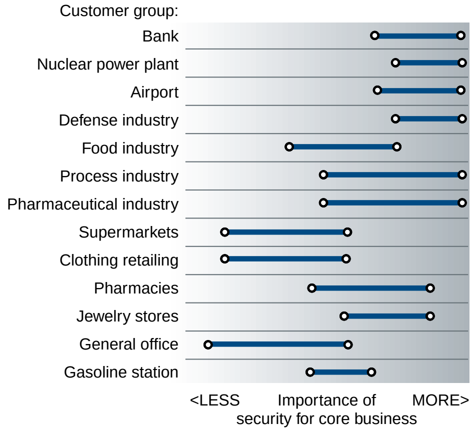
Source: Securitas

THE NEED FOR SECURITY IS ON THE RISE AND BEING DIFFERENTIATED

In order to capitalize successfully on the growth of the market, better understanding of how security needs evolve for different types of customers is required. The trend is towards increasingly specialized needs in each respective industry and area of operation. This specialization of the security needs leads to demand for entirely new types of services. Airport security is a typical example of a service that barely existed a couple of decades ago.

The challenge is first to choose the right customer groups, and then to build and deliver the right solutions for them. This is the base for continued and accelerated organic growth.

The importance of security for the core business

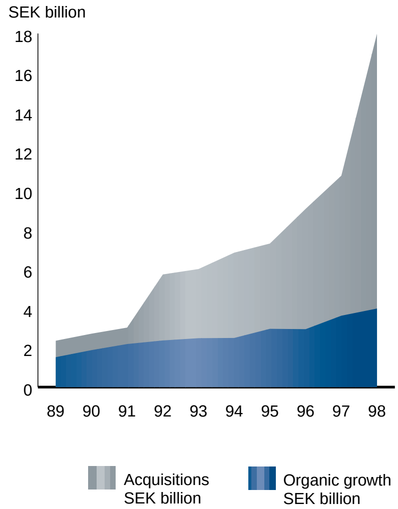


The key to improved and accelerating organic growth is to build and deliver the right solutions to each respective customer group.

ACQUISITIONS ACCELERATE THE GROWTH RATE

Securitas will continue to grow by acquisition. With the acquisitions of the market leaders Proteg in France and Raab Karcher in Germany, a strong base has been created in Europe. With a market-leading position in two of Europe's largest security markets, Securitas has as its goal to actively drive the development of the security market in a direction of greater specialization and hence stronger growth and increased profitability.

Securitas' sales growth



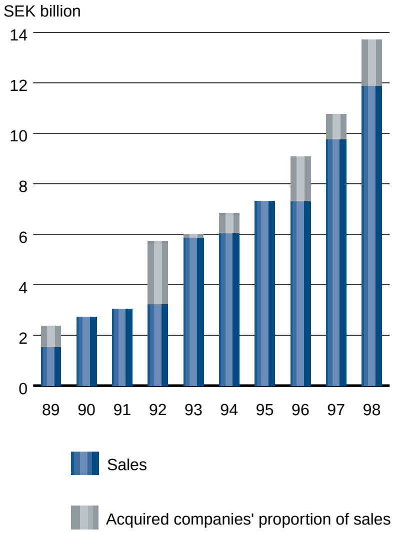
Since 1989, Securitas has acquired businesses with aggregate sales of about SEK 14 billion. Organic growth has added SEK 3 billion. Adjusted for the annual sales of acquisitions completed during 1998, the Group's sales on an annual basis amount to about SEK 18 billion.

GREAT POTENTIAL

The market is in a growth trend, outsourcing is contributing mightily to this growth, and the potential for further outsourcing remains great. In spite of a large number of acquisitions, Securitas still commands a mere 9 percent of the market. Great opportunities therefore still exist for Securitas to grow in Europe.

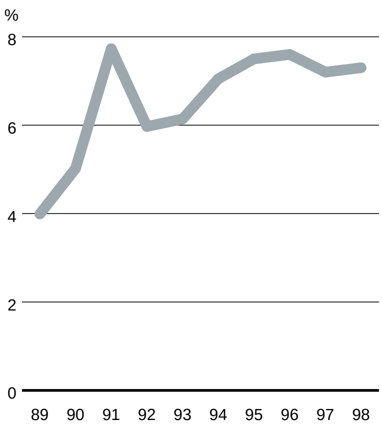
The Model in Figures – Securitas' Six Fingers

Sales



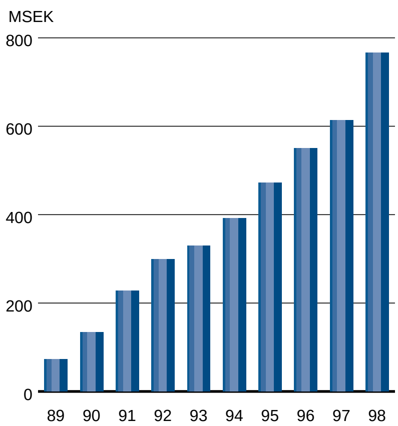
Sales have increased by an average of 22 percent per year over the most recent ten-year period. During 1998, the organic growth rate was 9 percent. Acquisitions increased sales by 17 percent. Our goal is for organic growth to be in the range of 5 to 7 percent over a business cycle. With good organic growth as a base, acquisitions can add additional volume.

Operating margin



Refinement and efficiency improvements have gradually raised the operating margin, which in 1998 reached 7.3 percent. Adjusted for the acquisitions of Raab Karcher and Proteg, the margin was 7.7 percent. Our goal is to raise the operating margin in existing business in 1997, which then was 7.2 percent, to 10 percent during the period until year 2000.

Income before taxes



Income before taxes has grown by an average of 30 percent annually over the most recent ten-year period. In 1998 income rose by 25 percent to MSEK 766. Our goal is for earnings per share to increase by 20 percent annually.

All businesses in the Securitas Group use a common framework for financial follow-up. This framework is based on the central themes of the Securitas model – structuring, refinement and growth.

The development of profitability in the different business areas is followed up internally by Securitas on a current basis by focusing on a few key factors – *Six Fingers* – of importance to earnings performance to each respective business area: *new sales of contracts and order bookings, changes in the portfolio of contracts* and *invoicing*, i.e. volume-related factors. Other key factors are *the gross margin* and *overhead costs*, both of which are efficiency-related, as well as the development of *accounts receivable*, and *operating capital employed*, which are measures of tied up capital.

DEVELOPMENT OVER 10 YEARS

	1998	1997	1996
INCOME, MSEK			
Sales	**13,710.1**	**10,762.9**	**9,074.3**
whereof acquisitions	1,834.7	1,002.6	1,784.2
Operating income before amortization of goodwill	**1,002.8**	**777.8**	**687.9**
Operating margin, %	*7.3*	*7.2*	*7.6*
Amortization of goodwill	–171.4	–115.5	–99.4
Net financial items	–65.3	–48.2	–38.7
Income before taxes	**766.1**	**614.1**	**549.8**
Taxes paid	–183.7	–114.4	–127.7
Deferred taxes	–60.4	–54.7	–39.8
Minority interest	–0.5	0.9	–0.2
Net income	**521.5**	**445.9**	**382.1**
CASH FLOW, MSEK			
Operating income before amortization of goodwill	**1,002.8**	**777.8**	**687.9**
Net financial items	–65.3	–48.2	–38.7
Taxes paid	–183.7	–114.4	–127.7
Adjusted income	**753.8**	**615.2**	**521.5**
Change in working capital	–41.7	–57.3	–8.5
Capital expenditures	–699.0	–557.4	–475.6
Depreciation and amortization	569.6	450.5	354.0
Free cash flow	**582.7**	**451.0**	**391.4**
CAPITAL EMPLOYED AND FINANCING, MSEK			
Operating capital employed	**2,948.5**	**2,182.1**	**1,590.7**
Average operating capital employed in % of sales	*14.5*	*16.3*	*14.1*
Shares in associated companies	261.0	258.4	–
Goodwill	4,564.0	1,457.4	1,180.7
Capital employed	**7,773.5**	**3,897.9**	**2,771.4**
Net debt	–2,418.6	–1,532.5	–738.6
Shareholders' equity	5,351.0	2,365.1	2,032.6
Total assets	**15,446.5**	**7,911.5**	**6,438.1**

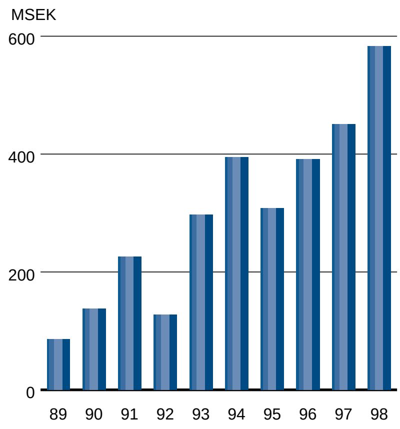
*Pro forma accounting for the full year 1994 is made up of the sum of the two abbreviated financial years during 1994.

Follow-up and verification of the Group's long-term earnings performance is focused on six financial measurements, all of which relate to key factors in each respective business area.

Securitas' *six external key figures* for the Group are as follows: *Sales,* where growth may occur either organically or through acquisition. *Operating margin,* where an increase reflects efficiency improvements and refinement for higher customer value. *Income before taxes,* which is affected by sales and the operating margin. *Free cash flow,* which verifies earnings performance. *Operating capital employed as a percentage of sales,* where good control over accounts receivable and balanced capital expenditures lead to low capital employed. *Net debt equity ratio,* where a strong cash flow and a low need of capital employed makes growth possible without an appreciable increase in net indebtedness.

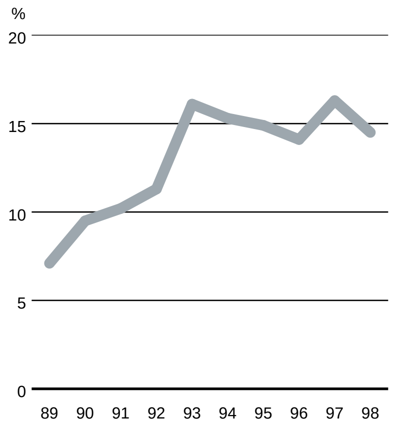
1995	1994*	1993	1992	1991	1990	1989
7,309.1	**6,843.8**	**6,010.6**	**5,734.8**	**3,030.4**	**2,720.7**	**2,361.6**
–	820.9	160.3	2,522.0	–	–	838.0
548.7	**482.5**	**368.8**	**342.6**	**234.3**	**136.6**	**94.3**
7.5	*7.0*	*6.1*	*6.0*	*7.7*	*5.0*	*4.0*
–65.9	–63.9	–37.2	–26.8	–15.0	–10.5	–8.1
–11.0	–26.6	–1.6	–16.6	8.6	7.9	–13.8
471.8	**392.0**	**330.0**	**299.2**	**227.9**	**134.0**	**72.4**
–104.6	–98.9	–81.6	–52.0	–33.3	–24.0	–7.0
–19.8	–50.2	10.7	–20.7	–16.0	–14.8	–11.9
–0.4	–0.2	–2.1	–0.1	0.0	–0.3	–0.1
347.0	**242.7**	**257.0**	**226.4**	**178.6**	**94.9**	**53.4**
548.7	**482.5**	**368.8**	**342.6**	**234.3**	**136.6**	**94.3**
–11.0	–26.6	–1.6	–16.6	8.6	7.9	–13.8
–104.6	–98.9	–81.6	–52.0	–33.3	–24.0	–7.0
433.1	**357.0**	**285.6**	**274.0**	**209.6**	**120.5**	**73.5**
–75.6	67.9	–3.2	–148.2	92.4	124.0	32.6
–339.1	–292.7	–231.6	–207.1	–209.1	–218.7	–119.8
289.8	262.2	246.1	208.9	132.9	111.4	99.8
308.2	**394.4**	**296.9**	**127.6**	**225.8**	**137.2**	**86.1**
1,103.2	**1,068.7**	**1,030.0**	**910.3**	**380.2**	**239.6**	**279.3**
14.9	*15.3*	*16.1*	*11.3*	*10.2*	*9.5*	*7.1*
–	–	–	53.1	74.3	74.5	0.8
590.5	649.5	440.2	322.1	26.8	32.5	21.2
1,693.7	**1,718.2**	**1,470.2**	**1,285.5**	**481.3**	**346.6**	**301.3**
75.0	–122.6	–78.2	–99.6	–131.9	–125.1	–86.3
1,767.8	1,589.7	1,375.0	1,173.6	349.3	221.1	214.6
5,014.5	**4,532.1**	**4,451.7**	**4,249.8**	**2,414.1**	**2,254.4**	**1,357.2**

Free cash flow



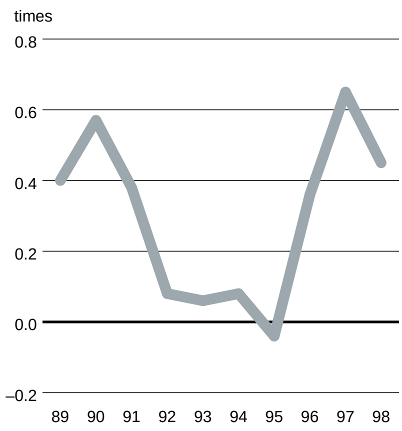
Free cash flow reflects the quality of earnings. On average, free cash flow has been 90 percent of adjusted income during the most recent ten-year period. Our goal is for free cash flow to reach or exceed 75 percent of adjusted income with organic growth at a rate of about 7 percent.

Average operating capital employed in % of sales



With control of accounts receivable and capital expenditures, operating capital employed can be kept low. For Guard Services, operating capital employed should be about 5-10 percent of sales, for Alarm Systems about 20 percent of sales, and for Cash In Transit Services about 40 percent of sales.

Net debt equity ratio



Strong cash flow and controlled development of capital employed gives opportunity for growth with reasonable indebtedness. The Group has a goal that the net debt equity ratio should not exceed 1.35.

The Securitas Share

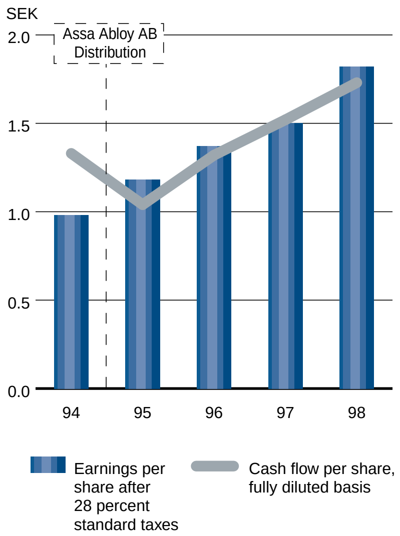
The Securitas share has been listed on the Stockholm Stock Exchange since 1991. Both the market capitalization and the number of shares traded have risen sharply since then. In recent years the Securitas share has been among the most heavily traded on the Stockholm Stock Exchange.

The market price of the Securitas share rose by 110 percent during 1998. The composite index of the Stockholm Stock Exchange rose by 10 percent during the year.

Securitas' market capitalization at year-end 1998 was MSEK 40,965 (17,570). A total of 111.4* (92.3*) million Securitas shares were traded on the Stockholm Stock Exchange, which was 20.7 percent higher trading volume than in 1997.

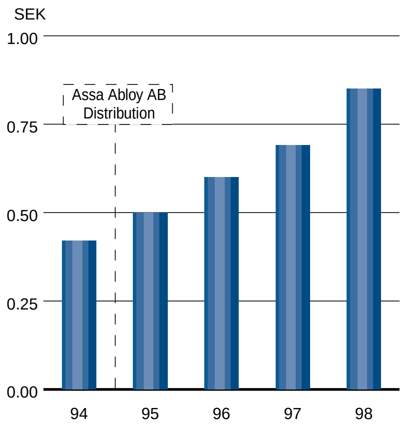
Earnings and cash flow per share

Earnings per share have grown by an average of 17 percent per year over the most recent five-year period.



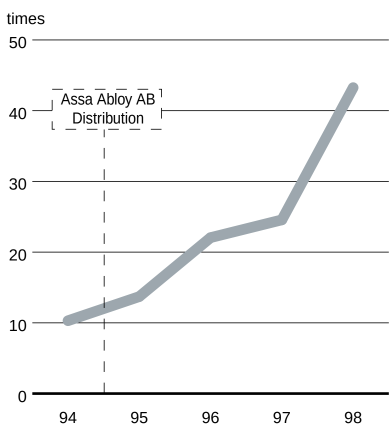
Dividend per share

The annual dividend has increased by an average of 19 percent over the most recent five-year period. In addition to the regular dividend, a distribution of shares in Assa Abloy was effected during 1994.



EBITA multiple

During 1994 Securitas distributed all shares in Assa Abloy AB. Securitas' market capitalization increased by more than 100 percent during 1998.



DIVIDEND

The Board of Directors proposes a 23 percent dividend increase to SEK 0.85 per share. This dividend is equivalent to a dividend yield of 0.7 percent on the price of the Series B share on December 30, 1998.

Future dividends will depend on consolidated earnings, and are expected to correspond to at least one third of income after financial items and standard taxes of 28 percent.

PER-SHARE DATA[1]

SEK/share	**1998**	1997	1996	1995	1994
Income after taxes paid	1.92	1.70	1.45	1.27	1.02
Same after 28% standard taxes	1.82	1.50	1.37	1.18	0.98
Same after full taxes method	1.73	1.51	1.32	1.21	0.85
Dividend	0.85[2]	0.69	0.60	0.50	0.42[3]
Dividend, % [4]	47%	46%	44%	42%	43%
Dividend yield, %	0.7%	1.1%	1.2%	1.9%	2.5%
Share price, end of period	126.00	60.00	49.63	26.25	16.75
High share price	130.00	62.50	50.75	26.25	23.75
Low share price	54.00	43.50	23.73	16.00	15.00
Average share price	89.95	51.96	36.36	19.75	19.00
P/E ratio, times	73	40	38	22	20
Number of shares (1,000's)	337,125	296,972	296,972	296,972	296,972

1) After full conversion. Per-share data adjusted for split 4:1 in 1998 and 3:1 in 1996.
2) Proposed dividend.
3) In addition to the regular dividend, shares in Assa Abloy AB were distributed in 1994.
4) Dividend as a percentage of earnings per share after 28 percent standard taxes.

DEFINITIONS

Dividend yield. The dividend relative to share price at the end of each respective year. For 1998, the proposed dividend is used.

P/E ratio (price/earnings). The share price at the end of each respective year, relative to earnings per share after full taxes.

EBITA multiple. The company's market capitalization and liabilities relative to operating income before amortization of goodwill, net financial items and taxes.

Trading volume. Turnover during a period at an annual rate relative to the average market capitalization during the period.

SHARE CAPITAL

The share capital amounted to MSEK 325.1 as of December 31, 1998, divided into 325.1 million shares, each with a nominal value of SEK 1.00, of which 17.1 million shares are Series A shares and 308.0 million shares are Series B shares. Each Series A share carries ten votes and each Series B share carries one vote.

* Source: Stockholm Stock Exchange

EVOLUTION OF SHARE CAPITAL

Year	Transaction	Number of shares	SEK
1987	Opening capital	200,000	20,000,000
1989	Non-cash issue	285,714	28,571,400
1989	Rights issue	342,856	34,285,600
1989	Split 50:1	17,142,800	34,285,600
1989	Stock dividend	17,142,800	85,714,000
1992	Rights issue	22,142,800	110,714,000
1993	Conversion	23,633,450	118,167,250
1994	Non-cash issue (Spain)	24,116,450	120,582,250
1996	Split 3:1[1)]	72,349,350	120,582,250
1996	Stock dividend[1)]	72,349,350	144,698,700
1996	Conversion	72,697,739	145,395,478
1997	Conversion	73,206,315	146,412,630
1998	Conversion	73,439,693	146,879,386
1998	Stock dividend[2)]	73,439,693	293,758,772
1998	Split 4:1[2)]	293,758,772	293,758,772
1998	New issue Raab Karcher	308,114,828	308,114,828
1998	New issue Proteg	325,104,472	325,104,472
1998	Conversion	325,121,812	325,121,812
2003	Convertible debentures outstanding[3)]	337,125,314	337,125,314

[1)] A split 3:1 was made during 1996 and a stock dividend, changing the nominal value of the share from SEK 5.00 to SEK 2.00.
[2)] A split 4:1 was made during 1998 and a stock dividend, changing the nominal value of the share from SEK 2.00 to SEK 1.00.
[3)] Securitas AB has two subordinated convertible debentures to its personnel outstanding. The term of the first loan is from August 8, 1994 to June 30, 1999, and its effect on the result as interest expense is MSEK 3.1. Conversion to Series B shares may be requested at a price of SEK 22.80 until June 1, 1999 and the interest rate on the subordinated convertible debentures is 4.82 percent. Full conversion will result in 3,198,471 new shares. The term of the second loan is from April 24, 1998 to February 28, 2003, and its effect on the result as interest expense is MSEK 24.9. Conversion to Series B shares may be requested at a price of SEK 79.50 during the period May 30, 2001 to January 31, 2003 and the interest rate on the subordinated convertible debentures is 3.55 percent. Full conversion will result in 8,805,028 new shares. Refer to Note 16, page 56.

MAJOR OWNERS*

Owners, December 31, 1998	A shares	B shares	Percentage of capital	Percentage of votes
Investment AB Latour		29,900,000	9.1	6.2
Janus Funds		25,116,152	7.7	5.2
Melker Schörling + companies	3,000,000	15,180,500	5.6	9.4
Raab Karcher AG Veba		14,356,056	4.4	3.0
Säkl AB	14,142,600		4.3	29.5
Akila S.A. (former Finecco)		13,480,256	4.1	2.8
SPP		12,508,480	3.9	2.6
AMF Försäkring		8,242,620	2.5	1.7
Femte AP-Fonden		8,097,400	2.5	1.7
Nordbanken Fonder		7,844,200	2.4	1.6
Total, ten largest owners	17,142,600	134,725,664	46.5	63.7

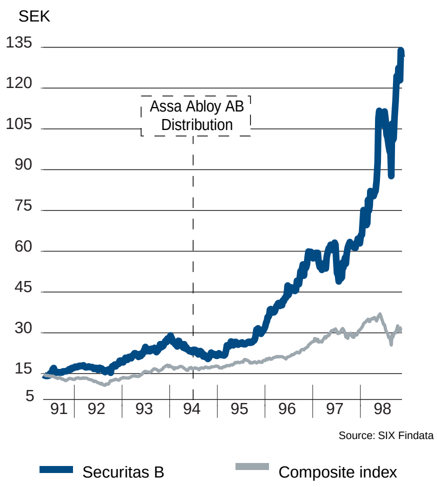
OWNERSHIP STRUCTURE**

Owners with:	Number of owners	Number of shares	Percentage of capital
up to 1,000 shares	7,909	2,424,458	0.8
1,001-5,000	2,238	5,069,476	1.6
5,001-20,000	425	4,384,736	1.3
20,001-50,000	137	4,574,489	1.4
50,001-100,000	65	4,535,363	1.4
more than 100,000 shares	210	304,133,290	93.5
Total	10,984	325,121,812	100

As of December 31, 1998 Securitas had about 11,000 shareholders according to VPC – an increase by about 50 percent since 1997. Investment AB Latour is the largest owner, who together with Förvaltnings AB Wasatornet and SäkI AB holds 15.6 (20.8) of the capital and 37.2 (42.1) percent of the votes, and Melker Schörling with companies, who own 5.6 (6.8) of the capital and 9.4 (10.5) percent of the votes. Institutional investors account for 92 (90) percent of capital. Investors outside Sweden account for 52 percent (49) of the capital.

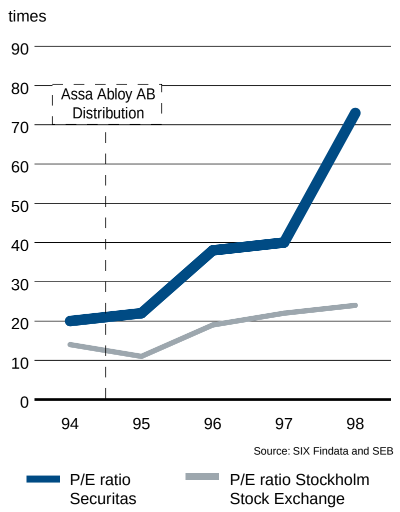
* Source: VPC and changes known to Securitas ** Source: VPC

Share price performance



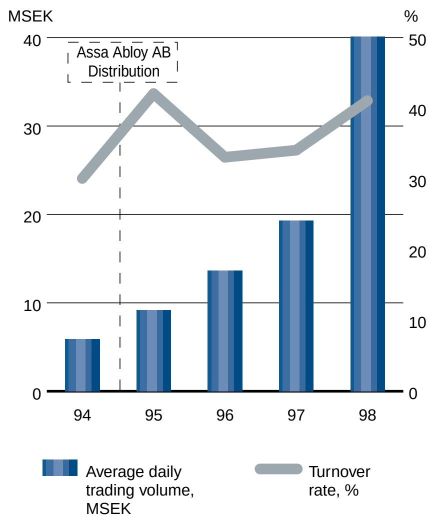
The market price of the Securitas share has increased by an average of 37 percent per year over the most recent five-year period.

Valuation



The average P/E ratio increased more for Securitas during 1998 than the average P/E ratios for shares on the Stockholm Stock Exchange.

Liquidity of the Securitas share



Trading of the Securitas share has increased by an average of about 61 percent per year over the most recent five-year period.

Focus on Three Business Areas



Securitas operates in sixteen countries in Guard Services, Alarm Systems and Cash In Transit Services. Since 1997, Securitas Direct, the home and small alarms business, is a separate European division. Securitas had total sales of MSEK 13,710 in 1998. Guard Services is the largest business area with 63 percent of total sales. Alarm Systems account for 15 percent, Cash In Transit Services for 19 percent and Securitas Direct for 3 percent.






As a consequence of society's growing dependence on modern technology, and due to ever more severe competition among companies, sensitivity to production disturbances has increased. It becomes increasingly important to prevent damage and the services of professional security companies are therefore more in demand. This trend is augmented as companies increasingly focus on their core operations and hire specialist companies for the security detail, which was previously often handled in-house.

RISK ANALYSIS

In order to offer total solutions that both protect and prevent, Securitas works with risk analyses. Securitas performs risk evaluations by identifying the risks and possible damage scenarios the customer may face, while the consequences of different damage situations are evaluated. Based on this risk analysis, Securitas devises a proposal for a security solution together with the customer's representatives. The result is often a total solution where trained guards work in interaction with modern technology.

CUSTOMIZED SECURITY SOLUTIONS

In order to give the customer the best possible solution, Securitas often integrates different business areas into a total security solution covering all of the customer's needs. It is more a matter of specially adapted combinations of personal guarding and alarm systems.

CUSTOMERS WITH DIFFERENT NEEDS

Different customers have different security needs. Securitas' business areas are broken down into different customer segments – Banks, Large Customers, Small Customers, Retailers and Homes – each with its own individual needs for specialized security solutions.

Banks need advanced alarm systems and prompt response.
Large companies often need combined, especially adapted solutions for guarding and alarms.
Smaller companies may have a need for standardized alarm systems, and may also share the expense of a mobile patrol guard.
Retailers may have a need for plain-clothes as well as uniformed guards who assume responsibility for security.
Homes in most cases have a need for standardized alarm systems connected to a separate alarm station.

This mode of operation helps us better understand the customers and their specific requirements. By working close to the customer with broad area of contact, good conditions for developing new services and products for the different customer segments are created.

LONG-TERM COOPERATION PARTNER

This is the initial premise for ultimate development of the security work together with the customer. By working close to the customer, Securitas functions as a long-term cooperation partner in security issues. A partner that anticipates changes and who will offer concrete proposals for actions to improve security adapted to the customer's reality.

DEVELOPMENT OF THE GUARD PROFESSION

Professional ethics is a central term. Demands on those hired are high and in most cases all who seek employment are thoroughly tested before they are hired. Due to the growing dependence on modern technology, and as our operations are increasingly specialized, new demands are made on the employees of Securitas.

To be a guard today is something quite different from what it was 20 years ago. As the combination of alarm systems and guarding have become more and more common, it is important for guarding personnel to have the technical competence and skills to be able to handle complex alarm systems.

Changing needs and rising requirements from customers mean that guards get more interesting and stimulating job assignments. The status of the guard profession is raised as more and more customers realize that they need professional guards in order to conduct safe, secure and high-quality business.

With increased specialization, training is an increasingly prioritized area for Securitas all over Europe.

EXCHANGE BETWEEN COUNTRIES

In each business area Securitas draws the full advantage of the experience gained in different countries. What is best in each different type of assignment is seized upon and then dissipated to similar assignments in other countries. In Guard Services, for instance, airport security looks relatively alike in countries were Securitas conducts such business. In Cash In Transit Services, similar technical solutions as well as entire concepts are tested in several countries.

Conceptual Solutions from Alarm to Response

In order to give the customer the best possible solution, Securitas often integrates different business areas into a total security solution covering all of the customer's needs. It is here a matter of specially adapted combinations of personal guarding and alarm systems.

Securitas offers the entire chain from alarm to response. When the alarm is set off at the customer's site, it is received by Securitas' specialized alarm monitoring station, where professional personnel quickly make the decision for appropriate action.

During 1998, 155,000 alarms (not including Securitas Direct) were connected to Securitas' alarm monitoring stations.

SUBSCRIPTION-BASED SECURITY SOLUTIONS

For a few years now, the standardized small alarm concepts Response and Business Line have been offered in Sweden and Norway, but also in Finland, Denmark, Portugal, Spain and France small alarms constitute a significant portion of the business.

The customer chooses the solution that meets the security requirements at hand and then pays a current subscription fee that covers hook-up to the alarm monitoring station, service and possible call-outs. The concept is similar to that offered by Securitas to homes by Securitas Direct.

MOBILE PATROL GUARDING GROWS

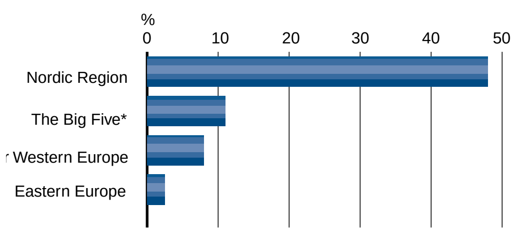
On markets where Securitas offers response services, opportunities are also created for mobile patrol guarding. When the guard is not responding to a call, a resource is released for mobile patrolling. Every form of guarding requires a focus, and after the acquisition of Proteg, France has become a powerful base for further specialization of beat patrolling.

For many companies a disturbance in the operations can be very costly and to prevent this, they choose to use the services of Securitas mobile patrol guards. The guard will see to it that coffee machines are turned off, doors locked and windows closed. It is here a matter of protecting against burglary as well as fire and other unexpected events. Mobile patrol guarding is based on so-called time-sharing, where several customers can share the services of one guard.

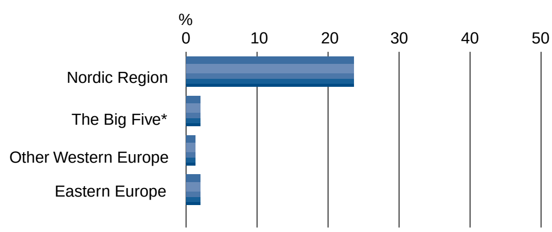
For retailers, mobile patrol guarding during business hours is a growing market in Norway, Finland and Sweden. Interest in this form of guarding is great in other countries as well. When the guard makes his or her

Market shares

Guard Services

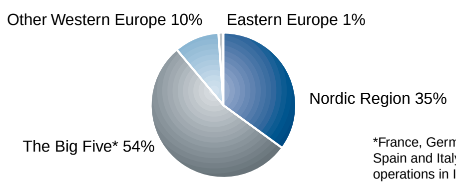


Alarm Systems

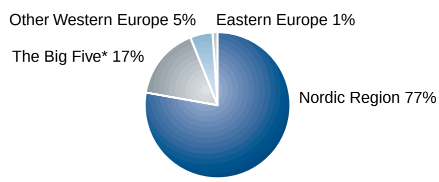


Sales by market

Guard Services 1998**



Alarm Systems 1998



*France, Germany, Great Britain, Spain and Italy. Securitas has no operations in Italy.

**Adjusted for full-year sales of acquisition of Proteg and Raab Karcher, sales in the Big Five was 65 percent, in the Nordic Region, 25 percent, in Other Western Europe, 8 percent, and in Eastern Europe, 1 percent of total Guard Services sales.

Guard Services and Alarm Systems are two business areas in the process of becoming ever more closely linked together. Large customers often choose solutions where personal guard services are combined with advanced alarm systems. The combination solution guard services and alarm systems is found in places like museums, who have a need of specially adapted security solutions. Visitors must feel secure in the environment, the objects on display must be protected against wear and tear, and theft, at the same time as fire is a hazard for visitors as well as objects on display. In combination with access control, patrolling guards, stationary hall guards and advanced alarm systems, museum-specific security concerns can be satisfied.

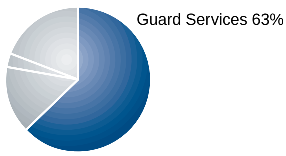
Guard Services and Alarm Systems constitutes 78 percent of Securitas' business and generates sales of MSEK 10,650. A total of 57,800 associates work within these business areas.

FACTS ABOUT GUARD SERVICES

MSEK	1998
Net sales	8,558
Organic growth	10%
Operating income*	630
Operating margin	7%
Operating capital employed in percent of sales	12%
European market for guard services	92,000
Securitas' market share	13%

*Before amortization of goodwill

Proportion of total sales 1998

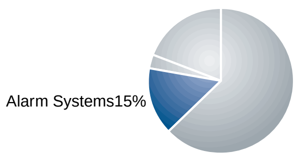


FACTS ABOUT ALARM SYSTEMS

MSEK	1998
Net sales	2.092
Organic growth	2%
Operating income*	194
Operating margin	9%
Operating capital employed in percent of sales	19%
Installed base of alarm systems	155.000**
European market for alarm systems	71.000**
Securitas' market share	4%

*Before amortization of goodwill
**Not including Securitas Direct

Proportion of total sales 1998



rounds, the guard also becomes more visible, although it is at the customer – not in public – that the guard operates. In some countries, this form of mobile patrol guarding is not permitted, but regulations are gradually being relaxed.

Another time-sharing concept developed in the Nordic countries is area patrolling. Here, several companies come together and share a guard resource, who is always available in the immediate area and is thus in a position to act preventively against theft and vandalism, or quickly summon police assistance when needed. Area patrolling has contributed to reducing the number of thefts and incidents of damage reported to the police in several locations.

STRONG OUTSOURCING TREND

Among large customers the trend towards outsourcing continues strong. Outsourcing means that companies in order to concentrate on their core business, use professional security companies. Also in times of weaker economic activity, experience shows that there is a continuing strong will in the direction of hiring professional security companies.

Another trend is that alarm systems are becoming more common as a part of large companies' business. In Sweden, the 1997 acquisition of TeleLarm has created a strong product base with burglary alarms, access control systems, integrated system and surveillance TV, so-called CCTV. As guarding in general grows, there is an automatic need for combined security solutions.

GUARD SERVICES CHANGES

A greater incidence of technical security is particularly noticeable among banks. Most banks in the Nordic countries have today complemented their traditional personal guarding of bank premises with new security technology in the form of alarm systems, access control systems and CCTV. The same trend is seen in Southern Europe. This does not mean that guard positions disappear, but instead that guards get a role with other content. The guard is put in charge of seeing to it that the technical systems work, and his or her technical competence thus becomes much more important. And as the technical element grows, so grows the need for traditional personal guard services. The reason is that it is the action itself, the actual guard, that is the common denominator between Guard Services and the other of Securitas' business areas. Where Securitas is strong in Guard Services, there are also good opportunities for Alarm Systems business.

This development is prevalent in all markets, although it varies in strength and speed. In Eastern Europe, for instance, personnel costs are still relatively low, which reduces the need to render security more efficient by using technical solutions compared to the West. However, we can expect to see this same trend in the East in coming years.

BENEFIT OF LOCAL EXPERIENCE

Since legislation and security needs are so varied in the countries where Securitas operates, it is important to take the differences in each country into consideration. Securitas therefore operates locally in each market and takes advantage of the experience gained in each respective country. The strategy is to coordinate operations in groups of countries with a similar basic structure, thus taking advantage of the experience gained in each respective country.

There are also examples where security solutions are similar across national boundaries. One example hereof is airport security. This activity – and especially checking of passengers and luggage – is heavily regulated by international legislation. Today, Securitas conducts operations at 38 European airports, with the assignment at Tegel airport in Berlin being one of the largest. Approximately 2,000 Securitas associates are part of airport security all over Europe.

MARKET AND COMPETITORS

The European guard services market is estimated to be worth about SEK 92 billion, with annual growth of about 5 percent. The European alarm systems market is estimated to be worth about SEK 78 billion, not including the SEK 4 billion home alarm market, with annual growth of about 10 percent. Securitas' share of the guard services market is 13 percent and of the alarm systems market 4 percent.

The competitive situation in the European market for alarm systems and guard services varies sharply from country to country. The largest competitors in guard services are Falck, Group 4, Securicor, Rentokil and Prosegur. Also in alarm systems, Falck and Group 4 are competitors, along with Cerberus and Tyco.

Incidents with immediate consequences

There are many security risks at an airport. International terrorism, smuggling, theft and bomb threats are some of the most obvious. These are incidents that can rapidly lead to serious consequences in the form of disturbances in air traffic and economic losses for airlines as well as passengers – or in the worst case, material and personal damage and death. It is therefore extremely important for every airport to maintain a very high level of security.

Securitas is today responsible for security at 38 European airports. These assignments include checking of luggage and passengers, access control, ID control, stationary and mobile patrol guarding, cash in transit services and VIP service.

Airport security accounts for MSEK 350 of Securitas' total sales, and about 2,000 associates are involved in this line of work.

One of the largest assignments is at Tegel Airport in Berlin. Since January 1, 1997, 300 Securitas associates are responsible for checking passengers and luggage at this airport.

Security for Homes and Small Companies

Securitas Direct is the unit in the Securitas Group specialized in alarms for private individuals and small companies. This is the Group's organically fastest growing unit – and since one year an independent European division.

During 1998, 27,000 alarm systems were sold and installed in Sweden, Norway, Denmark, Finland, Spain, France and Switzerland. There is now an installed base of almost 100,000 alarm connections.

Sales amounted to MSEK 423, which is equivalent to three percent of the Group's total consolidated sales. Homes account for about 70 percent and small companies for about 30 percent of sales.

DIFFERENTIATION OF SERVICES

Also in home and small alarm systems, customers have varying needs. Some customers need burglary alarms. Others need a complete solution and therefore complement with a fire alarm system, and perhaps a panic or function alarm. The customer chooses a solution responsive to the security needs at hand and pays a current subscription fee that covers connection to the alarm station, service and possible call-outs.

Differentiation of services for different customers, without compromising efficiency, has been the most important success factor for Securitas Direct.

SPECIALIZED ALARM STATION

The core of Securitas Direct is the Customer Service Center – a specialized alarm station. The Customer Service Center handles all subscriber questions and needs, and all administration. Since Securitas Direct is specialized towards a defined customer segment, the organization is responsive to the needs of its customers and the quality of its services is thus raised.

COOPERATION AGREEMENTS GIVE A LARGER MARKET

Securitas Direct sells a large portion of the alarm systems by so-called visiting field sales. Other sales channels are telephone sales with follow-up of direct promotion to potential customers.

In several countries there are cooperation agreements with insurance companies, who offer home and small alarm systems to its customers on favorable terms. Such alliances are good for both parties. Securitas Direct reaches a bigger market and the cooperation partner strengthens its own customer relationships by offering alarm systems.

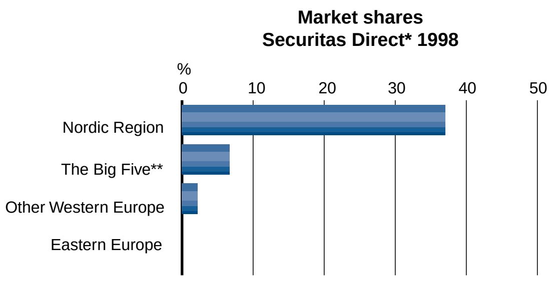
LOCAL PARTNERS

For distribution of the alarm systems, Securitas has built a network of local partners – installation firms who become Securitas Direct's local representatives. The demands on each partner are high.

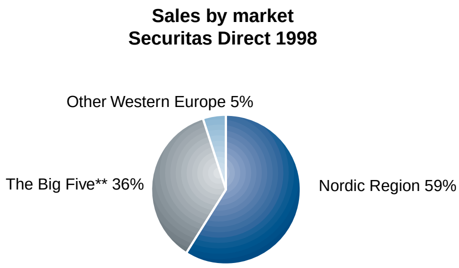
This mode of operation now exists in Sweden, Spain, Norway, Finland and Switzerland. Steps were taken in Denmark during 1998 in the direction of specialized Securitas Direct partners, and in France a mix of own installers and partners has developed.

FOCUS

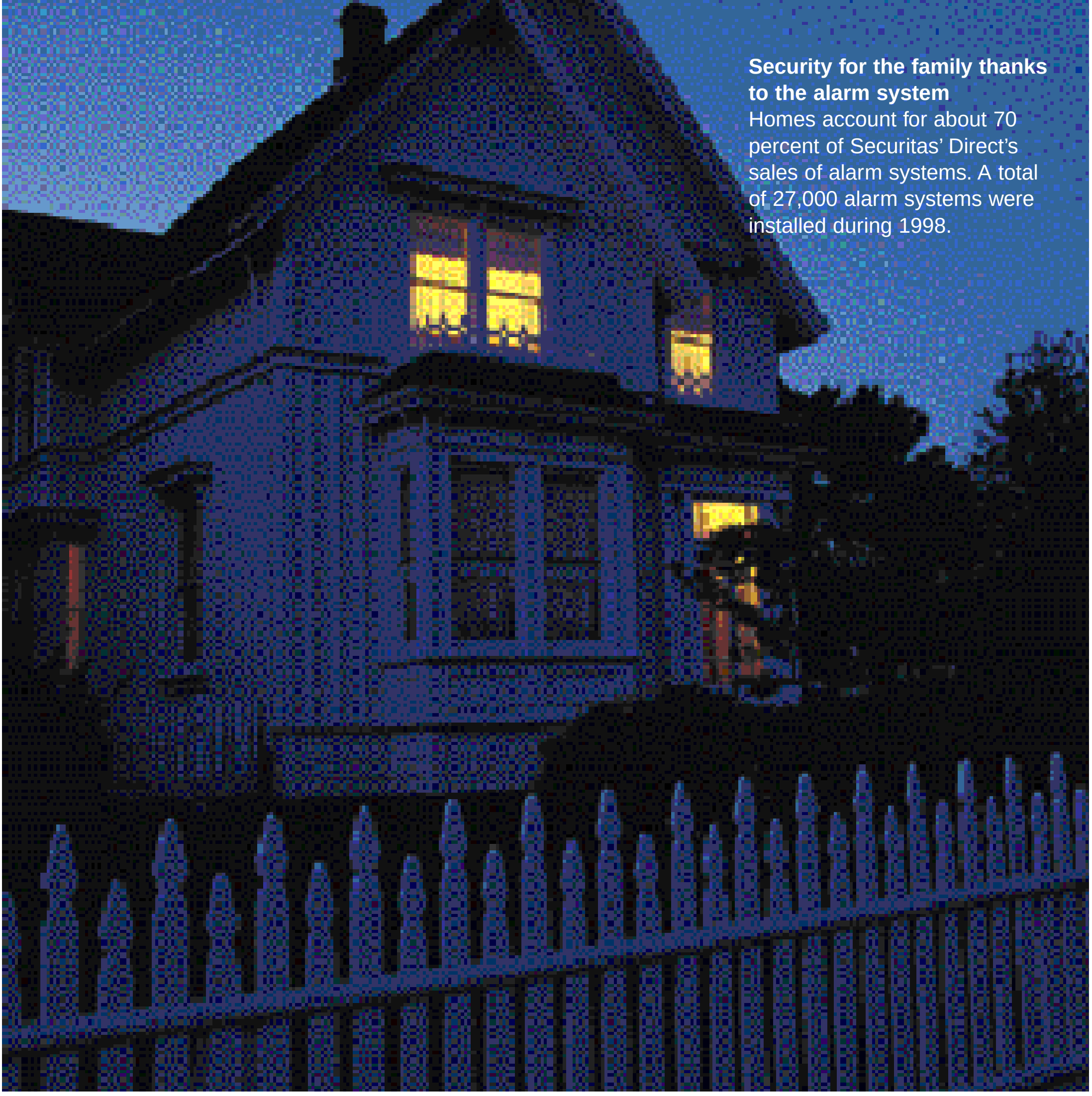
The motive for creating a separate division for Securitas Direct was to get a sharper focus on the small alarm systems market. The purpose is to improve distribution of the common vision and know-how, to develop common systems, products and sales tools, and to add to the exchange of experience between the different countries.



*home alarms only



**France, Germany, Great Britain, Spain and Italy. Securitas has no operations in Italy.



Security for the family thanks to the alarm system
Homes account for about 70 percent of Securitas' Direct's sales of alarm systems. A total of 27,000 alarm systems were installed during 1998.

FACTS ABOUT SECURITAS DIRECT

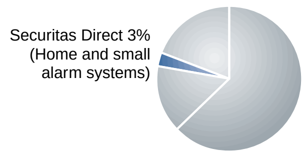
MSEK	1998
Net sales	423
Organic growth	36%
Operating income*	59
Operating margin	14%
Operating capital employed in percent of sales	25%
Installed base of alarm systems	99,550
Number of alarm systems sold	27,047
European market for home and small alarm systems	10,750**
Securitas' market share for home alarm systems	10%

*Before amortization of goodwill.
**MSEK 4,100 refers to home alarm systems and MSEK 6,650 refers to small alarm systems.

Sales by country

MSEK	1998	1997
Sweden	127.8	102.4
Norway	85.7	64.1
Denmark	18.9	–
Finland	15.6	10.3
France	82.3	75.4
Spain	70.0	41.5
Switzerland	22.6	18.5
Total	**422.9**	**312.2**

Proportion of total sales 1998



Financial and corporate management was also strengthened during the year. This was one of the basic premises for continued growth.

Organic growth remains in sharp focus. The development was particularly good in Sweden and Spain, with high rates of growth in terms of sales as well as earnings.

Much effort has been expended in Denmark to ensure a good development for Securitas Direct. The right prerequisites for continued advances now exist.

GERMANY – CHALLENGE AND OPPORTUNITY

A manager was recruited during 1998 for Securitas Direct in Germany and the big challenge for 1999 is to get operations under way in the country. The situation in Germany, as in France, is very similar to that which prevailed in Spain a couple of years ago. The proportion of local alarm systems, that is alarms without response, was high. The vision for Securitas Direct is to alter that market to becoming a service market. The opportunity of offering response is unique in comparison with other competitors.

GREAT MARKET POTENTIAL

Securitas Direct operates in a market with very big potential. The market for home and small alarm systems in Europe is estimated to be worth about SEK 11 billion and it grows by 20 percent per year.

In Sweden alone, there are four million households. About one million of these are potential customers and today Securitas Direct has two percent of that market. The situation is similar in the rest of Europe. Perhaps the greatest market potential exists in markets were local alarm systems is common protection – here, Securitas Direct can offer alarm to response. The strategy for increased growth lies in raising Securitas Direct's market share as well as the fact that the market itself is growing. Securitas now has a presence in all markets where growth is good.

COMPETITORS

The competitive situation is not uniform, but varies from country to country. In some countries, such as Spain, there are several competitors who offer alarm systems, but with response from the police. In other markets, where the guard services industry is strong, in combination with a situation where the police is not always available to act on an alarm, there are few competitors.

A third situation is competition from different types of service providers. These can be insurance companies with a strong customer base who offer its customers alarm systems as a complement to the insurance service. In home and small alarm systems Falck, Prosegur, Tyco (ADT and CIPE) and CET are competitors.

Safe and Efficient Handling of Money

As a specialist in handling cash, Securitas is in a position to see to it that its customers get an efficient and safe flow of money. A growing number of banks and retail customers are choosing complete concepts, where Securitas handles the transportation of cash, cash processing services, and cash dispensing machine management.

Banks are the largest customer group in Cash In Transit Services, accounting for approximately 65 percent of the business area's sales. The remaining 35 percent come from the retail trade.

AMOUNT OF CASH ON THE RISE

Cash is the most common means of payment in society. Estimates made show that between 60 and 80 percent of all payments in Europe are made in cash, in spite of new forms of debit cards and so-called smart cards.

The aggregate value of bank notes and coins in circulation in the payment system is on the rise in most European countries. The number of cash dispensing machines in Europe has also grown strongly during the 1990's. For store owners, it is most economical when customers pay with cash, since they then do not have to bear the administrative costs associated with card purchases.

THE FLOW OF MONEY IS THE HUB

Large sums are transferred daily between the central bank and bank branch offices, from banks to consumers, on to the retail trade, and back to the banking system. This flow of money is the actual hub in cash handling and it is very sensitive to disturbances. Securitas offers services to secure the entire chain.

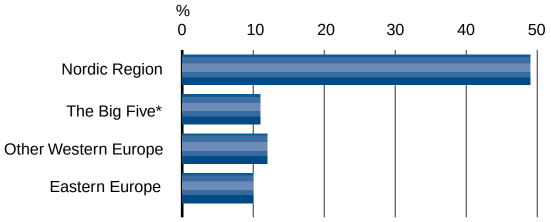
The Cash In Transit Services business has evolved from handling transportation of money, to handling of entire money flows. A large proportion of Securitas' Cash In Transit Services business is all about moving cash safely and efficiently from one location to another. It is becoming increasingly common for Securitas to be responsible for replenishment of cash dispensers and counting and sorting bills and coins at the cash processing centers operated by Securitas throughout Europe.

CONCENTRATION ON COMPLETE SOLUTIONS

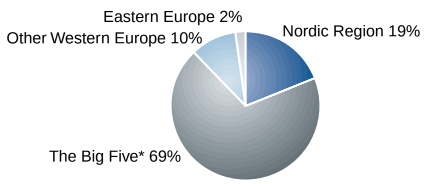
Banks and retail trade customers increasingly demand and are offered complete concepts, where Securitas handles the transportation of money, cash processing services, and cash dispenser management.

The commitment to complete solutions is positive for the customers, since they can develop their services and stay with their core ideas. Retail customers get more time for their sales effort. From Securitas, the customers get statistics and reports that provide them with a timely overview of their cash flow.

Market shares
Cash in Transit Services 1998



Sales by market
Cash in Transit Services 1998



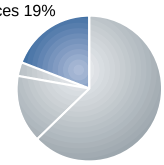
*France, Germany, Great Britain, Spain and Italy. Securitas has no operations in Italy.

FACTS ABOUT
CASH IN TRANSIT SERVICES

MSEK	1998
Net sales	2.638
Organic growth	5%
Operating income*	120
Operating margin	5%
Operating capital employed in % of sales	50%
European market for cash in transit services	21.100
Securitas' market share	13%

*Before amortization of goodwill

Proportion of total sales 1998



Securitas became established in Great Britain in 1996 through the acquisition of Security Express Armaguard, operating exclusively in Cash In Transit Services.

Securitas UK has focused on developing and improving its operations. In so doing, Securitas has come to affect the entire industry. Major investments have been made in armored vehicles, premises, transportation and IT support systems to refine operations at the same time as security and quality is raised. These investments in security have reduced robbery losses and costs in connection with robberies and assault.

During its short time in the British market, Securitas has become one of Great Britain's safest value transportation enterprises, turning a loss in the acquired company to a profit in a year and a half.

Securitas' total Cash In Transit Services business accounts for 19 percent of total Securitas operations with sales of MSEK 2,638. A total of about 6,800 associates are engaged in this business area.

For bank branch offices, it is very important that the daily counting of cash is performed quickly. This also applies to getting the money to the central bank, so that the funds becomes interest-bearing. Any loss of time is also a loss of interest. At the same time, cash dispensers are becoming an increasingly important bank service, where Securitas oversees that the dispensers function properly and contain an adequate supply of bills.

CASH IN TRANSIT REQUIRES FOCUS

Securitas' largest markets for Cash In Transit Services are Great Britain, Germany, Spain, and Sweden. Together, these countries account for more than three quarters of Securitas total sales in Cash In Transit Services.

Cash In Transit Services requires its own focus and differs from, for example Guard Services – which is the dominating part of Securitas – in that it is a more capital-intensive business. In order to capitalize on the experience gained in the different countries of operation, Cash In Transit Services is a separate business area in the Securitas Group.

The differences are great between the countries in which Securitas conducts Cash In Transit Services operations. In part, this is a matter of differences in legislation, and of different forms of customer needs. In Spain, for example, the banking sector is clearly the largest customer, while in Great Britain and Sweden, the retail trade is most important.

SPECIALIZED SERVICES FOR THE RETAIL TRADE

Also in Cash In Transit Services, Securitas offers customer-adapted concepts. One example is the so-called retail vehicle. The retail vehicle is equipped with a facility for issuing receipts and functions as a ”service box on wheels”. This makes for quick and efficient handling of the lesser values passing through the retail trade.

Advanced technology in the form of value cases and security built into the vehicle guarantees safe transportation. In some countries, customers are also offered to rent a safe where the money is stored until picked up by guards from Securitas. This means that the customer need not be limited by the pickup schedule.

SECURITY – AN IMPORTANT COMPETITIVE TOOL

The commitment to security applies to all of Securitas' transportation of valuables. Security is being focused and is an important competitive tool.

In Great Britain, for example, the company Securitas took over in 1996 had been hard hit by serious crime against value transports, with psychological stress on the personnel and financial losses as a result. Significant investments in security technology – vehicles, safety cases, and buildings – led to a reduction in robbery losses by more than 90 percent from 1996 to 1998. This is an important reason why Securitas UK was able to turn a loss-producing business into a profitable one in just over one year.

Another important factor to achieve as an effective and secure flow of money as possible is investments in IT. During 1998, for example, Transtrack, a barcode system to monitor the item of value throughout the transportation chain, has been introduced or tested in several countries of operation.

The system provides a precise picture of where in the chain the item of value is located and its destination. This is important information for Securitas as well as the customer.

MARKET AND COMPETITORS

The European market for cash in transit services amounts to about SEK 21 billion, and grows by 10 percent annually. Securitas' share of the market is about 13 percent.

The competitive situation differs compared to that in guard services and alarm systems in that the number of players is much smaller. This is partly explained by the high investment costs for starting up cash in transit services operations.

Competitors in this market are comprised of a number national players, such as Securicor in Great Britain, Brinks in France, Prosegur in Spain and Falck in the Nordic Region.

Late pick-ups common at Wembley

Great Britain is Securitas' largest single market for cash in transit services. In London, Securitas handles transportation of valuables for the Wembley Arena with its fine old traditions, which contains a stadium, Arena Box Office, and sometimes also Wembley Conference Centre. In addition hereto, there is also a separate contract with the catering company providing food service in connection with different events.

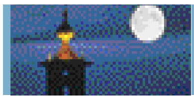
The money is picked up at different times during the day. After major concerts, there are often late pick-ups. Not until after midnight is the cash ready to be handed over to guards.

The biggest event by far for Securitas during 1998 was when American wrestling was arranged at Wembley. This event attracted a full house of 90,000 spectators.

Other popular events include activities for the whole family, such as concerts, and, of course, when England plays international soccer games.

Development in

Countries of Operation



SWEDEN

Sales, MSEK	1998	1997
Guard Services	**1,642**	1,548
Alarm Systems	**1,046**	868
Cash In Transit Services	**252**	234
TOTAL	**2,940**	2,650
Proportion of total sales, %	**21**	25
Number of employees	**5,692**	5,659

THE ENGINE OF THE GROUP'S SERVICE AND PRODUCT DEVELOPMENT

Securitas Sweden increased sales by 11 percent, from MSEK 2,650 in 1997 to MSEK 2,940 in 1998. Organic growth amounted to 5 percent.

Strong growth in Guard Services is explained primarily by the refinement of products and services accomplished during the year. Securitas area patrolling can be mentioned as a service which has been refined. Area patrolling means that several customers combine and share a guard who always patrols a defined area. This service has grown and is now offered at some thirty locations around Sweden.

Securitas Larm AB was founded January 1, 1998, as a result of the merger of Securitas Teknik and the acquired TeleLarm. Integration of the new company has been in focus and Securitas Larm was reorganized during the year, in order to improve administrative efficiency. The number of combination agreements, where the customer chooses both guarding and security technology from Securitas, has also increased.

Securitas Cash In Transit Services enjoyed good growth during the year. Retailers have become a larger customer group as development of small, specialized vehicles for the retail trade continued during the year. Cash processing centers are also a growing part of the Cash In Transit Services business.

Together with 40 other companies in the industry, Securitas Sweden is a participant in a joint guard school. About one thousand guards are trained at this facility annually.

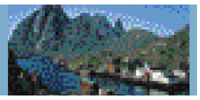
In terms of sales, Securitas Sweden is the third largest country in the Securitas Group, and pursues, together with the other Nordic countries, the evolution of Securitas service and product development.

The Swedish security market is estimated to be worth MSEK 6,900 of which Securitas has a share of about 40 percent.

The guard services market in Sweden is worth about MSEK 3,000, alarm systems are estimated to be worth MSEK 3,250, and cash in transit services MSEK 500. Securitas' share of the guard services market is about 50 percent; the market share in alarm systems is about 30 percent, and in cash in transit services about 50 percent.

Falck is the largest competitor in guard services. Cerberus and Falck are the largest competitors in alarm systems, and also in cash in transit services Securitas competes with Falck.

NORWAY



Sales	MSEK		MNOK	
	1998	1997	**1998**	1997
Guard Services	**822**	755	**779**	696
Alarm Systems	**260**	216	**246**	199
Cash In Transit Services	**115**	93	**109**	86
TOTAL	**1,197**	1,064	**1,134**	981
Proportion of total sales, %	**9**	10	-	-
Number of employees	**2,451**	2,372		

GROWING BUSINESS IN A GROWING ECONOMY

Securitas Norway's sales increased in local currency by 16 percent compared to 1997, of which 15 percent was organic growth. Cash In Transit Services is the fastest growing area, but business areas Guard Services and Alarm Systems also displayed significant growth. A contract for monitoring toll roads around Oslo was renewed during 1998. The new agreement also includes cash in transit services and it is the largest single contract in Norway. Other large assignments were also renegotiated and extended during the year.

The trend among Norwegian businesses and authorities to concentrate on their core business, transferring service functions to specialist companies, continues strong. Many Norwegian banks have begun to utilize Securitas' services for cash processing and transportation of cash.

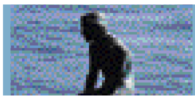
Norway has enjoyed a long spell of positive economic development. During the fall of 1998, however, lower oil prices and turbulence in the world economy have put considerable pressure on the Norwegian economy, with resultant rising interest rates and sharply contracting stock prices. Despite these signs of an economic slowdown, Securitas' Norwegian operations grew in volume and margins improved.

In order to sharpen the focus on specialization and profitability, a concentration of alarm centers was begun during the year. The strategy of developing patrol and response services in order to strengthen Securitas' market-leading positions continues. Another element of this focusing and development is that the Oslo Division moved to new and centrally located premises in June of 1998.

The Norwegian security market is estimated to be worth about MSEK 2,700. Securitas' share is just above 40 percent, making the company the market leader in all business areas.

The guard services market in Norway is worth about MSEK 1,500; the market for alarm systems is estimated to be worth MSEK 800, and the cash in transit services market about MSEK 200. Securitas' share of guard services is more than 50 percent; the market share in alarm systems is about 30 percent and for the cash in transit services market more than 50 percent.

The main competitors in guard services are Falck and Vaktservice. In alarm systems, Cerberus and Falck are the principal competitors. On the cash in transit services market, Securitas competes mainly with Falck.



DENMARK

Sales	MSEK		MDKK	
	1998	1997	**1998**	1997
Guard Services	**75**	49	**63**	43
Alarm Systems	**138**	118	**116**	102
Cash In Transit Services	**77**	55	**64**	47
TOTAL	**290**	222	**243**	192
Proportion of total sales, %	**2**	2	–	–
Number of employees	**490**	266		

FOCUS ON GROWTH

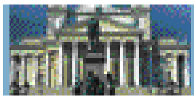
Securitas' Danish company, Dansikring, has enjoyed good growth for three consecutive years and in 1998 Dansikring's sales were MSEK 290. In local currency sales increased by 27 percent, which was solely organic growth. This growth is partially due to the fact that Danish companies have begun to use professional service companies rather than handling security in their operations in-house. This outsourcing trend creates opportunities for continued strong growth, especially for Guard Services.

During 1998, Dansikring created a new administrative platform for the purpose of focusing even more sharply on growth, particularly in business areas Guard Services and Alarm Systems. One step in that direction was that Securitas Direct was launched in Denmark during the year, at the same time as the alarm station was moved and rebuilt. The Guard Services unit also achieved nationwide coverage during the year.

The Securitas model in terms of business climate, and working methods was established during the year, in part by a commitment to training programs for managers. The Danish operation began to operate under the common Securitas logotype during the year. Business in Denmark is still conducted under the Dansikring name, but that name is combined with Securitas' trade mark, the three red dots, to signify more clearly that the company is a part of the Securitas Group.

The Danish security market is estimated to be worth about MSEK 2,700, of which Dansikring has about 10 percent. The guard services market in Denmark is worth about MSEK 900, alarm systems about MSEK 1,550, and cash in transit services about MSEK 150. Dansikring's share of the guard services market is about 10 percent, the market share in alarm systems is about 8 percent, and about 50 percent of the cash in transit market.

There are three major and about 400 smaller security companies in Denmark. In guard services and alarm systems, Falck is the largest competitor. In alarm systems, Cerberus is also a major player, and in the cash in transit services industry are Post Danmark, Falck and banks competitors.



FINLAND

Sales	MSEK		MFIM	
	1998	1997	**1998**	1997
Guard Services	**448**	400	**300**	272
Alarm Systems	**212**	200	**141**	135
Cash In Transit Services	**58**	33	**39**	22
TOTAL	**718**	633	**480**	429
Proportion of total sales, %	**5**	6	–	–
Number of employees	**2,001**	1,862		

CONTINUED STRONG DEVELOPMENT

Securitas Finland increased sales in local currency by about 12 percent during the financial year. The entire growth was organic, with the greatest growth in Cash In Transit Services. In Alarm Systems, Securitas Finland focused its 1998 sales on small alarm systems and technical service.

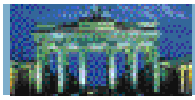
The country-wide Cash In Transit Services business started last year posted good earnings, primarily through continued focus on product refinement and internal efficiency. The Finnish postal service previously enjoyed a virtual monopoly in cash in transit services, but Securitas is now a worthy competitor with cash processing centers in Helsinki, Turku, Kouvola, Oulu, and Vaasa.

Securitas is the market leader in guard services in Finland. In order to secure and develop this position, Securitas Finland intentionally focused on building security solutions for the various customer groups during 1998, and this has resulted in an increase in the number of combination contracts for Guard Services and Alarm Systems. Efforts in developing the alarm to response concept for smaller retail customers continue in tandem herewith.

The Finnish security market is estimated to be worth just over MSEK 2,300, of which Securitas has a share of about 30 percent.

The guard services market in Finland is worth about MSEK 800, alarm systems about MSEK 1,300, and cash in transit services about MSEK 250. Securitas' share of the guard services market is about 50 percent, the market share in alarm systems is about 15 percent, and of the cash in transit market about 20 percent.

The largest competitors in guard services are Engel and Falck. In alarm systems, the largest competitors are Esmi and Aldata. In cash in transit services, Securitas mainly competes with SPAC FP, the former Finnish postal service.



GERMANY

Sales	MSEK		MDEM	
	1998	1997	**1998**	1997
Guard Services	**1,727**	1,008	**374**	228
Alarm Systems	**22**	16	**5**	4
Cash In Transit Services	**558**	664	**123**	150
TOTAL	**2,307**	1,688	**502**	382
Proportion of total sales, %	**17**	16	**–**	–
Number of employees	**13,586**	6,095		

ACQUISITION OF RAAB KARCHER SICHERHEIT STRENGTHENS THE POSITION

Securitas' German operations increased sales, expressed in local currency, by 31 percent compared to the year before. In part, the increase is due to the acquisition of Raab Karcher Sicherheit, with sales of MSEK 2,000 and 8,000 employees and its primary business in guard services, and Deutsche Sicherheits AG with sales of MSEK 300 and 800 employees. Deutsche Sicherheits AG also has guard services as its primary business. These acquisitions confirm Securitas' position as Germany's leading security company. Significant efficiency gains will be realized by merging and integrating these acquisitions into Securitas' present German operations. The biggest savings will be made in the costs for regional and head offices. Enhanced opportunities of being able to offer specialized services in the area of airport security and security solutions for public transportation systems is also expected to increase profitability.

In Germany, a major portion of security services in companies and authorities have until now been produced in-house. As specialization spreads in business and industry, security services offered by professional security companies will be in demand to a greater extent. Guard services has increased by 11 percent during the year.

The Cash In Transit Services business has been characterized by restructuring with a focus on internal efficiency. This restructuring was accomplished in 1997, and has also meant that prices have been reviewed, resulting in termination of certain loss-producing contracts. By year's end, operations were at break-even.

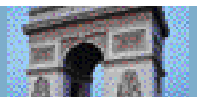
Salaries in Germany still vary sharply between different regions, and especially between East and West. This situation has created unsound competition with wage costs. The ambition here is to set guidelines for the future together with employees, union organizations and the security industry. This will mean the creation of a uniform wage structure and a commitment to training of personnel.

The total German security market is estimated to be worth about MSEK 46,000, and Securitas is the market leader with about 8 percent.

The guard services market is worth about MSEK 23,000 and Securitas' share is about 13 percent; the market for alarm systems is estimated to be worth about MSEK 20,000, and Securitas share is about 1 percent. In cash in transit services, Securitas has a market share of about 20 percent of the total German market for cash in transit services of MSEK 3,200.

The German security market is highly fragmented with over 2,000 players. In guard services, Securitas primary competitor is Niedersächsische Wach- und Schließgesellschaft and Kötter Security. Competitors on the cash in transit services market include GWU, G&W, and Brinks.

FRANCE



Sales	MSEK		MFRF	
	1998	1997	**1998**	1997
Guard Services	**1,825**	945	**1,320**	721
Alarm Systems	**203**	–	**142**	–
Cash In Transit Services	**36**	–	**26**	–
TOTAL	**2,064**	945	**1,488**	721
Proportion of total sales, %	**15**	9	**–**	–
Number of employees	**19,579**	5,230		

THE GROUP'S LARGEST COUNTRY OF OPERATION AFTER THE ACQUISITION OF PROTEG

Securitas' French company, Protectas, increased its sales to MSEK 2,064. This is an increase by 106 percent expressed in local currency, of which 7 percent was organic growth. Since 1996, Securitas has pursued an active acquisition strategy in France aimed at creating a leading market position, thereby making it possible to drive the industry's development in the direction of stronger growth and higher profitability.

The Kessler group, with its main operations in Eastern France, was acquired in January 1998. Sales amounted to about MSEK 120, with 65 percent in Guard Services and 35 percent in Alarm Systems. During the fall, Securitas in France acquired Proteg, whose sales amount to about MSEK 3,800, of which the fire alarm services was about MSEK 600. With the latter acquisition came an installed base of about 50,000 small alarm systems and about 15,000 employees, which makes France the largest country of operation of the Securitas Group. Significant efficiency gains will be realized by merging the acquired businesses into Securitas' existing organization in France.

Securitas will be doing business under the Proteg name in France. The name will be combined with Securitas' trade mark, the three red dots, to accentuate that the company is a part of the Securitas Group.

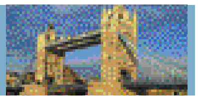
The French fire alarm companies Proteg Incendie, and Proteg Extincteurs were sold in December. These sales were an element in concentrating French operations to core businesses.

Securitas' French guard services operation works on refinement of services and products, and on improvements in internal efficiency. This will raise the quality of the services and the value for the customers. This development contributes to raising the status of guards, while at the same time improving profitability.

The French security market is the third largest in Europe and is estimated to be worth a total of MSEK 34,000. After the acquisition of Proteg, Securitas' share is about 13 percent. The French guard services market amounts to about MSEK 12,500 and Securitas' share is about 27 percent. This makes Securitas the market leader in France and Securitas has now attained a position making it possible to have an effect on the development of the security industry. The French market for alarm systems totals about MSEK 16,200, and Securitas' share is about 5 percent. The cash in transit market amounts to about MSEK 4,300 of which Securitas' share is about 3 percent.

With over 1,000 players, the security market in France is highly fragmented. In guard services, Euroguard and Onet Sécurité are competitors; in small alarm systems Securitas competes primarily with Tyco/CIPE and Protector/CET. In the market for cash in transit services, Brinks and Ardial are major players.

GREAT BRITAIN



Sales	MSEK		MGBP	
	1998	1997	**1998**	1997
Cash In Transit Services	**1,017**	865	**77**	69
TOTAL	**1,017**	865	**77**	69
Proportion of total sales, %	**7**	8	**–**	–
Number of employees	**2,624**	2,869		

SECURE AND PROFITABLE CASH IN TRANSIT

Securitas was established in Great Britain in 1996 after the acquisition of Security Express Armaguard, and operates solely in cash in transit services, 70 percent thereof for the retail trade and 30 percent for banks. During its years of operation, Securitas UK has evolved into one of Great Britain's most secure cash in transit service companies. In 1998, Securitas UK had sales of MSEK 1,017, an increase of 12 percent, expressed in local currency, all of it organic growth.

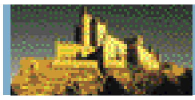
The British cash in transit services business has undergone profound changes during the last few years. The industry's steadfast focus on development of services and products has contributed to raising the quality of services offered.

In order to improve security, investments have been made by Securitas' British operation in education and training, but also in armored vehicles, premises, transportation, and in IT support systems for the operations. This has contributed to refining the business, while also raising both security and quality. The increase in quality has resulted in price increases, which the customers have accepted and understood. Investments in security have reduced the risk of robbery, and the costs incurred in case of robbery and assault. This preventive action has also led to significantly lower insurance costs for Securitas' British operations. In this way, a good platform for further growth and good profitability now exists.

The positive development of the industry and enhanced security have also led to improved relations with union organizations, and to more satisfied employees.

Securitas' management in Great Britain will also be playing a central role in the efforts to create a European division for cash in transit services in the Securitas Group. In Great Britain, outsourcing of cash in transit services is already high, but in spite hereof major opportunities for development exist, with, among other things, refinement of services for cash dispensers and one-man crew security vehicles.

The British cash in transit services market is worth a total of MSEK 5,300. Securitas' share thereof is about 19 percent. The cash in transit services market is dominated by a few large players. Securitas' main competitor is Securicor, with a market share of about 50 percent.



SPAIN

Sales	MSEK		MESP	
	1998	1997	**1998**	1997
Guard Services	**1,070**	919	**19,993**	17,578
Alarm Systems	**140**	86	**2,607**	1,649
Cash In Transit Services	**227**	248	**4,252**	4,751
TOTAL	**1,437**	1,253	**26,852**	23,978
Proportion of total sales, %	**11**	12	–	–
Number of employees	**8,295**	7,291		

GROWTH IN COMBINED SECURITY SOLUTIONS

Total sales increased during the operating year by about 12 percent, of which 8 percent was organic growth. During the first quarter of 1998 an important step was taken with the signing of a cooperation agreement with Caixa Cataluna, one of the largest banks in Catalonia, which included the acquisition of the bank's security company Segurcat, with annual sales of MSEK 45.

During the last quarter of 1998 the second acquisition for the year was completed with the purchase of the French Proteg Group's subsidiary in Spain, with annual sales of about MSEK 140. The acquisition was fully integrated with existing operations by year's end.

The number of combined service contracts has increased in 1998 and mobile patrolling, has been introduced in all major Spanish provinces.

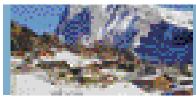
A development in the direction of combined contracts is also reflected in the growth of Alarm Systems. Alarm Systems operations sales grew by 58 percent during 1998. The cooperation agreement with Caixa Cataluna has sharpened the focus on the bank segment as one of the future major markets. This means complete solutions for banks, including installation, maintenance and alarm connection.

The cash in transit market is now facing a turning point as the market and prices have stabilized. The launch of new products and focus on markets outside the bank sector is under way.

The total Spanish security market is worth about MSEK 11,200 and Securitas' share is about 15 percent.

The guard services market in Spain is worth about MSEK 8,000, the market for alarm systems is estimated to be worth MSEK 1,500, and the cash in transit services market about MSEK 1,350. Securitas share of the guard services market is about 15 percent, the market share in alarm systems is about 11 percent and the share of the cash in transit services market is about 17 percent.

Overall, Securitas is Spain's second largest security company. Prosegur is the largest competitor in the area of guard services and cash in transit services, but also Prosesa, Seguriberica and Vinsa are competitors in the field of guard services. Ausysegur is a major player in the cash in transit services industry. In alarm systems, Tyco (ADT and CIPE), Prosegur and Fichet are competitors.



SWITZERLAND

Sales	MSEK		MCHF	
	1998	1997	**1998**	1997
Guard Services	**242**	227	**44**	43
Alarm Systems	**6**	5	**1**	1
Cash In Transit Services	**32**	25	**6**	5
TOTAL	**280**	257	**51**	49
Proportion of total sales, %	**2**	3	**–**	–
Number of employees	**600**	562		

FROM MOBILE PATROL GUARDING TO REMOTE SURVEILLANCE

Securitas' Swiss company, Protectas, had sales of MSEK 280 during 1998. In local currency sales increased by 5 percent, of which 4 percent was organic growth.

Protectas started mobile patrol guarding 20 years ago. A growing portion of this activity is now complemented by technology. Protectas is thus active in performing remote surveillance by video camera of industries and other facilities from alarm stations. The Swiss guard services market has contracted in recent years due to stagnation of the country's economy.

The cash in transit business in Switzerland is still in its infancy. This is due to the fact that most banks and retailers outside the cities are still handling these activities in-house. A wave of outsourcing has just started, however.

Thanks to expansion into the Italian-speaking parts of the country, operations in Switzerland became nationwide during 1998. This opens new possibilities. Operations in Switzerland are still under the Protectas name, but in combination with Securitas' trade mark with its three red dots to signify that the company is a part of the Securitas Group.

For 1998, the Swiss security market was estimated to be worth MSEK 4,600, of which Protectas commanded a share of about 7 percent.

The guard services market in Switzerland is worth about MSEK 2,100, the market for alarm systems is estimated to be worth MSEK 2,200, and the cash in transit services market about MSEK 200. Protectas' share of the guard services market is about 12 percent and for the cash in transit services market about 15 percent.

In guard services, Protectas competes with the market leader, Securitas AG. The Securitas Group owns the home alarm operations on a 50/50 basis with Securitas AG in Switzerland. Also in cash in transit services is Securitas AG the largest competitor. Cerberus, Securiton, CIPE, and C.E.T. are important competitors in the market for home and small alarms.

AUSTRIA

Sales	MSEK		MATS	
	1998	1997	**1998**	1997
Guard Services	**46**	–	**67**	–
Cash In Transit Services	**136**	118	**211**	189
TOTAL	**182**	118	**278**	189
Proportion of total sales, %	**1**	1	**–**	–
Number of employees	**944**	339		

FOCUS ON THE RETAIL TRADE

During 1998, Securitas in Austria had sales of MSEK 182. In local currency sales increased by 47 percent, of which 12 percent was organic growth.

With the acquisition of Raab Karcher Sicherheit, Securitas is now active also in guard services in Austria, where traditional guard services are most in demand.

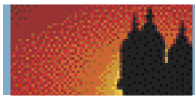
The cash in transit services market is virtually unchanged since 1997. Work has continued on the small vehicle concept, which was introduced in 1997. This means that one-man crew security vehicles collect daily receipts from stores. The driver remains in the vehicle while a store employee deposits the money in a receptacle on the vehicle. The concept also includes counting and sorting store cash receipts. This concept has been successfully adopted in several other of Securitas' countries of operation. The increase in cash counting services was large during the year. Preparations for handling Euro currency were also made during the year.

Due to the acquisition of Raab Karcher Sicherheit, the brand name in guard services has been changed to Securitas, and at the same time usage of the Securitas logotype has commenced. Cash In Transit will also begin to use the Securitas name during 1999.

The Austrian security market is worth about MSEK 2,350, of which Securitas' share is about 11 percent.

The total Austrian guard services market is worth just over MSEK 1,000 and Securitas' share is about 12 percent. The cash in transit market in Austria is worth about MSEK 200, of which Securitas' share is more than 50 percent.

There are about 50 security companies in Austria. After the acquisition of Raab Karcher, Securitas is the third largest, after Group 4 and ÖWD, who only offer guard services. In the cash in transit services market, Securitas competes primarily with Securop and the postal service.



PORTUGAL

Sales	MSEK		MPTE	
	1998	1997	**1998**	1997
Guard Services	**561**	521	**12,671**	11,933
Alarm Systems	**99**	84	**2,226**	1,929
Cash In Transit Services	**126**	109	**2,837**	2,492
TOTAL	**786**	714	**17,734**	16,354
Proportion of total sales, %	**6**	7	–	–
Number of employees	**5,912**	5,506		

SECURITAS' MOST PROFITABLE COUNTRY OF OPERATION

Securitas Portugal had 1998 sales of MSEK 786. In local currency sales increased by 8 percent compared to the year before. The increase was purely organic growth.

As market leader, Securitas shows the way for the development of the Portuguese security industry with its focus on further refinement of security services in all areas of operation - Guard Services, Alarm Systems, and Cash In Transit.

The guard services market has developed in a very positive way during 1998, to a large part due to the World Expo in Lisbon. Securitas has increased its sales of Cash In Transit by close to 10 percent.

The total Portuguese security market is worth about MSEK 2,500, of which Securitas commands a share of about 30 percent.

The guard services market in Portugal is worth about MSEK 1,950; the market for alarm systems is estimated to be worth MSEK 250, and the cash in transit services market about MSEK 250. Securitas' share of the guard services market is about 30 percent; the market share in alarm systems is about 40 percent and the share of the cash in transit services market is about 50 percent.

Securitas competes with Prosegur and Grupo 8 in guard services. The competitor in large alarm systems is Cerberus, and in smaller alarm systems Prosegur. Also in cash in transit services Prosegur is a competitor.

HUNGARY

Sales	MSEK		MHUF	
	1998	1997	**1998**	1997
Guard Services	**34**	35	**917**	854
Alarm Systems	**12**	4	**317**	93
Cash In Transit Services	**45**	45	**1,198**	1,102
TOTAL	**91**	84	**2,432**	2,049
Proportion of total sales, %	**1**	1	**–**	–
Number of employees	**1,067**	1,184		

CONTINUED STRONG POSITION

With total sales of MSEK 91, Securitas Hungary has increased its sales by 19 percent over the year before, of which 18 percent was organic growth.

Securitas strengthened its position in the traditional markets - banks, retail and industry – during 1998. A contract with a telecommunications company was signed, where a complete solution consisting of Guard Services and Alarm Systems was installed. Investments have also been made in a cash center in order to develop the cash processing service. The operation of Raab Karcher in Hungary has been integrated with Securitas' Hungarian operations during the fall.

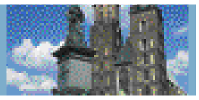
During 1998, Securitas introduced a new cash in transit vehicle with strong physical and electronic protection to be used for transportation of high-risk goods.

In Hungary, the total security market is estimated to be worth about MSEK 950, of which Securitas has a share of about 9 percent.

The guard services market in Hungary is worth about MSEK 500, alarm systems about MSEK 200, and cash in transit services about MSEK 200. Securitas' share of the guard services market is about 6 percent, the market share in alarm systems is about 5 percent, and about 20 percent of the cash in transit market.

In guard services, Securitas competes with some ten companies, of which Bizalom Kft and Group 4 are the biggest competitors, and about 1,500 smaller companies. Securitas is among the largest companies in cash in transit services. The main competitors are Group 4 and Banktech.

POLAND



Sales	MSEK		MPLN	
	1998	1997	**1998**	1997
Guard Services	**62**	41	**28**	18
Alarm Systems	**3**	–	**1**	–
Cash In Transit Services	**2**	–	**1**	–
TOTAL	**67**	41	**30**	18
Proportion of total sales, %	**0**	0	**–**	–
Number of employees	**1,293**	902		

OFFERS SECURITY IN SEVERAL AREAS

Poland's economy is growing briskly. In its third year of operation, Securitas Poland posted good sales and earnings increases on sales of MSEK 67. In local currency this is an increase by 65 percent, which is solely organic growth. From having offered guard services solely, Securitas in Poland also began to offer Cash In Transit services and Alarm Systems during 1998.

Cash In Transit services are still in their infancy in Poland. The service is being developed through a growing number of vehicles, introduction of new solutions, and establishing an office for cash processing. Government-owned banks may be privatized, which would open a new market for cash in transit services. So far, banks have handled their cash in transit services in-house.

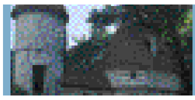
Securitas started to do technology installations in Poland during 1998. The unit is still small and is aimed solely at major customers.

The economy in Poland continues to show strong development, in large part thanks to foreign investors. This creates a favorable climate for growth for Securitas – the companies need a stable and reliable cooperation partner with high-quality combination solutions for security and guarding.

The total Polish security market is estimated to be worth about MSEK 5,000, of which Securitas has a share of about 1 percent.

The guard services market in Poland is worth about MSEK 4,000 and cash in transit services about MSEK 150. Securitas' share of the guard services market is about 2 percent, the market share in cash in transit services is about 1 percent.

Securitas is one of the largest security companies in Poland, competing with about 4,000 guard services companies and about 500 cash in transit services companies, of which Solid Security and Falck are the largest competitors.



ESTONIA

Sales	MSEK		MEEK	
	1998	1997	**1998**	1997
Guard Services	**7**	0	**12**	0
Alarm Systems	**8**	4	**14**	7
Cash In Transit Services	**5**	4	**8**	7
TOTAL	**20**	8	**34**	14
Proportion of total sales, %	**0**	0	**–**	–
Number of employees	**529**	156		

EXPANDING SECURITY MARKET

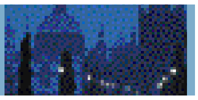
Securitas Estonia increased its sales by about 150 percent compared to the year before, of which organic growth was 112 percent. The main reason is that Estonia's security market is growing very rapidly, especially the guard services segment. Securitas started Guard Services operations during 1998, and during the year Estonian Security Centre was acquired.

Overall, the Estonian security market grew by about 30 percent during 1998 and is now estimated to be worth about MSEK 400, of which Securitas' share is about 13 percent.

The guard services market in Estonia is worth about MSEK 250, alarm systems about MSEK 150, and cash in transit services about MSEK 30. Securitas' share of the guard services market is about 16 percent, the market share in alarm systems is about 8 percent, and of the cash in transit market about 20 percent.

There are some hundred registered security companies in Estonia and Securitas is number two after Estonian Security Service.

CZECH REPUBLIC



Sales	MSEK		MCZK	
	1998	1997	**1998**	1997
Guard Services	**14**	–	**51**	–
TOTAL	**14**	–	**51**	–
Proportion of total sales, %	**0**	–	**–**	–
Number of employees	**995**	–		

ACQUISITION IN GROWING MARKET

Securitas has had a presence in the Czech Republic since September 1998 as a consequence of the acquisition of the German company Raab Karcher Sicherheit's subsidiary in the Czech Republic. Sales in the Czech Republic amounted to MSEK 14, in part because one of Prague's largest breweries became a customer during the year.

Securitas in the Czech Republic offers cash in transit services only as a complement to other services.

In guard services Securitas in the Czech Republic is in fourth place in terms of number of employees and sales.

Securitas biggest competitors in the Czech Republic in Guard Services and cash in transit services are Group 4 and B.O.S.

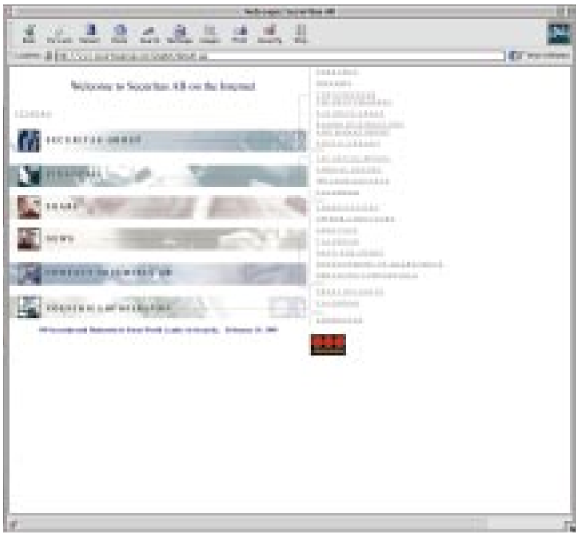
LATVIA

NEWCOMER WITH GOOD FUTURE PROSPECTS

In 1998, Securitas started its guard services operation in Latvia. Scandinavian companies established in Latvia showed strong interest right from the start, but also local companies are interested in the services offered by Securitas, and future prospects look good.

There are about 200 registered security companies in Latvia, of which Securitas Latvia competes with the largest, Apsardze, Polla, AveLat sargs, and Evor.

Information Technology



www.securitasgroup.com

SUPPORT AND CONTROL THROUGH INFORMATION TECHNOLOGY

Securitas' uses information technology in support of better understanding the needs of the customers and the market, to build the right organization and to achieve financial control and stearing. Projects in the IT area are started if there is an interest in more than one country of operation, and if these projects fit in the over all strategy and are based on the common technical platform. Projects are currently in progress aimed at improving support for the Guard Services and handling of Alarm Systems operations.

SECURITY

As the flow of electronic information becomes extensive, the demands for security also rise. Securitas strives for a high level of IT security, internally as well as externally. Internally, work is under way to introduce standards for software and hardware, communication and definitions. Externally, IT security primarily means replacing outdated systems with customers. This results in upgraded services and products for the customer, and may also mean increased sales for Securitas.

YEAR 2000

In the Securitas Group, each individual company is responsible locally to avoid problems in connection with the millennium date change. Each country management

has identified problem areas in local operations, taking relevant action to ensure a smooth transition into the new millennium. Securitas' strives for all necessary measures to be implemented by mid-1999.

HOME PAGE

For external users, there is Securitas' home page on the Internet – www.securitasgroup.com – primarily with financial information. Most of Securitas' subsidiaries in Europe have their own home pages. The home pages of the subsidiaries provide information about the operations in each respective country.

An Intranet is also being built within the Group to link all of the Securitas companies together, thereby allowing efficient dissemination of information and creating bridges between the different business areas.

IT GUARDS

Information technology changes the way companies produce, work conditions and communication. New risks emerge. Securitas' IT guards help in the efforts of securing corporate IT protection and keeping the risks under control. It may be a matter of checking to see that the connection between personal computers and their data bases is turned off after the day's work. The IT guard can also make sure that the backup equipment is functioning properly and that no printouts with sensitive information are left behind.

Environment

LOCAL RESPONSIBILITY

Environmental work is performed as a part of the daily business routine and each country of operation has an environmental policy.

DEVELOPMENT OF SERVICES WITH AN EYE TO THE ENVIRONMENT

In cooperation with several customers, Securitas has also developed a specialized guard service, the environmental guard. Together with the customer, Securitas performs a risk analysis which covers the environmental hazards associated with the customer's operation. The environmental guard evaluates the different elements of risk in conjunction with each review. These reports help the customer keep risks under control and take timely action when needed.

The environmental guard monitors environmentally sensitive processes, checks inventories of hazardous goods and unloading of same. The environmental guard may also oversee a company's adherence to its environmental policy, and, on a current basis, report data and current environmental protection level.

Report of the Board of Directors

The Board of Directors and the President of Securitas AB (publ), corporate registration number 556302-7241, domiciled in Stockholm, hereby submits its Annual Report and consolidated financial statements for the 1998 financial year.

OWNERSHIP STRUCTURE

The principal owners of Securitas AB are Investment AB Latour, who together with Förvaltnings AB Wasatornet and SäkI AB hold 15.6 percent of the capital and 37.2 percent of the votes, and Melker Schörling with companies, who hold 5.6 percent of the capital and 9.4 percent of the votes. These owners are represented by Gustaf Douglas and Melker Schörling on the Board of Directors.

With the acquisition of Proteg in France and Raab Karcher Sicherheit in Germany, Securitas has two new international owners, both of which have also received a seat on the Board of Directors of Securitas AB. These are Akila S.A. (former Finecco S.A.) in France, with 4.1 percent of the capital and 2.8 percent of the votes, and represented by Philippe Foriel-Destezet on the Board of Directors, and Raab Karcher/VEBA Immobilien Management in Germany, with 4.4 percent of the capital and 3.0 percent of the votes, and represented by Wilhelm Heilmann on the Board of Directors.

THE COMPANY'S MANAGEMENT

The Board of Directors decides on the Group's overall strategy, corporate acquisitions and investments in fixed assets. In addition, the Board of Directors is responsible for the Group's organization and administration in accordance with the Swedish Companies Act. A new code of procedure and instructions were adopted by the Board of Directors during 1998. Among other things, this new rules govern the number of Board of Directors meetings to be held each operating year, the form of notification, the type of issues to be brought before the Board of Directors, agenda, financial reporting, and the responsibilities of the Chairman of the Board.

The Board of Directors consists of eight members, one deputy, and three employee representatives with two deputy employee representatives. The Board of Directors meets a minimum of four times annually, with at least one meeting in conjunction with a visit to, and in-depth review of, one country of operation.

The Auditors participate in the annual meeting of the Board of Directors in conjunction with the annual closing of the books; no separate audit committee has therefore been appointed.

The nomination committee to name candidates to members of the Board of Directors consists of the Chairman of the Board of Directors and the Vice Chairman of the Board of Directors as representatives for the principal owners.

Group Management leads current operations together with the country managers and a division manager. In order to meet the Group's rapid development and to secure a proper management structure, Group management was expanded during 1998. The country managers for France, Germany, and Spain are now part of Group Management. The five largest countries of operation (including Sweden and Norway) are thus represented in management. The Country Manager for Great Britain, with responsibility for Cash In Transit operations in the entire Group, and the division manager for Securitas Direct (home and small business alarm systems), are also members of Group Management. Group Management is thereafter comprised of ten persons.

The Board of Directors and Group Management set the framework for the operations as part of the annual budget process, while a foundation is laid for a high degree of decentralization of the business. A common financial and accounting policy sets the framework for financial control and follow-up.

EUROPEAN GROUP COUNCIL

Since 1996, Securitas has a European Group Council formed with the objective of constituting a forum for information and consultation between Group Management and the employees in Securitas' countries of operation.

DEVELOPMENT IN THE BUSINESS AREAS

Guard Services posted good organic growth and earnings performance. Business area Alarm Systems, who enjoyed robust earnings performance, has now achieved a strong market position in the Nordic Region, thus gaining a good platform for further expansion in this area in the remaining areas of Europe. In business area Cash In Transit, all countries with the exception of Germany and Spain, displayed good volume growth. Overall, profitability saw a positive development.

Group sales by operating area

	1998		1997	
	MSEK	Share	MSEK	Share
Guard Services	8,557.8	63	6,347.9	59
Alarm Systems	2,091.6	15	1,629.6	15
Direct	422.9	3	312.2	3
Cash In Transit Services	2,637.8	19	2,473.2	23
Total	**13,710.1**	**100**	**10,762.9**	**100**

DEVELOPMENT IN THE COUNTRIES OF OPERATION

Organic growth reached 9 percent during 1998, an increase of 2 percentage points over 1997. Acquisitions have increased revenues by MSEK 1,835.

Group sales by country

Country	1998 MSEK	Share of total	1998 M(local)	1997 M(local)	Change in % organic	Change in % total
Sweden	2,940	21	2,940	2,650	5	11
Norway	1,197	9	1,134	981	15	16
Denmark	290	2	243	192	27	27
Finland	718	5	480	429	12	12
Germany	2,307	17	502	382	0	31
France	2,064	15	1,488	721	7	106
Great Britain	1,017	7	77	69	12	12
Spain	1,437	11	26,852	23,978	8	12
Switzerland	280	2	51	49	4	5
Austria	182	1	278	189	12	47
Portugal	786	6	17,734	16,354	8	8
Hungary	91	1	2,432	2,049	18	19
Poland	67	0	30	18	65	65
Estonia	20	0	34	14	112	150
Czech Republic	14	0	51	-	-	-
Securitas Direct	423	3	423	312	36	36
Elimination	-123	-	-123	-59	-	-
Total (MSEK)	**13,710**	**100**	**13,710**	**10,763**	**9**	**26**

Operations in Sweden, Norway, Denmark and Finland posted continued good volume growth and earnings performance, especially in Cash In Transit Services and Guard Services operations. Integration of TeleLarm acquired during 1997 in Sweden is now complete and a new unit, Securitas Larm, has been formed.

In Germany, the positive volume and earnings performance development continues in Guard Services. Integration of the acquisition of Deutsche Sicherheits AG and Raab Karcher Sicherheit is progressing according to plan. These acquisitions are consolidated from July 1 and October 1, respectively, and have affected the Group's sales by MSEK 621. Volumes have stabilized in the Cash In Transit Services business following the termination of certain unprofitable contracts. Continued improvement in earnings is expected.

In France, the merger of Proteg and Protectas is progressing according to plan. Proteg is consolidated as of October 1, 1998 and has affected the Group's sales by MSEK 928.

The business in Great Britain recorded good volume growth and earnings performance.

In Spain, the good volume growth and earnings performance continue in Guard Services and Alarm Systems operations. The Cash In Transit operations have been restructured and volumes are now stable.

Portugal retains its position as Securitas' most profitable country.

Operations in Eastern Europe display continued positive volume development.

Division Securitas Direct continued to record positive volume growth and earnings performance, and the number of installed units was 27,047 during 1998, an increase of 44 percent compared to the similar period one year ago. The total installed base now amounts to 99,550 alarm systems. Sales increased by 36 percent.

ACQUISITIONS

Acquisitions completed during the year will add approximately MSEK 5,600 in annual sales. For 1998 these acquisitions added MSEK 1,835 in sales. The acquisitions have increased the Group's goodwill by MSEK 3,247 and the Group's amortization of goodwill will increase by about MSEK 160 per year.

Acquisitions 1996-1998, MSEK

Date	Company	Country	Full year sales	Business
Jan. -96	DSW	Germany	1,000	Guard Services
Jan. -96	Raab Karcher	Germany	180	Cash In Transit Services
Feb. -96	La Rond de Nuit	France	65	Guard Services
Mar. -96	Sonasa	Portugal	170	Guard Services
Mar. -96	Timetech	Sweden	40	Alarm Systems
Apr. -96	Krupp Sicherheit	Germany	40	Guard Services
Jun. -96	Security Express	England	650	Cash In Transit Services
Jul. -96	Norma & SET	Poland	30	Guard Services
Aug. -96	Network Mgt	Sweden	25	Guard Services
Sep. -96	Domen Sécurité	France	70	Direct
Oct. -96	Inkassaator	Estonia	3	Cash In Transit Services
Dec. -96	Inter Marketing	Finland	18	Alarm Systems
Total 1996			**2,291**	
Jan. -97	JLMT	France	18	Alarm Systems
Apr. -97	SGI Surveillance	France	420	Guard Services
Oct. -97	TeleLarm	Sweden	920	Alarm Systems
Total 1997			**1,358**	
Jan. -98	Kessler	France	120	Guard Services and Alarm Systems
Apr. -98	Segurcat	Spain	45	Alarm Systems
Jun. -98	Deutsche Sicherheit	Germany	290	Guard Services
Oct. -98	Proteg	France	3,800*	Guard Services, Alarm Systems, and Cash In Transit Services
Oct. -98	Raab Karcher	Germany	2,000	Guard Services
Total 1998			**6,255**	

*Including fire alarm operations, about MSEK 600.

France

In January 1998 Securitas in France acquired the Kessler Group, consisting of Kessler Sécurité and Télésécur, with their principal business in Eastern France. Sales for 1997 amounted to approximately MSEK 120, of which MSEK 80 for Guard Services and MSEK 40 for 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 building a nationwide structure for the Alarm Systems operation. The price paid amounted to MSEK 3. The acquisition is consolidated in

Securitas from January 1, 1998. Goodwill attributable to the acquisition will be amortized over 10 years.

In June, an agreement was reached with Akila S.A. (former Finecco S.A.) and other shareholders of Proteg S.A. to acquire 100 percent of the shares in Proteg, the market-leading security company in France with annual sales of MSEK 3,800, of which MSEK 2,400 in Guard Services. The Alarm Systems operation generates about MSEK 1,100 in sales, MSEK 600 of which in fire alarms. The installed base of alarm systems is about 50,000. Cash In Transit operations contribute about MSEK 90 in sales. A smaller part of the business is conducted outside France, with Spain being the largest with sales of about MSEK 160. The total number of employees is about 15,000. At the time of acquisition, Proteg had operating earnings of about MSEK 60 and an operating margin of about 2 percent. The merger process now begun, and the integration with Securitas' other operations in France, will generate considerable efficiency gains. This is particularly true in the area of expenses for regional offices, business areas, product development, and head offices, and costs saved in connection with merger of the international operations with the operations of Securitas in each respective country.

Thanks to the acquisition of Proteg, Securitas becomes the market leader on the French security market, which is estimated to be worth about SEK 34 billion, with about 13 percent of the total market and 27 percent of the guard services market. Securitas' total sales in France, including home alarms and small alarm systems, amount to MSEK 4,500 based on full-year annual sales of the acquired companies, which makes France the Group's largest country of operation. The Securitas Group will operate under the name Proteg in France.

The acquisition was completed in October and paid for in part by issuance of 16,989,644 new Securitas AB Series B shares, each share with a nominal value of SEK 1, at a price of SEK 77.50 per share, and in part by payment of an amount of MSEK 1,017 in cash to Proteg's shareholders. The Board of Directors of Securitas made the decision October 22, 1998 to issue new shares on the strength of an authorization granted to the Board of Directors by an extra general meeting in Securitas held September 8, 1998. Payment for the newly issued shares was made in kind in the form of shares in Proteg S.A. The newly issued shares gave rise to dilution of 5 percent based on full conversion of outstanding subordinated convertible debentures.

Goodwill arising in connection with the acquisition amounts to MSEK 1,835, to be amortized over 20 years, which gives rise to an amortization of goodwill of MSEK 92 annually. Financing of the cash portion of the price paid, not including proceeds received from the sale of the fire alarm companies, will involve an annual interest expense of about MSEK 12.

A restructuring reserve in the amount of MSEK 142 was set aside in connection with the acquisition. This reserve will be used to cover costs in connection with the restructuring and merger of the businesses. The remaining portion of the reserve amounts to MSEK 125. Integration of the acquisitions is progressing according to plan.

The acquisition is consolidated in Securitas from October 1, 1998. The French competition authority had reserved the right to examine Protectas' and Proteg's market shares of the French security market up to February 1999.

Germany

In June, Deutsche Sicherheits AG with sales of MSEK 290 and about 800 employees was acquired. The company has specialized with good profitability on guarding of nuclear power plants, chemical factories, and other objects with high security requirements.

The purchase price amounted to MSEK 182 and the Group's goodwill increased by MSEK 182. This goodwill will be amortized over 15 years. The acquisition is consolidated in Securitas as of July 1. The effect on consolidated income of the acquisition for 1998 was positive.

In June an agreement was reached with Raab Karcher/VEBA Immobilien Management for acquisition of 100 percent of the shares in Raab Karcher Sicherheit GmbH (Raab Karcher), who is the market-leading guard services company in Germany, and a significant supplier to German industry with sales of about MSEK 2,000, MSEK 180 of which is attributable to operations in Austria, Hungary, and the Czech Republic. The alarm systems business in Raab Karcher was not included in the acquisition. The number of employees is 8,000. The price paid amounted to MSEK 1,224 and goodwill arose in connection with the acquisition in an amount of MSEK 898 to be amortized over 20 years. A restructuring reserve in the amount of MSEK 60 was set aside in connection with the acquisition. The remaining portion of the reserve amounts to MSEK 29.

At the time of acquisition, Raab Karcher generated operating income of about MSEK 70 and had an operating margin of about 3 percent. Significant efficiency gains will be realized in the merger with Securitas' existing operations in Germany now begun, particularly in the area of costs for head office and regional offices. Increased opportunities of offering specialized services are expected to contribute to increased organic growth under good profitability.

This acquisition makes Securitas the market leader on the German security market, which is Europe's largest and which is estimated to be worth SEK 45 billion, with about 8 percent of the total market and about 13 percent of the guard services market. Securitas' total sales in Germany amounts to MSEK 3,700, based on full-year sales of the acquired units, and Germany is thereby the Group's second largest country of operation.

The German competition authority has approved the acquisition.

The acquisition was completed in October and was paid for in cash. In connection with the acquisition, 14,356,056 new Series B shares in Securitas AB, each with a nominal value of SEK 1.00, were issued to Raab Karcher/VEBA Immobilien Management. The issue price for the new shares was SEK 85.25 per share, for a total of MSEK 1,224. Payment was made in cash. The Board of Directors of Securitas made the decision October 6, 1998 to issue new shares on the strength of an authorization granted to the Board of Directors by an extra general meeting in Securitas held September 8, 1998. The newly issued shares gave rise to dilution of 4.3 percent based on full conversion of outstanding subordinated convertible debentures.

The acquisition is consolidated in Securitas from October 1, 1998.

The acquisitions of Raab Karcher and Proteg are expected to generate synergies of between MSEK 220 and MSEK 250 on an annual basis.

Spain

In March, a cooperation agreement was concluded with Catalonia's second largest savings bank, Caixa de Cataluna, which also included the acquisition of Segurcat S.A. Under the cooperation agreement, Securitas will take over all of the bank's security services for a period of five years, which guarantees annual sales of at least MSEK 55. Securitas also acquired the bank's own security company, Segurcat S.A., with annual sales of about MSEK 45. The price paid amounted to MSEK 51 and goodwill of MSEK 42 arises in connection with the acquisition. This goodwill will be amortized over 10 years. The acquired company made a positive contribution to consolidated income during 1998.

After this acquisition, Securitas is the largest security company in Catalonia.

The acquisition is consolidated in Securitas from April 1.

DIVESTITURES

TeleLarm Care

An extra general meeting in Securitas AB held December 17, 1998 unanimously resolved to sell TeleLarm Care AB (Care) to Securitas' shareholders.

Care, acquired by Securitas in connection with the acquisition of TeleLarm in October 1997, develops, markets, and sells care systems for the elderly and handicapped persons. Care systems comprise products, such as care phones, and services, such as alarm reception, service, and maintenance. Care's goal is to be one of Europe's leading suppliers of care systems, which will contribute to the company's customers' ability to offer the elderly and handicapped persons living at home, in assisted living, or in nursing homes, safer and more cost-efficient care of higher quality.

Care has its own sales companies in Sweden, Great Britain, Germany, and Finland. The company sells its products through distributors on other markets in Europe, and in Japan and the United States. The Group has revenues of about MSEK 340 on an annual basis, including acquisitions completed during 1998, which contribute sales of about MSEK 40.

The price for all shares outstanding in Care was about MSEK 320, or SEK 98.50 per share, which is equivalent to the market value according to independent appraisal.

The effect of the decision was that shareholders with up to 1,000 shares in Securitas were offered to purchase ten Care shares. Shareholders with more than 1,000 Securitas shares were offered to buy one share in Care for every 100 shares, or part thereof, held in Securitas. Not fewer than ten shares could be purchased.

Two of Securitas' principal owners, SäkI, with Gustaf Douglas as majority owner, and Melker Schörling, pledged to waive part of their entitlement to purchase shares in Care to enable shareholders holding up to 1,000 shares to purchase ten shares in Care, and shareholders with more than 1,000 shares were allowed to purchase one share in Care for every one hundred shares, or part thereof, held. The above mentioned principal owners also undertook to purchase all shares in

Care which were not purchased by other shareholders on terms corresponding to the offer to Securitas' shareholders.

The proceeds of this sale contributes to providing to Securitas increased resources for investments and continued expansion in the security market. For Care, the separation from Securitas' other operations is expected to contribute an improvement in Care's opportunities in developing its core business with active owners committed to the company on a long-term basis.

Shares in Care will not, initially, be subject to organized trade. However, it is the intention of the Board of Directors and the principal owners to promote a listing of the company's shares within a five-year period.

The application period for the offer expired January 22, 1999, and Securitas' principal owners, SäkI and Melker Schörling, together received 82.4 percent of the capital and 88.2 percent of the votes in Care. The principal owners share equally in ownership. Payment was received February 9, 1999. The total number of shareholders came to be 2,638. The divestiture gave rise to a gain of MSEK 147.

Fire alarms in France

In December, an agreement was reached with Williams PLC on the sale of fire alarm companies Proteg Incendie and Proteg Extincteurs. These companies generate sales of about MSEK 600. The selling price amounts to MSEK 715 and the proceeds were received in February 1999. The business was not a part of Securitas during 1998. The divestiture gave rise to a gain of MSEK 92.

Network Management Tcpip AB

In January 1999, an agreement was concluded for the sale of Network Management Tcpip AB to Investment AB Bure. The company, with revenues of about MSEK 30 and 33 employees, is specialized in training for network and data communication security. The sale will not affect Securitas' result during 1999.

The divestitures of Care, the above mentioned fire alarm business in France, and Network Management are all elements of Securitas' continued focus on its core business.

STOCK DIVIDEND AND SPLIT

An extra general meeting in Securitas AB held September 8, 1998 resolved to pay a stock dividend to increase the Company's share capital of SEK 146,879,386, divided into 4,285,650 Series A shares and 69,154,043 Series B shares, each share with a nominal value of SEK 2.00, by SEK 146,879,386 to SEK 293,758,772 by transferring SEK 146,879,386 from the Company's legal reserve to its share capital. The issue was effected by writing up the nominal value of each share from SEK 2.00 to SEK 4.00.

The general meeting also resolved to lower the nominal value of each share from SEK 4.00 to SEK 1.00 (split 4:1) following the stock dividend. Each holder of Series A and Series B shares will thus be entitled to exchange each share owned for four shares of the same series, each share in the nominal value of SEK 1.00. Holders of new shares will be entitled to dividends for 1998 and later.

Record date for the split and the stock dividend was October 14, 1998.

The total number of shares outstanding in Securitas AB as of December 31, 1998 was 325,121,812, of which 17,142,600 are Series A shares and 307,979,212 are Series B shares. The total number of shares outstanding after conversion of subordinated convertible debentures outstanding will be 337,125,314, of which 17,142,600 will be Series A shares and 319,982,714 will be Series B shares.

INTRODUCTION OF THE EURO

The new European common currency, the Euro, was introduced in six of the Group's countries of operation January 1, 1999. The countries affected are Finland, Germany, France, Austria, Spain, and Portugal. These countries account for a total of 60 percent of the Group's sales based on full-year sales of acquired entities. No Group entities have yet converted to Euro as functional and accounting currency. This is expected to occur during the period until 2002, when the Euro replaces the national currencies in each respective country. However, preparedness exists to invoice and receive, and to effect payments, respectively, in Euro in the countries affected. One condition to permit an entity in the Securitas Group to convert to Euro as functional and accounting currency is that the exchange rate between the national currency and the Euro is fixed.

A transition to Euro as the Group's accounting currency will likely occur during the period ending December 31, 2002 subject to necessary amendments of the Swedish Companies Act.

Securitas predicts a positive effect on the Group's operation from introduction of the Euro. On the commercial side, and especially for Cash In Transit Services, new business opportunities are expected to arise over time, in part as a consequence of a change in legal tender in the countries affected, in part because of new payment flows.

The introduction of the Euro is expected to lead to reduced financial risks in the Group. Procurement of financing will be facilitated if Europe's capital markets are integrated, which reduces the Group's financing risk. The Group's cross-border currency flows are very limited since the operations in each country have their income and expenses in local currency, which means that the effect of the introduction of the Euro will be rather limited.

CONVERTIBLE DEBENTURE LOAN TO THE EMPLOYEES

An extra general meeting in Securitas AB held January 8, 1998 decided to give the employees of the Securitas Group an opportunity to subscribe to subordinated convertible debentures issued by Securitas AB. The debenture issue, which was oversubscribed, amounted to MSEK 700 with a tenor from April 24, 1998 to February 28, 2003. Conversion may be requested from May 30, 2001 at a price of SEK 79.50. The loan carries annual interest at a rate of 12-month STIBOR minus 0.25 percent. The debenture issue has been distributed among about 2,200 employees in eleven countries. Upon full conversion, the debenture loan will give rise to dilution of about 3 percent of the total number of shares outstanding in Securitas.

OTHER MATTERS

A deduction item for tax purposes in an amount of MSEK 96 distributed over two years was claimed in connection with an internal reorganization during 1996 of the legal structure of the Securitas Group. The tax authority in Stockholm has now disallowed this deduction item. The deduction was claimed in accordance with directives and an advance notice issued by the National Tax Board. Securitas therefore holds that the deduction is correct and will thus appeal the decision of the tax authority.

The divestitures of TeleLarm Care and Fire Alarms in France, which generate a gain of MSEK 147 and MSEK 92, respectively, have together with a provision for long-term share-price-related and performance-related compensation and pension commitments for management, MSEK -237, had a positive effect on Securitas' operating income of MSEK 2 on a net basis.

THE MILLENNIUM DATE CHANGE

The Y2k date change problem is subject to review in each respective country of operation. The problem is judged to be manageable based on available resources.

PARENT COMPANY OPERATIONS

The Parent Company of the Group, Securitas AB, conducts no operations. Securitas AB contains Group management and support functions.

DEVELOPMENT 1999

Continued organic growth and positive earnings performance is expected. The rate of earnings performance is therefore judged to be in line with the previous trend with an increase in earnings per share of about 20 percent.

PROPOSED ALLOCATION OF EARNINGS

The Group's non-restricted shareholders' equity according to the Consolidated Balance Sheet amounts to MSEK 1,269.6. No transfer to restricted shareholders' equity in the Group is required.

Funds as follows are available in the Parent Company:

Net income for the year	SEK 1,006,729,011
Retained earnings	SEK 1,131,904,486
Total	SEK 2,138,633,497

The Board of Directors and the President propose a dividend to the shareholders of

SEK 0.85 per share	SEK 276,554,590
To be carried forward	SEK 1,862,078,907
Total	SEK 2,138,633,497

Consolidated Statement of Income

Consolidated invoiced sales amounted to MSEK 13,710.1 (10,762.9). This is an increase of 27 percent compared to 1997. In local currencies, sales increased by 26 percent compared to the previous year, whereof organic growth accounted for 9 percent and acquisitions for 17 percent.

Acquisitions increased sales by MSEK 1,834.7. The distribution of sales by country and business areas is shown in Note 2 to the financial statements.

Gross income amounted to MSEK 2,728.6 (2,097.4). This represents an increase of 30 percent from 1997. In local currencies, this is equivalent to an increase of 28 percent. The increase is primarily attributable to the acquisitions and to the organic growth. The gross margin, computed as gross income as a percentage of total sales, reached 19.9 (19.5).

Operating income before amortization of goodwill amounted to MSEK 1,002.8 (777.8). This is an increase of 29 percent over 1997. In local currencies, this is equivalent to an increase of 28 percent. The increase is due to the acquisitions and to the organic volume growth. The operating margin was 7.3 percent (7.2). Adjusted for the acquisitions of Proteg and Raab Karcher, the operating margin was 7.7 percent.

Goodwill was amortized by MSEK 171.4 (115.5). The increase is attributable to the acquisitions.

Net financial items were MSEK -65.3 (-48.2). The change is explained by the acquisitions completed during the year, which were partially paid for in cash. At the same time, free cash flow had a positive effect on the financial net. The interest coverage ratio was 5.4 (5.8).

Income before taxes amounted to MSEK 766.1 (614.1), which represents an increase by MSEK 152.0, or 25 percent over 1997. In local currencies the increase is 24 percent. The increase is due to the acquisitions and organic growth. The net margin was 5.6 percent (5.7).

Breakdown of change:	
Income before taxes 1997	614.1
Volume increase and acquisitions	213.6
Increased amortization of goodwill	-55.9
Interest expense related to acquisitions	-31.0
Effects of cash flow	14.0
Currency effect	11.3
Income before taxes 1998	**766.1**

Taxes paid amounted to MSEK -183.7 (-114.4), which is equivalent to 24.0 percent (18.6) of income before taxes.

Deferred taxes amounted to MSEK -60.4 (-54.7), which is equivalent to 7.9 percent (8.9) of income before taxes.

Total taxes for 1998 were 31.9 percent (27.5).

MSEK	**Note**	**1998**	**1997**	**1996**
Sales, continuing operations		11,875.4	9,760.3	7,290.1
Sales, acquired businesses		1,834.7	1,002.6	1,784.2
Total sales	Note 2	**13,710.1**	**10,762.9**	**9,074.3**
Production expenses	Note 3	–10,981.5	–8,665.5	–7,252.9
Gross income		**2,728.6**	**2,097.4**	**1,821.4**
Selling and administrative expense	Note 3	–1,725.8	–1,319.6	–1,133.5
Operating income before amortization of goodwill		**1,002.8**	**777.8**	**687.9**
Amortization of goodwill		–171.4	–115.5	–99.4
Operating income after amortization of goodwill		**831.4**	**662.3**	**588.5**
Net financial items	Note 6	–65.3	–48.2	–38.7
Income before taxes		**766.1**	**614.1**	**549.8**
Taxes paid		–183.7	–114.4	–127.7
Deferred taxes		–60.4	–54.7	–39.8
Minority interest		–0.5	0.9	–0.2
Net income for the year		**521.5**	**445.9**	**382.1**

Consolidated Cash Flow Analysis

MSEK	Note	1998	1997	1996
Operating income before amortization of goodwill		1,002.8	777.8	687.9
Net financial items		–65.3	–48.2	–38.7
Taxes paid		–183.7	–114.4	–127.7
Adjusted income		**753.8**	**615.2**	**521.5**
Change in working capital		–41.7	–57.3	–8.5
Capital expenditures in operating assets		–699.0	–557.4	–475.6
Depreciation (excluding amortization of goodwill)		569.6	450.5	354.0
Free cash flow		**582.7**	**451.0**	**391.4**
Acquisitions	Note 7			
Goodwill		–3,211.0	–339.6	–725.9
Operating capital employed		–501.9	–535.5	–388.8
Shares in associated companies		–	–256.6	–
Shareholders' equity				
Dividend paid		–201.3	–174.5	–144.7
Shares issued		2,562.2	46.4	31.8
Change in net indebtedness before translation of opening balances		**–769.3**	**–808.8**	**–836.2**
Translation differences		–116.8	14.9	22.6
Change in net indebtedness		**–886.1**	**–793.9**	**–813.6**

Adjusted operating income amounted to MSEK 753.8 (615.2), an increase of 23 percent over 1997. The increase is primarily explained by the improvement in operating income before amortization of goodwill.

The cash flow effect of changes in working capital was MSEK -41.7 (-57.3).

Capital expenditures in operating assets amounted to MSEK 699.0 (557.4) and is primarily due to investments in vehicles, buildings, the Direct division, and so-called combination agreements where the customer rents security technology from Securitas.

MSEK	1998	1997
Capital expenditures in operating assets	699.0	557.4
Depreciation (excluding amortization of goodwill)	569.6	450.5
Capital expenditures in percent of depreciation, %	123	124

Free cash flow amounted to MSEK 582.7 (451.0), which is an increase of 29 percent. As a percentage of adjusted income, free cash flow was 77.3 percent (73.3).

Acquisitions completed during 1998 were partially paid for in cash, which together with the net indebtedness of the acquired companies has affected the Group's net indebtedness. The aggregate effect of acquisitions on the Group's net indebtedness is MSEK 1,123 negatively.

Conversion of subordinated convertible debentures affected Group's net indebtedness positively in an amount of MSEK 21.7 (46.4) during 1998. In connection with the acquisitions of Proteg and Raab Karcher, a new issue of shares was conducted, which amounted to MSEK 2,540.5.

Dividends were paid for the 1997 financial year in the amount of MSEK 201.3 (174.5), or SEK 0.69 per share (0.60), adjusted for split conducted during 1998.

Translation differences have affected net indebtedness by MSEK -116.8 (14.9). The changes in capital employed set forth above, i.e. in working capital and fixed assets, are thus before translation of opening balances.

The total change in net indebtedness is MSEK -886.1 (-793.9).

Consolidated Balance Sheet

Capital employed

Accounts receivable totaled MSEK 2,879.2 (1,569.6). This represents an increase by MSEK 1,309.6, which is due to the acquisitions and to the organic growth. Expressed as a percentage of sales, adjusted for full-year sales of the acquired entities accounts receivable were 16.3 percent (13.5).

The Group's operating capital employed amounted to MSEK 2,948.5 (2,182.1). The increase is explained by the acquisitions and by the capital expenditures. Consolidated capital employed increased to MSEK 7,773.5 (3,897.9).

Expressed as a percentage of sales, operating capital employed, adjusted for full-year sales of acquired entities, was 16.7 percent (18.8).

The return on average operating capital employed was 39.1 percent (35.6). The return on average capital employed was 14.2 percent (17.0).

The operations in TeleLarm Care and the fire alarm business in France are not consolidated in the accounts as of December 31, 1998. Since the proceeds of the sale of these entities had not been received, these are carried as other receivables as of December 31, 1998.

MSEK	1998	1997
Non-interest-bearing fixed assets (not including goodwill and shares in associated companies)	3,470.5	2,740.1
Non-interest-bearing current assets	4,816.5	2,088.8
Non-interest-bearing current liabilities	–4,772.1	–2,441.5
Non-interest-bearing long-term liabilities and provisions	–566.4	–205.3
Operating capital employed	2,948.5	2,182.1
Shares in associated companies	261.0	258.4
Goodwill	4,564.0	1,457.4
Capital employed	**7,773.5**	**3,897.9**

MSEK, as of December 31	Note	1998	1997	1996
ASSETS				
Fixed assets:				
Goodwill	Note 8	**4,564.0**	**1,457.4**	**1,180.7**
Other intangible fixed assets	Note 9			
Intangible rights		193.1	211.3	8.5
Other intangible assets		53.3	44.7	45.5
Total other intangible fixed assets		**246.4**	**256.0**	**54.0**
Tangible fixed assets	Note 10			
Buildings and land		1,002.0	801.9	781.5
Machinery		1,214.6	983.5	741.2
Equipment		431.0	257.0	229.0
Total tangible fixed assets		**2,647.6**	**2,042.4**	**1,751.7**
Shares in associated companies	Note 12	**261.0**	**258.4**	**0.0**
Non-interest-bearing financial fixed assets				
Deferred tax claims		520.1	408.0	417.9
Other fixed assets		56.4	33.7	108.5
Total non-interest-bearing financial fixed assets		**576.5**	**441.7**	**526.4**
Interest-bearing financial fixed assets		**145.6**	**53.7**	**–**
Total fixed assets		**8,441.1**	**4,509.6**	**3,512.8**
Current assets:				
Non-interest-bearing current assets				
Inventories		231.2	177.8	89.0
Accounts receivable		2,879.2	1,569.6	1,220.3
Other receivables	Note 13	1,706.1	341.4	327.2
Total non-interest-bearing current assets		**4,816.5**	**2,088.8**	**1,636.5**
Interest-bearing current assets	Note 14			
Short-term investments		1,662.3	1,039.0	1,029.4
Cash and bank deposits		526.6	274.1	259.4
Total interest-bearing current assets		**2,188.9**	**1,313.1**	**1,288.8**
Total current assets		**7,005.4**	**3,401.9**	**2,925.3**
TOTAL ASSETS		**15,446.5**	**7,911.5**	**6,438.1**
Pledged assets	Note 15	25.5	21.9	3.0

MSEK, as of December 31	Note	1998	1997	1996
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity:				
Restricted equity				
Share capital		325.1	146.4	145.4
Restricted reserves		3,756.3	1,204.4	1,023.4
Total restricted equity		**4,081.4**	**1,350.8**	**1,168.8**
Non-restricted equity				
Non-restricted reserves		748.1	568.4	481.7
Net income for the year		521.5	445.9	382.1
Total non-restricted equity		**1,269.6**	**1,014.3**	**863.8**
Total shareholders' equity	Note 17	**5,351.0**	**2,365.1**	**2,032.6**
Minority interest		**3.9**	**0.3**	**0.2**
Provisions:				
Interest-bearing provisions				
Provision for pensions, PRI		–	83.4	–
Provision for pensions, other		54.3	11.2	10.3
Total interest-bearing provisions		**54.3**	**94.6**	**10.3**
Non-interest-bearing provisions				
Deferred taxes		341.4	182.1	163.8
Other provisions		186.9	9.9	–
Total non-interest-bearing provisions		**528.3**	**192.0**	**163.8**
Total provisions		**582.6**	**286.6**	**174.1**
Long-term liabilities:				
Non-interest-bearing long-term liabilities		**38.1**	**13.3**	**5.8**
Interest-bearing long-term liabilities				
Subordinated convertible debenture loan	Note 16	772.9	94.6	141.1
Loan liabilities	Note 18	2,450.2	1,869.8	1,264.4
Total interest-bearing long-term liabilities		**3,223.1**	**1,964.4**	**1,405.5**
Total long-term liabilities	Note 18	**3,261.2**	**1,977.7**	**1,411.3**
Current liabilities:				
Non-interest-bearing current liabilities				
Accounts payable		654.4	354.9	244.9
Other current liabilities	Note 19	4,117.7	2,086.6	1,963.4
Total non-interest-bearing current liabilities		**4,772.1**	**2,441.5**	**2,208.3**
Interest-bearing current liabilities		**1,475.7**	**840.3**	**611.6**
Total current liabilities		**6,247.8**	**3,281.8**	**2,819.9**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**15,446.5**	**7,911.5**	**6,438.1**
Contingent liabilities	Note 20	642.2	413.6	159.0

Net indebtedness

The Group's net indebtedness was MSEK -2,418.6 (-1,532.5). The rate of net indebtedness was 0.45 (0.65).

During 1998 conversion of subordinated convertible debentures decreased net indebtedness and increased shareholders' equity by a total of MSEK 21.7 (46.4).

The average period of fixed interest on net indebtedness is 9 months. The remaining life of committed long-term credit facilities is in average about 6 years.

The available long-term financing in the form of committed credit facilities and shareholders' equity was 130 percent (157) of the Group's capital employed.

The minority interest was MSEK 3.9 (0.3).

MSEK	1998	1997
Interest-bearing fixed assets	145.6	53.7
Interest-bearing current assets	2,188.9	1,313.1
Interest-bearing provisions	-54.3	-94.6
Subordinated convertible debenture loan	-772.9	-94.6
Loan liabilities	-2,450.2	-1,869.8
Interest-bearing current liabilities	-1,475.7	-840.3
Net indebtedness	**-2,418.6**	**-1,532.5**

Shareholders' equity

Total shareholders' equity amounted to MSEK 5,351.0 (2,365.1), equivalent to SEK 17.06 per share (7.96). The increase is primarily explained by shares issued in a total amount of MSEK 2,540.5 in connection with the acquisitions of Proteg and Raab Karcher. Adjusted shareholders' equity amounted to MSEK 6,123.9 (2,459.7), or SEK 19.53 (8.28) per share. The equity ratio was 34.6 percent (29.9).

The change in shareholders' equity is explained by the following factors:

MSEK	
Opening shareholders' equity Jan.1, 1998	2,365.1
Dividend	-201.3
Net income for the year	521.5
Conversion of subordinated convertible debentures	21.7
Issuance of shares	2,540.5
Translation differences	103.5
Closing shareholders' equity, Dec. 31, 1998	**5,351.0**

Parent Company

STATEMENT OF INCOME

MSEK	1998	1997	1996
Administrative contribution and other revenue	77.4	71.6	63.9
Gross income	**77.4**	**71.6**	**63.9**
Administrative expense	–77.3	–65.3	–65.6
Operating income/loss	**0.1**	**6.3**	**–1.7**
Result of financial investments			
Result of sales of shares in subsidiaries	186.2	254.3	-342.1
Dividend	947.6	980.5	643.6
Interest income	59.6	17.4	1.6
Interest expense	–170.2	–97.8	–121.9
Other financial items	–6.1	–3.9	–4.0
Total financial income and expense	1,017.1	1,150.5	177.2
Income after financial items	**1,017.2**	**1,156.8**	**175.5**
Year-end appropriations			
Reversal of tax equalization reserve	0.2	0.3	0.3
Allocation to timing difference reserve	–4.8	–3.8	–
Accelerated depreciation	–0.3	0.3	0.0
Total year-end appropriations	–4.9	–3.2	0.3
Income before taxes	**1,012.3**	**1,153.6**	**175.8**
Taxes paid	–5.6	–4.2	–
Net income for the year	**1,006.7**	**1,149.4**	**175.8**

CASH FLOW ANALYSIS

MSEK	1998	1997	1996
Operating income	0.1	6.3	–1.7
Net financial items	1,017.1	1,150.5	177.2
Taxes paid	–5.6	–4.2	–
Adjusted income	**1,011.6**	**1,152.6**	**175.5**
Change in working capital	283.5	–354.7	–272.5
Capital expenditures in operating assets	–1.3	–1.2	–0.1
Depreciation	2.2	2.0	1.9
Free cash flow	**1,296.0**	**798.7**	**–95.2**
Investment in shares in subsidiaries	–5,126.0	–1,428.2	–122.8
Change in other components of working capital	–	–	16.8
Dividends paid	–201.3	–174.5	–144.7
New issue	2,562.2	46.4	31.8
Change in net indebtedness	**–1,469.1**	**–757.6**	**–314.1**

BALANCE SHEET AS OF DECEMBER 31

ASSETS, MSEK	Note	1998	1997	1996
Fixed assets				
Intangible fixed assets				
Intangible rights	Note 9	–	1.0	2.1
Total intangible fixed assets		**–**	**1.0**	**2.1**
Tangible fixed assets	Note 10			
Buildings and land		9.2	9.4	9.5
Machinery		0.1	0.1	0.2
Equipment		2.9	2.5	2.0
Total tangible fixed assets		**12.2**	**12.0**	**11.7**
Non-interest-bearing financial fixed assets				
Shares in subsidiaries	Note 11	9,472.5	4,346.5	2,918.3
Shares in associated companies		–	2.1	2.1
Total non-interest-bearing financial fixed assets		**9,472.5**	**4,348.6**	**2,920.4**
Interest-bearing financial fixed assets		**61.1**	**3.0**	**3.0**
Total fixed assets		**9,545.8**	**4,364.6**	**2,937.2**
Current assets				
Non-interest-bearing current assets				
Due from subsidiaries		466.1	379.7	359.9
Other receivables		17.1	29.7	7.3
Tax claim		–	–	2.5
Prepaid expenses and accrued income		340.3	681.1	345.1
Total non-interest-bearing current assets		**823.5**	**1,090.5**	**714.8**
Interest-bearing current assets				
Due from subsidiaries		461.9	737.4	5.0
Short-term investments		–	120.0	–
Cash and bank deposits		0.0	0.0	0.2
Total interest-bearing current assets	Note 14	**461.9**	**857.4**	**5.2**
Total current assets		**1,285.4**	**1,947.9**	**720.0**
TOTAL ASSETS		**10,831.2**	**6,312.5**	**3,657.2**
Pledged assets		None	None	None

SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK	Note	1998	1997	1996
Shareholders' equity				
Restricted equity				
Share capital		325.1	146.4	145.4
Premium reserve and other reserves		3,271.0	887.5	842.0
Total restricted equity		**3,596.1**	**1,033.9**	**987.4**
Non-restricted equity				
Retained earnings		1,131.9	183.8	182.5
Net income for the year		1,006.7	1,149.4	175.8
Total non-restricted equity		**2,138.6**	**1,333.2**	**358.3**
Total shareholders' equity	Note 17	**5,734.7**	**2,367.1**	**1,345.7**
Untaxed reserves				
Tax equalization reserve		0.6	0.8	1.1
Timing difference reserve		49.9	45.1	41.3
Accumulated accelerated depreciation		0.4	0.1	0.4
Total untaxed reserves		**50.9**	**46.0**	**42.8**
Long-term liabilities				
Non-interest-bearing long-term liabilities				
Due to subsidiaries		114.1	112.0	112.0
Total non-interest-bearing long-term liabilities		**114.1**	**112.0**	**112.0**
Interest-bearing long-term liabilities				
Subordinated convertible debenture loan	Note 16	772.9	94.6	141.1
Group account bank credits		43.5	94.2	191.6
Long-term loans		2,400.0	1,803.0	1,201.1
Total interest-bearing long-term liabilities		**3,216.4**	**1,991.8**	**1,533.8**
Total long-term liabilities	Note 18	**3,330.5**	**2,103.8**	**1,645.8**
Current liabilities				
Non-interest-bearing current liabilities				
Due to subsidiaries		29.1	37.3	9.0
Accounts payable		5.0	3.1	3.2
Tax liability		2.2	0.2	-
Accrued expenses and prepaid income		41.6	26.1	27.6
Other current liabilities		1.8	0.6	6.6
Total non-interest-bearing current liabilities		**79.7**	**67.3**	**46.4**
Interest-bearing current liabilities				
Due to subsidiaries		320.0	970.6	81.9
Short-term loans		1,315.4	757.7	494.6
Total interest-bearing current liabilities		**1,635.4**	**1,728.3**	**576.5**
Total current liabilities		**1,715.1**	**1,795.6**	**622.9**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**10,831.2**	**6,312.5**	**3,657.2**
Contingent liabilities	Note 20	965.8	473.7	415.3

Accounting Principles

Securitas consolidated financial statements are prepared in accordance with the Annual Accounts Act, the recommendations of The Swedish Financial Accounting Standards Council and the recommendations and statements of the Accounting Standards Board, which is in accordance with the registration contract of the Stockholm Stock Exchange. The accounting principles are unchanged since last year.

CONSOLIDATION

Principles of consolidation

The consolidated financial statements include the parent company Securitas AB and all companies in which Securitas AB, directly or indirectly, owns more than 50 percent of the voting rights.

The consolidated financial statements are prepared in accordance with the purchase method of accounting, which means that the purchase values of shares in subsidiaries, including estimated shares of untaxed reserves, are eliminated against their equity at the time of acquisition. The estimated tax liability with respect to untaxed reserves in acquired companies is carried among non-interest-bearing provisions in accordance with the percentage applicable in each respective country. Equity in the acquired company is then determined based on a market valuation of the assets and liabilities at the time of acquisition. If required following an acquisition analysis, an appropriation is made to a so-called restructuring reserve. Where the cost of the shares in the subsidiary acquired differs from the market value of the acquired company's net assets, Group goodwill exists. The method means that only the portion of equity in subsidiaries created after the time of acquisition is included in consolidated shareholders' equity.

The Consolidated Statement of Income includes companies acquired during the year from the time of acquisition. Companies sold during the year are excluded from the time of divestiture.

Shares in associated companies

Companies in which the Group's holding exceeds 20 percent, but is a maximum of 49 percent, are reported according to the equity accounting method. Share in profits of associated companies is included in the Consolidated Statement of Income after financial items. In cases where the cost of shares in an associated company exceeded equity in the acquired company at the time of acquisition, the difference, after analysis of the nature of the surplus value, has been amortized according to the same principles as Group goodwill, and has been charged against the share in income of the associated company. Share in the income taxes of associated companies are included in the Group's tax expense. In the Consolidated Balance Sheet, shareholdings in associated companies are reported at cost, adjusted for dividends and share in profits after the date of purchase. In determining the equity value, untaxed reserves have been allocated to shareholders' equity after deduction of estimated taxes.

The proportionate method is applied when the share of ownership is 50 percent, so-called joint ventures. The method means that all income statement and balance sheet items in the Consolidated Statement of Income and Balance Sheet are carried in the Consolidated Statement of Income and Balance Sheet in proportion to ownership.

Transfer pricing

Pricing of deliveries among Group companies is set using normal business principles. Internal income resulting from sales between Group companies is eliminated.

Goodwill

In cases where the cost of the shares in the subsidiary acquired exceeds acquired equity as computed above, the difference is allocated to goodwill, which is amortized over a certain period of time. Group goodwill is amortized at a rates of 5 to 20 percent annually, depending on the type of company acquired. Goodwill in companies where customer contracts, systems or specially trained personnel constitute the greatest asset, is amortized at a rate of 20 percent annually. Goodwill in well-established companies, with independent and well-known trade marks, is amortized at a rate of 10 percent annually. Goodwill in companies that also constitute strategic acquisitions, with respect to either products or markets, is amortized at a rate of 5 percent annually. All amortization is on a straight-line basis.

Restatement of foreign subsidiaries

The accounts of foreign subsidiaries have been translated in accordance with the current rate method.

Statements of income are translated using an average rate of exchange based on the exchange rate prevailing on the last day of each month. This means that income for each individual month is not affected by foreign exchange fluctuations in coming periods.

Balance sheet items are converted using the year-end rate of exchange. Restatement differences arising in translation of balance sheets are carried directly to shareholders' equity and thus do not affect the year's income. However, restatement differences arising as a result of translating income statements are translated using the average rate method, and balance sheets using the year-end rate of exchange, are carried directly to unrestricted shareholders' equity.

Where loans have been raised, or foreign exchange forward contracts entered into, to reduce the Group's foreign exchange translation exposure in foreign net assets, exchange rate differences on the loans or foreign exchange forwards are offset against exchange rate differences arising in translation of the net foreign assets.

Foreign exchange rates

The weighted average and year-end rates of exchange of the currencies used in the Group were as follows:

Country	Currency		Weighted average 1998	Dec. 1998	Weighted average 1997	Dec. 1997
Norway	NOK	100	105.52	107.30	108.31	107.20
Denmark	DKK	100	119.37	126.85	115.98	115.45
Finland	FIM	100	149.57	158.85	147.60	145.30
Germany	DEM	100	460.06	482.95	441.88	439.75
France	FRF	100	138.78	144.00	131.07	131.40
Great Britain	GBP	1	13.24	13.52	12.59	13.12
Spain	ESP	100	5.35	5.68	5.23	5.20
Switzerland	CHF	100	550.80	590.10	529.11	542.10
Austria	ATS	100	65.48	68.64	62.77	62.51
Portugal	PTE	100	4.43	4.71	4.37	4.30
Hungary	HUF	100	3.73	3.75	4.12	3.91
Poland	PLN	1	2.27	2.31	2.31	2.26
Estonia	EEK	1	0.57	0.60	0.54	0.55
Czech Republic	CZK	1	0.27	0.27	–	–

VALUATION

Receivables and liabilities in foreign currency

In preparing the financial statements of individual companies, commercial receivables and liabilities in foreign currency are translated using the year-end rate of exchange.

Where the payment rate of exchange for commercial receivables and liabilities has been fixed through a forward transaction, the forward rate is used. Any exchange rate difference in forward contracts, which is the difference between the forward rate and the spot rate at the time of the relative contract, is reported as part of operating income.

Taxes

In accounting for taxes, Securitas adheres to Swedish accounting recommendations and mainly to generally accepted international standards, IAS.

Provisions are made for all taxes expected to be levied on reported income. These taxes have been calculated in accordance with the tax regulations in the countries concerned, and are reported as current taxes.

In Sweden and certain other countries, the tax regulations permit deferral of the payment of taxes by making allocations to untaxed reserves. In preparing the Consolidated Balance Sheet, untaxed reserves are divided into a deferred tax liability and shareholders equity among restricted reserves, i.e. reserves not available for payment as dividends. Changes in the untaxed reserves are thus not included in the Consolidated Balance Sheet.

The Group also reports deferred taxes on other differences between book values and values for tax purposes of assets and liabilities. Deferred tax claims, primarily computed on tax-deductible amortization of goodwill in the acquisition analysis, are reported only to the extent it is probable that they can be utilized within a foreseeable future. Loss deductions arising during the current year are not valued in the Consolidated Balance Sheet. The current nominal tax rate in each respective country is used for computing estimated deferred taxes.

Accounts receivable

Accounts receivable are reported net after provision for probable bad debts. Payments received in advance are reported under other current liabilities.

Inventories

Inventories are valued at the lower of cost and market according to the FIFO method. A due deduction for obsolescence has been made.

Intangible and tangible fixed assets

Intangible and tangible fixed assets are reported on the asset side of the Balance Sheet at cost less deduction for accumulated amortization and depreciation.

Depreciation and amortization

Regular depreciation and amortization is based on the historical cost of the assets, with due consideration to the estimated economic life of the relative assets.

Intangible assets	5-25 percent
Machinery and equipment	10-25 percent
Buildings and land improvements	1.5-4 percent
Land	0 percent
Goodwill	5-20 percent

Leasing contracts

Significant leasing contracts are carried in the balance sheet as fixed assets and liabilities, respectively, and in the income statement the leasing contracts are divided into depreciation and interest expense. Other leasing undertakings, i.e. operating leasing and financial leasing of lesser value, such as leasing of passenger automobiles, are not carried on the balance sheet, but are expensed as operating expense.

Interest-bearing current assets

Interest-bearing short-term assets and financial instruments are valued at fair market value. Where so-called off-balance-sheet instruments, such as foreign exchange forward contracts, are used to hedge a financial claim or a liability in foreign currency, that asset or liability is valued at the spot rate of the relative foreign exchange forward contract. The premium or discount of the contract is then amortized over the life of the hedged asset/liability and is reported as interest income and interest expense, respectively.

Financial Policy

BACKGROUND

The financial risks that normally arise in the Group's operations are limited. Operations in the various countries basically operate with revenues and costs in local currency. There is practically no commercial flow of funds among countries. Low capital requirements in terms of fixed assets as well as working capital are combined with strong cash flow. Therefore, good self-financing minimizes the need for external financing. Depending on the method of refinancing chosen, an external financing need may arise in connection with acquisitions.

CAPITAL STRUCTURE

The Group's strategy is to operate with a low net debt equity ratio. The goal is to keep this ratio below 1.35. The capital structure in each respective country of operation is adapted to the nature of the business in question – Guard Services, Alarm Systems and/or Cash In Transit Services – and the magnitude and stability of the cash flow.

The goal is to keep the Group's interest coverage above 3.0.

ORGANIZATION

Securitas' financial organization is aimed at supporting operations by identifying, quantifying and minimizing any financial risks that may arise.

Subsidiaries

Financial operations in subsidiaries are aimed at improving cash flow by focusing on profitability in operations, minimizing accounts receivable and inventories, and by maintaining a balanced capital expenditures program and efficient local cash management.

Countries

In countries with large operations – France, Germany, Sweden, Spain, Finland, and Norway – surpluses and deficits are matched in the local subsidiaries at the country level with the help of cash pool solutions. Aggregated surpluses and deficits are invested and financed, respectively, with the Group's internal bank.

The internal bank

By concentrating internal and external financing with Securitas' own internal bank, Securitas Treasury Ireland Ltd, economies of scale are utilized for pricing of investments and loans, and advantage is taken of opportunities to match local surpluses and deficits among the various countries.

FINANCIAL RISKS AND RISK MANAGEMENT

Financing risk

The Group's short-term liquidity is assured by maintaining a liquidity reserve (cash, bank deposits, short-term investments and the unutilized portion of a committed credit facilities) which shall be minimum of 5 percent of the Group's sales.

The long-term financing risk of the Group is minimized by ensuring that long-term financing (equity and long-term committed loan facilities) is at a minimum level matching the Group's capital employed. Our aim is that the committed loan facilities should have a maturity structure such that more than 50 percent of the total available loan volume shall have a remaining life of more than two years.

In combination with the Group's strong cash flow, this provides current liquidity on a short-term and a long-term basis, as well as flexibility in financing the Group's expansion.

The Group's current net indebtedness, amounting to SEK 2.4 billion, has arisen as a consequence of acquisitions. The net liability is financed by utilization of the Group's committed credit facilities and is expected to be reduced by about SEK 1.3 billion over the next twelve-month period as a result of sales of non-core businesses already completed and operating cash flow. Remaining net indebtedness will be amortized on medium term.

Credit/Counterparty risk

Investments of liquid funds may only be made in government paper or banks with a strong official credit rating and with creditworthy counterparts. This also applies to situations when derivatives are used as tools to manage financial risks.

Interest risk

The Group's revenue is mostly tied to annual contracts and usually follows the development of each respective country's economic performance and inflation rate. The interest risk can therefore be said to be minimized by keeping maturities short, on average under one year. A strong cash flow, i.e. the ability to repay quickly any outstanding loans, also implies short periods of interest fixing.

The Group utilizes financial instruments, such as interest rate swaps to alter the tenor of the net indebtedness in the desired direction in order to minimize the effect of interest rate fluctuations and to limit borrowing costs. Financial instruments are not used for speculative purposes.

Current net indebtedness - maturity	Total	Euro currencies	SEK
	2.4	1.7	0.7
of which			
Adjustable	1.2	0.7	0.5
Fixed 1 year	0.8	0.6	0.2
Fixed 1-2 years	0.3	0.3	
Fixed 1-3 years	0.1	0.1	
>3 years	0		

The average period of fixed interest on the net indebtedness is 9 months.

Foreign currency risks

Foreign exchange risks in the form of so-called transaction exposure is very limited and consists of exports and imports of goods and components in the alarm systems operation, and of payment of central insurance premiums. Net foreign exchange flows are only about MSEK -52 on an annual basis, i.e. the Group is a net buyer of foreign currency. The largest single currencies are GBP, JPY, and USD. These flows are hedged on a continuing basis during the year. An average of eight months' flow is hedged.

Foreign exchange risk in the form of so-called translation risk, i.e. the risk that changes in exchange rates affect the value of the Group's foreign net assets in the form of equity or goodwill, is limited because operations have low local working capital requirements, a strategy of financing in local currency, and a goal of maintaining matching loan liabilities in each respective currency. The so-called equity-hedge program, where foreign exchange forward contracts were used to hedge the Group's net exposure in foreign assets, was phased out in the beginning of 1998.

The fact that foreign subsidiary income statements are translated to SEK has a certain effect on income as reflected in the Consolidated Statement of Income. Since the subsidiaries essentially operate only in local currency, and since their competitive situation is not affected by exchange rate changes, this exposure is not hedged.

Definitions

DEFINITIONS – FINANCE

Financing risk
The risk that the Group's access to financing is restricted.

Credit/Counterparty risk
The risk that losses are suffered because the borrower or the counterparty is unable to meet their obligations.

Interest risk
The risk that changes in the general interest rate level will affect income.

Foreign exchange risks 1 - transaction risk
The risk that changes in foreign exchange rates will affect income due to changes in the value of commercial flows in foreign currency.

Foreign exchange risks 2 - translation risk
The risk that change in foreign exchange rates will affect the value of the Group's foreign net assets.

DEFINITIONS – RATIOS

Production expenses
Guard wages and salaries, including incidence cost, the cost of equipment used by the guard in performing professional duties, and all other costs directly related to the performance of services invoiced. Operating expense is allocated to production and administration in the Statement of Income. Depreciation and amortization is allocated to production, administration and goodwill. Securitas' value added (gross income) and operating income (operating income before amortization of goodwill) are thus disclosed.
Actual 1998: MSEK 10,981.5

Administrative expense
All costs of selling, administration and management. The total administration expense is insignificant relative to the selling expenses and is therefore not reported separately.
Actual 1998: MSEK 1,725.8

Operating margin
Operating income before amortization of goodwill relative to sales.
Actual 1998: 1,002.8 / 13,710.1 = 7.3 percent

Net margin
Income before taxes as a percentage of sales.
Actual 1998: 766.1 / 13,710.1 = 5.6 percent

Interest coverage ratio
Operating income after amortization of goodwill, plus interest income, relative to interest expense.
Actual 1998: (1,002.8 + 129.7) / 211.4 = 5.4 times

Capital employed
Non-interest-bearing fixed assets and current assets, less non-interest-bearing long-term and current liabilities and non-interest-bearing provisions.
Actual 1998: 8,441.1 – 145.6 + 4,816.5 – 38.1 – 4,772.1 – 528.3 = MSEK 7,773.5

Operating capital employed
Capital employed, less goodwill and shares in associated companies.
Actual 1998: 7,773.5 – 4,564.0 – 261.0 = MSEK 2,948.5

Return on average capital employed
Operating income after amortization of goodwill, relative to average capital employed.
Actual 1998: 831.4 / 5,835.7 = 14.2 percent

Return on average operating capital employed
Operating income before amortization of goodwill, relative to average operating capital employed.
Actual 1998: 1,002.8 / 2,565.3 = 39.1 percent

Adjusted equity
Equity adjusted for outstanding subordinated convertible debentures.
Actual 1998: 5,351.0 + 772.9 = MSEK 6,123.9

Return on average shareholders' equity
Net income for the year, adjusted for interest on subordinated convertible debentures after taxes, relative to average shareholders' equity.
Actual 1998: (521.5 + 28.1 x 0.72) / 4,291.8 = 12.6 percent

Free cash flow
Invoiced sales, less production, selling and administrative expenses, plus/minus net financial items, less taxes paid, plus/minus change in working capital, less net capital expenditures in current operations.
Actual 1998: MSEK 582.7

Interest-bearing current assets
Cash and bank deposits, plus short-term investments.
Actual 1998: MSEK 2,188.9

Net indebtedness
Interest-bearing fixed and current assets, less interest-bearing provisions, subordinated convertible debentures, loan liabilities and interest-bearing current liabilities.
Actual 1998: 145.6 + 2,188.9 – 54.3 – 772.9 – 2,450.2 – 1,475.7 = MSEK 2,418.6

Net debt equity ratio
Net debt relative to shareholders' equity.
Actual 1998: 2,418.6 / 5,351.0 = 0.45 times

Equity ratio
Shareholders' equity relative to total assets.
Actual 1998: 5,351.0 / 15,446.5 = 34.6 percent

Notes to the Financial Statements

Note 1 Sales, operating income, and operating capital employed by business area

MSEK	Sales 1998	Sales 1997	Sales 1996	Operating income 1998	Operating capital employed in % of sales 1998
Guard Services	8,557.8	6,347.9	5,778.3	629.5	12
Alarm Systems	2,091.6	1,629.6	1,161.1	194.3	19
Direct	422.9	312.2	184.0	59.1	25
Cash In Transit Services	2,637.8	2,473.2	1,950.9	119.9	50

Note 2 Sales by business area

	Guard Services			Alarm Systems			Direct			Cash In Transit Services		
MSEK	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996
Sweden	1,641.9	1,548.4	1,514.4	1,046.5	867.7	532.5	127.8	102.4	79.7	252.1	233.7	200.8
Norway	822.2	754.6	647.8	259.5	215.5	201.6	85.7	64.1	43.7	115.3	92.9	72.3
Denmark	74.9	49.4	41.2	119.6	118.1	108.3	18.9	–	–	76.7	54.6	47.5
Finland	448.1	400.2	398.9	211.9	199.6	149.4	15.6	10.3	7.5	58.3	33.2	15.1
Germany	1,727.4	1,007.7	887.0	22.3	16.5	18.9	–	–	–	557.8	663.6	713.5
France	1,824.8	945.2	633.1	203.1	–	–	82.3	75.4	13.6	36.5	–	–
Great Britain	–	–	–	–	–	–	–	–	–	1,016.5	865.1	344.6
Spain	1,070.3	919.4	932.2	139.6	86.2	63.7	70.0	41.5	24.1	227.3	248.5	292.1
Switzerland	242.1	227.2	217.2	6.2	4.5	3.9	22.6	18.5	15.4	31.7	25.2	25.3
Austria	46.0	–	–	–	–	–	–	–	–	136.0	118.4	108.2
Portugal	561.0	521.5	510.4	98.8	84.2	77.7	–	–	–	125.9	108.9	103.1
Hungary	34.2	35.2	27.3	11.8	3.8	2.7	–	–	–	44.6	45.4	39.6
Poland	62.0	41.2	12.0	2.5	–	–	–	–	–	2.3	0.0	–
Estonia	6.8	0.1	–	8.2	3.9	–	–	–	–	4.7	3.5	–
Czech Rep.	13,8	–	–	–	–	–	–	–	–	–	–	–
Elimination	-17.7	-102.2	-43.2	-38.4	29.6	2.4	–	–	–	-47.9	-19.8	-11.2
Group	8,557.8	6,347.9	5,778.3	2,091.6	1,629.6	1,161.1	422.9	312.2	184.0	2,637.8	2,473.2	1,950.9

Sales by country. Change 1997-1998

MSEK	Growth	Currency	Acquisitions	Total
Sweden	136.1	0.0	154.7	290.8
Norway	155.1	-30.8	9.7	134.0
Denmark	59.6	8.3	0.0	67.9
Finland	75.9	9.4	0.0	85.3
Germany	-9.3	67.9	560.6	619.2
France	61.3	30.6	1,027.3	1,119.2
Great Britain	102.2	49.5	0.0	151.7
Spain	96.3	29.9	56.9	183.1
Switzerland	8.9	10.4	3.8	23.1
Austria	14.0	3.6	46.0	63.6
Portugal	58.7	10.7	1.7	71.1
Hungary	15.5	-9.5	0.2	6.2
Poland	26.8	-1.2	0.0	25.6
Estonia	8.3	0.8	3.2	12.3
Czech Republic	-	-	13.8	13.8
Securitas Direct	110.7	0.0	0.0	110.7
Elimination	0.3	12.5	-43.2	-30.4
Group	920.4	192.1	1,834.7	2,947.2

Note 3 Operating expenses

Items affecting comparability

Group, MSEK	1998
Result of sale of TeleLarm Care	147
Result of sale of fire alarm division in Proteg	92
Provision for share-price-related bonus and pension benefits (see Note 4)	-237
Total	2

Operating leasing contracts

Leasing fees paid during the year under operating leases for buildings amount to MSEK 197.0 (127.1) in the Group.

The nominal value of contractual future leasing fees relative to contracts with a maturity exceeding one year are distributed as follows:

MSEK	Group
Due for payment in 1999	188.3
Due for payment in 2000	152.6
Due for payment in 2001	137.4
Due for payment in 2002	126.2
Due for payment in 2003 or later	655.1

Financial leasing is on a very limited scale.

Note 4 Personnel

Average number of employees – distribution men and women

	Women			Men			Total		
Group	1998	1997	1996	1998	1997	1996	1998	1997	1996
Sweden	1,287	1,212	1,089	4,452	4,481	3,916	5,739	5,693	5,005
Norway	582	553	488	1,919	1,849	1,698	2,501	2,402	2,186
Denmark	121	58	48	375	208	185	496	266	233
Finland	369	300	242	1,641	1,572	1,520	2,010	1,872	1,762
Germany	1,983	1,069	826	11,603	5,026	4,844	13,586	6,095	5,670
France	2,050	693	422	17,624	4,615	2,715	19,674	5,308	3,137
Great Britain	435	712	733	2,189	2,157	2,029	2,624	2,869	2,762
Spain	974	769	752	7,454	6,622	6,512	8,428	7,391	7,264
Switzerland	55	50	44	561	528	505	616	578	549
Austria	192	49	43	752	290	299	944	339	342
Portugal	681	647	663	5,231	4,859	5,351	5,912	5,506	6,014
Hungary	55	190	190	1,012	994	795	1,067	1,184	985
Poland	110	54	28	1,183	848	746	1,293	902	774
Estonia	62	12	0	467	144	0	529	156	0
Czech Republic	103	0	0	892	0	0	995	0	0
Ireland	4	4	3	2	2	3	6	6	6
Total	9,063	6,372	5,571	57,357	34,195	31,118	66,420	40,567	36,689
Whereof Parent Company:									
Sweden	17	12	12	13	11	18	30	23	30

Compensation, Board of Directors and Presidents

	1998			1997			1996		Of which bonus		
Group, MSEK	Salaries	Soc. benef.	(of which pension)	Salaries	Soc. benef.	(of which pension)	Salaries	Soc. benef.*	1998	1997	1996
Sweden	23.2	12.4	(3.9)	18.8	8.9	(2.4)	17.3	8.6	4.9	3.4	5.3
Norway	9.3	1.6	(0.1)	6.5	1.1	(0.1)	6.7	1.1	7.2	4.4	4.8
Denmark	2.6	0.3	(0.0)	5.1	0.0	(0.0)	1.8	0.0	0.0	0.0	0.0
Finland	1.8	0.3	(0.2)	0.7	0.2	(0.1)	0.9	0.3	0.5	0.0	0.2
Germany	4.3	0.2	(0.0)	4.9	5.5	(0.0)	6.3	0.2	1.9	1.6	2.4
France	8.9	3.8	(0.0)	6.7	2.9	(0.0)	5.8	2.6	1.4	0.7	1.2
Great Britain	2.8	0.4	(0.1)	1.7	0.4	(0.2)	0.4	0.1	0.0	0.0	0.0
Spain	2.5	0.2	(0.0)	1.9	0.0	(0.0)	0.9	0.0	0.4	0.0	0.0
Switzerland	1.9	0.3	(0.1)	1.7	0.3	(0.1)	1.6	0.3	0.0	0.0	0.0
Austria	2.1	2.3	(0.6)	0.9	0.7	(0.5)	0.9	0.2	0.2	0.0	0.0
Portugal	2.5	0.3	(0.0)	0.9	0.1	(0.0)	0.9	0.1	1.1	0.0	0.0
Hungary	0.3	0.1	(0.0)	0.2	0.1	(0.0)	0.3	0.0	0.0	0.0	0.0
Poland	1.4	0.2	(0.2)	1.1	0.2	(0.2)	0.1	0.0	0.1	0.0	0.0
Estonia	1.1	0.3	(0.0)	0.5	0.2	(0.0)	0.0	0.0	0.0	0.0	0.0
Czech Republic	0.2	0.1	(0.1)	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0
Ireland	0.0	0.0	(0.0)	0.0	0.0	(0.0)	0.0	0.1	0.0	0.0	0.0
Total	64.9	22.8	(5.3)	51.6	20.6	(3.6)	43.9	13.6	17.4	10.2	13.9
Whereof Parent Company:											
Sweden	9.5	4.3	(0.8)	7.3	3.4	(0.8)	6.6	3.2	1.3	0.9	1.9

*Pension costs not specified for 1996.

Wages and salaries, other employees

	1998			1997			1996	
Group, MSEK	Salaries	Soc. benef.	(of which pension)	Salaries	Soc. benef.	(of which pension)	Salaries	Soc. benef.*
Sweden	1,260.4	507.2	(91.9)	1,229.7	519.3	(81.3)	972.3	408.7
Norway	687.7	144.0	(17.2)	612.8	128.4	(15.4)	538.5	94.8
Denmark	144.3	22.5	(4.3)	86.9	0.0	(0.0)	74.5	1.3
Finland	374.2	80.8	(49.3)	317.2	75.7	(47.5)	250.7	111.3
Germany	1,564.1	310.4	(0.9)	1,043.9	213.2	(0.1)	991.4	205.7
France	1,172.4	654.3	(0.0)	543.5	301.7	(0.6)	355.2	196.2
Great Britain	538.7	64.5	(19.8)	507.4	60.7	(12.6)	217.1	23.8
Spain	886.8	360.9	(0.0)	796.8	200.6	(0.0)	828.6	207.7
Switzerland	198.8	34.9	(7.3)	175.9	32.3	(6.6)	157.0	27.7
Austria	106.6	15.9	(0.2)	61.1	12.7	(0.2)	53.2	10.9
Portugal	424.7	93.4	(0.0)	364.8	87.4	(0.0)	392.1	89.1
Hungary	23.7	10.0	(0.0)	24.6	12.3	(0.0)	19.6	8.2
Poland	35.1	12.6	(12.6)	29.6	8.3	(8.1)	1.3	0.6
Estonia	9.0	2.8	(0.0)	3.2	1.0	(0.0)	0.0	0.0
Czech Republic	29.9	11.3	(10.4)	0.0	0.0	(0.0)	0.0	0.0
Ireland	2.1	0.5	(0.3)	2.6	0.0	(0.0)	2.2	0.0
Total	7,458.5	2,326.0	(214.2)	5,800.0	1,653.6	(172.4)	4,853.7	1,386.0
Whereof Parent Company:								
Sweden	16.4	7.5	(1.7)	16.4	7.1	(1.4)	9.5	5.2

*Pension costs not specified for 1996.

Note 4 *continued*

Total compensation (Board of Directors, Presidents and other employees)

Group, MSEK	1998 Salaries	1998 Soc. benef.	1998 (of which pension)	1997 Salaries	1997 Soc. benef.	1997 (of which pension)	1996 Salaries	1996 Soc. benef.*
Sweden	1,283.6	519.6	(95.8)	1,248.5	528.2	(83.7)	989.6	417.3
Norway	697.0	145.6	(17.3)	619.3	129.5	(15.5)	545.2	95.9
Denmark	146.9	22.8	(4.3)	92.0	0.0	(0.0)	76.3	1.3
Finland	376.0	81.1	(49.5)	317.9	75.9	(47.6)	251.6	111.6
Germany	1,568.4	310.6	(0.9)	1,048.8	218.7	(0.1)	997.7	205.9
France	1,181.3	658.1	(0.0)	550.2	304.6	(0.6)	361.0	198.8
Great Britain	541.5	64.9	(19.9)	509.1	61.1	(12.8)	217.5	23.9
Spain	889.3	361.1	(0.0)	798.7	200.6	(0.0)	829.5	207.7
Switzerland	200.7	35.2	(7.4)	177.6	32.6	(6.7)	158.6	28.0
Austria	108.7	18.2	(0.8)	62.0	13.4	(0.7)	54.1	11.1
Portugal	427.2	93.7	(0.0)	365.7	87.5	(0.0)	393.0	89.2
Hungary	24.0	10.1	(0.0)	24.8	12.4	(0.0)	19.9	8.2
Poland	36.5	12.8	(12.8)	30.7	8.5	(8.3)	1.4	0.6
Estonia	10.1	3.1	(0.0)	3.7	1.2	(0.0)	0.0	0.0
Czech Republic	30.1	11.4	(10.5)	0.0	0.0	(0.0)	0.0	0.0
Ireland	2.1	0.5	(0.3)	2.6	0.0	(0.0)	2.2	0.0
Total	7,523.4	2,348.8	(219.5)	5,851.6	1,674.2	(176.0)	4,897.6	1,399.5
Whereof Parent Company:								
Sweden	25.9	11.7	(2.5)	23.7	10.5	(2.2)	16.1	8.4

*Pension costs not specified for 1996.

Benefits of senior management

Chairman of the Board:

For the 1998 financial year the Chairman of the Board has received a fee of SEK 150 thousand. The Chairman of the Board has no pension benefits or agreement for severance payment.

President and CEO:

For the 1998 financial year, the President and CEO has received a salary of SEK 2,820 thousand, and a bonus related to profit for 1998 of SEK 1,500 thousand. The President and CEO has the same pension benefits as other members of Group management. In addition, the President and CEO has the same opportunity for a long-term bonus as other members of Group management. Upon termination at the initiative of the Company, the President and CEO has the right to receive a severance payment equivalent to 12 months' salary and earned portion of bonus and pension benefits.

Members of Group management, other:

For the 1998 financial year, members of Group management have received salaries of SEK 14,977 thousand, and bonuses of SEK 5,254 thousand. Group management has pension benefits equivalent to the ITP plan, plus the right to retire at age 60 with compensation equivalent to 60 percent of current total compensation including bonus. This latter right of pension assumes that employment continues until 2003. The pension level is reduced commensurate with any reduction in the market capitalization of Securitas until that point in time. There is also an agreement for rights to a long-term bonus. This bonus shall be computed based on the percentage market price increase of the Company's share from a starting level of SEK 55 until December 31, 2002, where the market price on the aforementioned date shall be deemed to be the average market price of the share during the six (6) months preceding December 31, 2002. In the event of changes in the market price of the share due to issuance of new shares or dividends in conflict with the Company's dividend policy, the bonus amount shall be adjusted according to the same translation models as apply to subordinated convertible debenture loans issued by the Company. Where the Company's shares are exchanged for other shares in the event of a corporate merger, the percentage increase in market value of the new share shall henceforth constitute the basis for computing the bonus. The aggregate bonus for Group management, other, is computed as 0.6 percent of the accumulated appreciation during the period, payable in 2003. The bonus remains valid only if employment is sustained for the entire period; the bonus is reduced by social benefits payable by the Company in connection with disbursement.
Upon termination at the initiative of the Company, members of Group management have the right to a severance payment equivalent to 12-24 months' salary and earned portion of bonus and pension benefits.

Note 5 Depreciation and amortization (excluding goodwill)

Group, MSEK	1998	1997	1996
Intangible rights	18.7	6.4	5.3
Intangible assets	5.7	4.1	4.4
Machinery	369.6	298.5	237.2
Equipment	124.7	101.6	73.8
Buildings	50.9	39.9	33.3
Total depreciation and amortization (excluding goodwill)	569.6	450.5	354.0

Note 6 Net financial items

Group, MSEK	1998	1997	1996
Interest income	129.7	110.5	104.8
Interest expense	-211.4	-154.4	-135.8
Net interest income	-81.7	-43.9	-31.0
Other financial income and expense	2.7	-7.5	-8.8
Share in profits of associated companies	13.7	3.2	1.1
Net financial items	-65.3	-48.2	-38.7

Note 7 Acquisitions

Group, MSEK Company	Acquisition price	Effect of other net debt	Total	Of which Goodwill	Of which Operating capital employed	Remaining structural reserve
Acquisitions completed during 1997						24.6
Acquisitions and divestitures completed during 1998						
Proteg S.A.	-2,333.7	-36.4	-2,370.1	-1,835.0	-535.1	125.3
Raab Karcher Sicherheit GmbH	-1,224.0	292.2	-931.8	-898.0	-33.8	29.0
Other acquisitions and divestitures	-376.6	-34.4	-411.0	-478.0	67.0	
Total	-3,934.3	221.4	-3,712.9	-3,211.0	-501.9	178.9

Note 8 Goodwill

Group, MSEK	1998	1997	1996
Opening balance	1,896.2	1,504.7	818.3
Capital expenditures	3,211.0	396.7	688.0
Translation difference	91.5	-5.2	-1.6
Closing accumulated balance	5,198.7	1,896.2	1,504.7
Opening amortization	-438.8	-324.0	-227.8
Amortization for the year	-171.4	-115.5	-99.4
Translation difference	-24.5	0.7	3.2
Closing accumulated amortization	-634.7	-438.8	-324.0
Closing residual value	4,564.0	1,457.4	1,180.7

Note 9 Other intangible fixed assets

		Group								Parent Company		
		Intangible rights				Other intangible assets				Intangible rights		
MSEK		1998	1997	1996		1998	1997	1996		1998	1997	1996
Opening balance		220.9	16.1	2.5		68.6	65.5	70.3		3.1	3.1	3.1
Capital expenditures		23.7	211.1	13.6		10.0	3.7	10.5		–	–	–
Sales / disposals		-44.1	-6.2	0.0		-3.7	-0.1	-12.4		–	–	–
Reclassification		-0.9	–	–		0.4	–	–		–	–	–
Translation difference	1.9	-0.1	0.0		6.3	-0.5	-2.9		–	–	–	
Closing accumulated balance		201.5	220.9	16.1		81.6	68.6	65.5		3.1	3.1	3.1
Opening amortization		-9.6	-7.5	-2.0		-23.9	-20.0	-20.2		-2.1	-1.0	0.0
Sales / disposals		23.5	4.1	0.0		3.7	0.1	3.9		–	–	–
Reclassification		-2.4	–	–		–	–	–		–	–	–
Amortization for the year		-18.7	-6.4	-5.3		-5.7	-4.1	-4.4		-1.0	-1.1	-1.0
Translation difference	-1.2	0.2	-0.2		-2.4	0.1	0.7		–	–	–	
Closing accumulated amortization		-8.4	-9.6	-7.5		-28.3	-23.9	-20.0		-3.1	-2.1	-1.0
Closing residual value		193.1	211.3	8.6		53.3	44.7	45.5		0.0	1.0	2.1

Note 10 Tangible fixed assets

		Buildings and land				Machinery				Equipment		
Group, MSEK		1998	1997	1996		1998	1997	1996		1998	1997	1996
Opening balance		1,023.6	948.4	780.0		1,901.7	1,640.1	1,378.8		578.4	521.6	455.8
Capital expenditures		305.8	77.4	273.7		633.2	555.4	581.1		335.3	171.4	186.0
Sales / disposals		-187.1	-17.1	-92.4		-295.1	-334.2	-298.7		-167.4	-114.6	-111.8
Reclassification		7.2	–	–		-8.0	–	–		10.8	–	–
Translation difference	[illegible]	14.9	-12.9		108.3	40.4	-21.1		11.1	–	-8.4	
Closing accumulated balance		1,200.3	1,023.6	948.4		2,340.1	1,901.7	1,640.1		768.2	578.4	521.6
Opening depreciation		-221.7	-173.0	-146.7		-918.2	-882.1	-819.0		-321.4	-303.4	-297.8
Sales / disposals		97.3	-3.5	6.0		228.9	291.4	177.5		122.8	83.7	64.0
Reclassification		-10.1	–	–		5.5	–	–		-4.8	–	–
Deprecation for the year		-50.9	-39.9	-33.3		-369.6	-298.5	-237.2		-124.7	-101.6	-73.8
Translation difference	-12.9	-5.3	1.0		-72.1	-29.0	-3.4		-9.1	-0.1	4.2	
Closing accumulated depreciation		-198.3	-221.7	-173.0		-1,125.5	-918.2	-882.1		-337.2	-321.4	-303.4
Closing residual value		1,002.0	801.9	775.4		1,214.6	983.5	758.0		431.0	257.0	218.2

	Buildings and land			Machinery			Equipment		
Parent Company, MSEK	1998	1997	1996	1998	1997	1996	1998	1997	1996
Opening balance	9.8	9.8	9.8	0.6	0.6	0.5	5.9	4.7	5.8
Capital expenditures	–	–	–	–	–	0.1	1.5	1.3	0.6
Sales / disposals	–	–	–	–	–	–	-0.2	-0.1	-1.7
Closing accumulated balance	9.8	9.8	9.8	0.6	0.6	0.6	7.2	5.9	4.7
Opening depreciation	-0.4	-0.3	-0.1	-0.5	-0.4	-0.4	-3.4	-2.7	-3.1
Sales / disposals	–	–	–	–	–	–	0.1	0.1	1.1
Depreciation for the year	-0.2	-0.1	-0.2	-0.0	-0.1	-0.0	-1.0	-0.8	-0.7
Closing accumulated depreciation	-0.6	-0.4	-0.3	-0.5	-0.5	-0.4	-4.3	-3.4	-2.7
Closing residual value	9.2	9.4	9.5	0.1	0.1	0.2	2.9	2.5	2.0

Note 11 Shares in subsidiaries*

Name of subsidiary	Corporate registration number	Domicile	Number of shares	Proportion of Share capital	Proportion of Voting rights	Currency	Nominal value	Book value Parent Company
Securitas Sverige AB	556020-2193	Stockholm	375,000	100	100	MSEK	37.5	97.6
Securitas Holding AS, Norway		Oslo	8,000	100	100	MNOK	80.0	111.5
Securitas Norge AS		Oslo	15,000	100	100	MNOK	150.0	160.5
Dansikring Holding A/S, Denmark		Copenhagen	100%	100	100	MDKK	138.2	158.5
Securitas OY, Finland		Helsinki	131,550	100	100	MFIM	13.2	186.8
Securitas Deutschland Holding GmbH		Düsseldorf	20,000	100	100	MDEM	2.0	2,345.2
Protectas France SA		Paris	880,000	100	100	MFRF	880.0	1,413.8
Securitas UK Ltd		Nottingham	240,000	100	100	MGBP	24.0	291.3
Securitas Iberia Holding BV (Securitas Seguridad España SA)		Amsterdam	25,000	100	100	MNLG	25.0	327.0
Protectas S A., Switzerland		Lausanne	50,000	100	100	MCHF	5.0	36.8
Protectas Unternehmen für Sicherheit GmbH, Austria		Vienna	97%	97	97	MATS	2.5	53.9
Raab Karcher Sicherheit GmbH, Austria		Vienna	100%	100	100	MATS	0.5	0.4
Raab Karcher Sicherheit Austria GmbH & Co KG		Vienna	100%	100	100	MATS	16.0	57.9
Securitas Serviços e Tecnologia de Seguranca SA, Portugal		Lisbon	350,000	100	100	MPTE	350.0	79.6
Securitas Hungária RT, Hungary		Budapest	47,730	100	100	MHUF	477.3	29.7
Securitas Polska Sp.z.o.o., Poland		Warszaw	3,040	95	95	MPLN	0.3	10.3
Securitas C.I.T. Sp.z.o.o., Poland		Warszaw	1,472	100	100	MPLN	0.2	0.7
Securitas Eesti AS, Estonia		Tallinn	1,369	100	100	MEEK	13.7	15.6
Raab Karcher Securiton Spol s.r.o., Czech Republic		Prague	100	100	100	MCZK	40.0	7.6
Securitas Latvia Sia, Latvia		Riga	500	50	50	MLVL	0.1	1.4
Securitas Direct International AB	556222-9012	Linköping	109,000	100	100	MSEK	10.9	13.1
Securitas Treasury Ireland Ltd		Dublin	22,500,000	100	100	MSEK	225.0	3,765.0
Securitas Rental AB	556376-3829	Stockholm	500	100	100	MSEK	262.6	262.6
Other holdings								45.7
Total								**9,472.5**

*A complete specification may be obtained from the Parent Company.

Note 12 Shares in associated companies

Name of associated company	Corporate registration number	Domicile	Number of shares	Proportion of Share capital	Proportion of Voting rights	Currency	Nominal value	Book value Group
Multicom Security AB	556527-2001	Stockholm	450	45	45	MSEK	0,0	257.7
Other holdings								3.3
Total								**261.0**

The shares in Multicom Security AB are owned by Securitas Rental AB.

Note 13 Other receivables

Group, MSEK	1998	1997	1996
Tax claims	37.5	37.8	0.0
Prepaid expenses and accrued income	505.1	155.1	167.3
Other items	1,163.5	148.5	159.9
Total	1,706.1	341.4	327.2

Prepaid expenses and accrued income include a claim of MSEK 320 arising in the sale of TeleLarm Care.
Other items include a claim of MSEK 715 arising in the sale of Proteg's fire alarm business in France.

Note 14 Interest-bearing current assets

Deposits in Sweden to a joint Group account are reported as Cash and bank deposits in the Consolidated Balance Sheet. Utilized internal credit is reported as Group account bank credits in the Parent Company's Balance Sheet.

Short-term investments are Swedish interest-bearing securities and bank deposits at a fixed rate of interest with a maturity of less than 12 months, valued at market.

Note 15 Pledged assets

Group, MSEK	1998	1997	1996
Real estate mortgages	25.5	21.9	3.0
Parent Company	None	None	None

Note 16 Subordinated convertible debenture loan

There are two subordinated convertible debenture loans outstanding. The first loan carries interest at an adjustable rate equivalent to 12-month STIBOR less 0.25 percent. The loan runs from August 8, 1994 to June 30, 1999; the loan has burdened the result by MSEK 3.1 in the form of interest expense. Conversion may be requested during the period July 2, 1996 to June 1, 1999 into Series B shares. The conversion price is SEK 22.80 per share, which corresponds to a maximum of 7,574,184 new Series B shares, each with a nominal value of SEK 1.00, adjusted for stock dividend and split. During 1998 conversion was effected by MSEK 21.7, which corresponds to 950,852 Series B shares. Upon full conversion 1999, 3,198,471 shares will be added.

The second loan carries interest at an adjustable rate equivalent to 12-month STIBOR less 0.25 percent. The loan runs from April 24, 1998 to February 28, 2003; the loan has burdened the result by MSEK 24.9 in the form of interest expense. Conversion may be requested during the period May 30, 2001 to January 31, 2003 into Series B shares. The conversion price is SEK 79.50 per share, which corresponds to a maximum of 8,805,031 Series B shares.

Note 17 Change in shareholders' equity

Group, MSEK	Share capital	Restricted reserves	Non-restricted reserves	Total
Opening balance January 1, 1998	146.4	1,204.4	1,014.3	2,365.1
Dividend paid	–	–	-201.3	-201.3
Net income for the year	–	–	521.5	521.5
New issue	178.7*	2,383.5**	–	2,562.2
Transfer between restricted and non-restricted reserves	–	60.7	-60.7	–
Translation differences	–	107.7	-4.2	103.5
Closing balance	325.1	3,756.3***	1,269.6	5,351.0

Parent Company, MSEK	Share capital	Legal reserve	Premium reserve	Non-restricted equity	Total
Opening balance January 1, 1998	146.4	842.0	45.5	1,333.2	2,367.1
Dividend paid	–	–	–	-201.3	-201.3
Net income for the year	–	–	–	1,006.7	1,006.7
New issue	178.7*	-146.8	2,530.3**	–	2,562.2
Closing balance	325.1	695.2	2,575.8	2,138.6	5,734.7

Number of shares outstanding December 31, 1998

Series A	17,142,600, each with a par value of SEK 1.00	17.1
Series B	307,979,212, each with a par value of SEK 1.00	308.0
Total	325,121,812, each with a par value of SEK 1.00	325.1

* Of which conversion, MSEK 0.5.
** Of which conversion, MSEK 21.2.
*** The Group's restricted reserves include an equity reserve of MSEK 0.9.

Note 18 Loan liabilities

The Group's long-term financing is primarily comprised of a syndicated loan, Multicurrency Revolving Credit Facility, in the amount of MDEM 800, equivalent to MSEK 3,500 from a consortium of 15 European banks December 17, 1997. Lead managers were Deutsche Bank and Enskilda. The loan matures in 2004.

MSEK 2,400 in loans with interest fixed for a short period of time (< 1 year) have been classified as long-term loans in the Parent Company since these loans were drawn under the syndicated loan facility with 6 years remaining to maturity.

Long-term liabilities

Group, MSEK	1998	1997	1996
Maturity < 5 years	843.3	473.2	960.5
Maturity > 5 years	2,417.9	1,504.5	450.8
Total	3,261.2	1,977.7	1,411.3

Parent Company, MSEK	1998	1997	1996
Maturity < 5 years	930.5	703.8	444.7
Maturity > 5 years	2,400.0	1,400.0	1,201.1
Total	3,330.5	2,103.8	1,645.8

Note 19 Other current liabilities

Group, MSEK	1998	1997	1996
Employee-related items	1,898.9	1,005.6	789.5
Tax liabilities	290.2	110.5	78.7
Accrued expenses and prepaid income	411.7	352.9	279.7
Advance payments from customers	227.1	169.6	158.9
Other current liabilities	1,289.8	448.0	656.6
Total	4,117.7	2,086.6	1,963.4

Note 20 Contingent liabilities*

	Group			Parent Company		
MSEK	1998	1997	1996	1998	1997	1996
Sureties	109.7	71.1	10.0	243.9	176.6	185.1
Guarantees	383.6	336.9	146.0	388.9	296.9	229.6
Other	148.9	5.6	3.0	333.0**	0.2	0.6
Total contingent liabilities	642.2	413.6	159.0	965.8	473.7	415.3
Of which pension commitments	60.8	1.6	1.1	60.8	1.7	–
(of which on behalf of subsidiaries)	–	–	–	(535.8)	(384.1)	(325.4)

*) The Parent Company carries guaranties for loan liabilities at full value even if the underlying facilities in the subsidiaries are not fully utilized.
**) This item includes a provision for share-price-related pension and bonus reserve and contingent liability relating to ongoing tax litigation.

STOCKHOLM, FEBRUARY 12, 1999

Melker Schörling
Chairman

Gustaf Douglas
Vice Chairman

Philippe Foriel-Destezet

Anders Frick

Wilhelm Heilmann

Berthold Lindqvist

Fredrik Palmstierna

Bertil Breitkreuz
Employee Representative

Camilla Henricsson
Employee Representative

Rune Lindblad
Employee Representative

Thomas Berglund
President & CEO

Auditors' Report

To the Annual General Meeting of the shareholders of Securitas AB (publ)
Company registration number 556302-7241

We have audited the parent company and the consolidated financial statements, the accounts and the administration of the Board of Directors and the President of Securitas AB for 1998. These accounts and the administration are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the financial statements and the administration based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures contained in the financial statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and President, as well as evaluating the overall presentation in the financial statements.

We examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any member of the Board of Directors or the President, or whether they have in some way acted in contravention of the Companies Act, the Annual Accounts Act, or the Articles of Association.

We believe that our audit provides a reasonable basis for our opinion set out below.

In our opinion the Parent Company and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act and we therefore recommend

that the Statement of Income and the Balance Sheet of the Parent Company and the Group be adopted, and
that the earnings of the Parent Company be dealt with in accordance with the proposal in the Report of the Board of Directors.

In our opinion, the members of the Board of Directors and the President have not committed any act or been guilty of any omission, which could give rise to any liability to the Company. We therefore recommend

that the members of the Board Directors and the President be discharged from liability for the financial year.

STOCKHOLM, FEBRUARY 19, 1999

Öhrlings Coopers & Lybrand AB

Nils Brehmer
Authorized Public Accountant
Chief Auditor

Anders Lundin
Authorized Public Accountant

Mattias Sundqvist works as a Securitas Cash In Transit guard, moving cash safely and efficiently.

Group Management

Thomas Berglund b. 1952
President of Securitas AB and CEO of the Securitas Group.
Employed by Securitas since 1984.
Shares in Securitas: 1,460,000 Series B and convertibles equivalent to 1,587,085 Series B shares.

Tore K. Nilsen b. 1956
Responsible for business area Guard Services in the Securitas Group.
Country Manager Norway and President of Securitas AS.
Employed by Securitas since 1988.
Shares in Securitas: Convertibles equivalent to 26,472 Series B shares.

Amund Skarholt b. 1948
Executive Vice President and Chief Operational Officer of Securitas AB.
Employed by Securitas since 1991.
Shares in Securitas: Convertibles equivalent to 62,880 Series B shares.

Melville Scott b. 1961
Responsible for business area Cash In Transit Services in the Securitas Group. Country Manager Great Britain and President of Securitas UK Limited.
Employed by Securitas since 1997.
Shares in Securitas: 3,200 Series B shares and convertibles equivalent to 62,880 Series B shares.

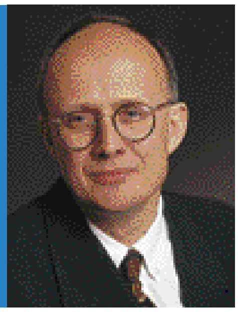
Håkan Winberg b. 1956
Executive Vice President and Chief Financial Officer of Securitas AB.
Employed by Securitas since 1985.
Shares in Securitas: Convertibles equivalent to 462,880 Series B shares.

Juan Vallejo b. 1957
Responsible for business area Alarm Systems in the Securitas Group.
Country Manager Sweden and President of Securitas Sverige AB.
Employed by Securitas since 1990.
Shares in Securitas: 17,400 Series B and convertibles equivalent to 62,880 Series B Shares.

Patrick Coutand b. 1950
Country Manager France and President of Proteg/Protectas France S.A.
Employed by Protectas since 1992.
Shares in Securitas: 0

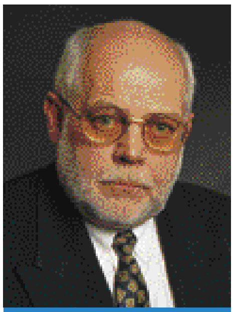
Santiago Galaz b. 1959
Country Manager Spain and President of Securitas Seguridad España S.A.
Employed by Securitas since 1995.
Shares in Securitas: Convertibles equivalent to 62,880 Series B shares.

Reinhard W. Ottens b. 1944
Country Manager Germany and President of Securitas Deutschland Holding GmbH.
Employed by Securitas since 1973.
Shares in Securitas: 15,000 Series B shares.



Dick Seger b. 1953
President of Securitas Direct International.
Employed by Securitas since 1988.
Shares in Securitas: Convertibles equivalent to 76,440 Series B shares.

Country Management

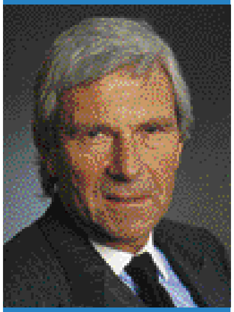


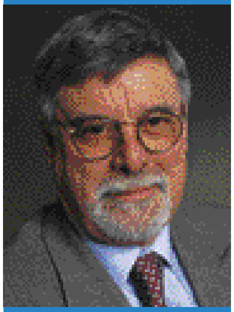
Björn Brisère b. 1943
Manager Eastern Europe, Country Manager Estonia, Latvia, Poland, Czech Republic and Hungary.
Employed by Securitas since 1987.
Shares in Securitas: 13,680 Series B shares and convertibles equivalent to 36,000 Series B shares.

Jorma Hakala b. 1944
Country Manager Finland and President of Securitas Oy.
Employed by Securitas since 1986.
Shares in Securitas: Convertibles equivalent to 13,200 Series B shares.

Antoine Epiney b. 1950
Country Manager Switzerland and President of Protectas S.A.
Employed by Protectas since 1984.
Shares in Securitas: Convertibles equivalent to 62,880 Series B shares.

Emanuel Mensdorff-Pouilly b. 1934
Country Manager Austria and President of Protectas Unternehmen für Sicherheit GmbH and Securitas Sicherheitsdienstleistungen GmbH.
Employed by Protectas since 1979.
Shares in Securitas: 6,000 Series B shares and convertibles equivalent to 5,040 Series B shares.





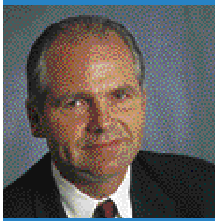
Artur Grilo b. 1940
Country Manager Portugal and President of Securitas S.A.
Employed by Securitas since 1975.
Shares in Securitas: Convertibles equivalent to 5,040 Series B shares.

Hardy Vad b. 1944
Country Manager Denmark and President of Dansikring A/S.
Employed by Dansikring since 1989.
Shares in Securitas: 12,000 Series B shares and convertibles equivalent to 13,600 Series B shares.

The Country Management also includes Patrick Coutand *(Country Manager France)*, Santiago Galaz *(Country Manager Spain)*, Tore K. Nilsen *(Country Manager Norway)*, Reinhard W. Ottens *(Country Manager Germany)*, Melville Scott *(Country Manager Great Britain)*, Dick Seger *(President Securitas Direct International)* and Juan Vallejo *(Country Manager Sweden)*. All are also members of Group Management.

Board of Directors and Auditors

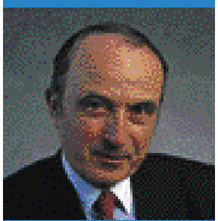
REGULAR MEMBERS



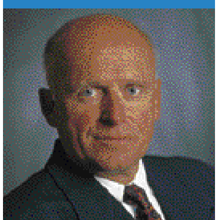
Melker Schörling *(Chairman)* b. 1947
President of Securitas 1987-1992. Vice Chairman of Assa Abloy AB.
Director of Cardo AB, Hennes & Mauritz AB and Federation of Swedish Industries.
Director of Securitas AB since 1987 and Chairman since 1993.
Shares in Securitas: 3,000,000 Series A, 15,180,500 Series B, privately and through companies.

Gustaf Douglas *(Vice Chairman)* b. 1938
Owns with family Förvaltnings AB Wasatornet (principal owner of Investment AB Latour). Chairman of Investment AB Latour, AB Fagerhult, (Stockholm Chamber of Commerce) and SäkI AB. Vice Chairman of Sveriges Television. Director of Assa Abloy AB, Munksjö AB, Pharmacia & Upjohn Inc. and Stiftelsen Svenska Dagbladet. Chairman of Securitas AB 1985-1992 and Vice Chairman since 1993.
Shares in Securitas: through Investment AB Latour, 29,900,000 Series B, through SäkI AB 14,142,600 Series A, and through Förvaltnings AB Wasatornet 6,800,000 Series B.

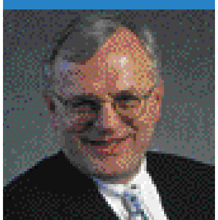
Thomas Berglund b. 1952
President and Chief Executive Officer of the Securitas Group.
Director of Securitas AB since 1993.
Shares in Securitas: 1,460,000 Series B and convertibles equivalent to 1,587,085 Series B.



Philippe Foriel-Destezet b. 1935
Co-chairman of Adecco S.A. since 1996. Chairman of Ecco Group 1964-1996.
Chairman of Akila S.A., the former Finecco S.A. and Nescofin UK Ltd. Director of Vivendi S.A., Promodes S.A. and Akila Finance S.A.
Director of Securitas AB since 1998.
Shares in Securitas: 17,142 Series B privately, and 13,480,256 Series B through Akila S.A., former Finecco S.A.

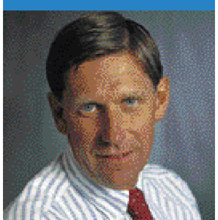


Anders Frick b. 1945
Director of AB Fagerhult, Getinge Industrier AB, Humlegården Fastigheter AB, Lifco AB, Nordbanken – Southern Region and Sweco AB.
Director of Securitas AB since 1985.
Shares in Securitas: 2,880 Series B.



Wilhelm Heilmann b. 1950.
Director of Raab Karcher AG Veba Immobilien Management.
Director of Securitas AB since 1998.
Shares in Securitas: 0.

Berthold Lindqvist b. 1938
Chairman of Munters AB. Director of Gambro AB, PLM AB, Pharmacia & Upjohn Inc. and Trelleborg AB.
Director of Securitas AB since 1994.
Shares in Securitas: 0.



Fredrik Palmstierna b. 1946
President of SäkI AB. Chairman of AB Svenska Tempus.
Director of Investment AB Latour, AB Fagerhult, Almedahls AB, Hultafors AB and BPA AB.
Deputy Director of Securitas AB since 1985. Regular Director of Securitas AB since 1992.
Shares in Securitas: 17,200 Series B.

EMPLOYEE REPRESENTATIVES

Bertil Breitkreuz b. 1965
Guard with Securitas Bevakning AB. Swedish Transport Workers Union.
Director of Securitas since 1998.
Shares in Securitas: Convertibles equivalent to 2,500 Series B.

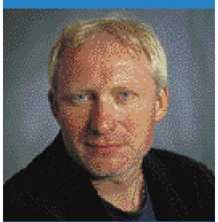
Camilla Henricsson b. 1968
Guard with Securitas Värde AB. Swedish Transport Workers Union.
Director of Securitas since 1993.
Shares in Securitas: 0

Rune Lindblad b. 1947
Service technician with Securitas Larm. Swedish Electricians' Union.
Director of Securitas AB since 1995.
Shares in Securitas: 2,400 Series B and convertibles equivalent to 2,524 Series B.

DEPUTY BOARD MEMBERS

Carl Douglas b. 1965
Director of Boxholms skogar AB, PM-Luft AB, Specma AB and SäkI AB.
Deputy Director of Securitas AB since 1992.
Shares in Securitas: 100,000 Series B.

Björn Drewa b. 1946
Staff Engineer in Securitas.
Employee representative, HTF Local in Stockholm.
Deputy Director of Securitas AB since 1996.
Shares in Securitas: 0



Ulf Jarnefjord b. 1955
Call-out-guard with Securitas Bevakning AB.
Employee representative, Swedish Transport Workers' Union.
Deputy Director of Securitas AB since 1989.
Shares in Securitas: Convertibles equivalent to 2,520 Series B.

AUDITORS

Nils Brehmer b. 1934.
Authorized Public Accountant.
Öhrlings Coopers & Lybrand AB
Auditor in Securitas AB since 1984.

Anders Lundin b. 1956
Authorized Public Accountant
Öhrlings Coopers & Lybrand AB
Auditor in Securitas AB since 1991.

An account of the operating procedures of the Board of Directors is found in the Report of the Board of Directors on page 36 under the heading The Company's Management.

Addresses

GROUP HEAD OFFICE

Securitas AB
Lindhagensplan 70
P.O. Box 12307
SE-102 28 Stockholm, Sweden
Tel +46 8 657 74 00
Fax +46 8 657 70 72
Thomas Berglund, President and Chief Executive Officer

Securitas Treasury Ireland Ltd
"Harbourmaster 4"
1 Harbourmaster Street
I.F.S.C., Custom House Docks
Dublin 1, Ireland
Tel +353 1 670 06 26
Fax +353 1 670 07 01
Janet Watters, President

Securitas Direct International
Östgötagatan 3
P.O. Box 2511
SE-580 02 Linköping, Sweden
Tel +46 13 327 580
Fax +46 13 327 581
Dick Seger, President

COUNTRY HEAD OFFICES

Austria

Protectas Unternehmen für Sicherheit GmbH
Nordbahnstraße 36
AT-1020 Vienna
Tel +43 1 214 55 90
Fax +43 1 214 55 90 19
Emanuel Mensdorff-Pouilly, President

Securitas Sicherheitsdienstleistungen GmbH
Brünner Straße 85
AT-1210 Vienna
Tel +43 1 290 10 40 00
Fax +43 1 290 10 40 556
Emanuel Mensdorff-Pouilly, President

Czech Republic

Securitas CR, s.r.o.
Pod Kotlárkou 34
CZ-Prague 5, 150 00
Tel +42 2 57 014 100
Fax +42 2 57 210 243
Michal Kuník, President

Denmark

Dansikring A/S
Sydvestvej 98, DK-2600 Glostrup
Tel +45 43 43 43 88
Fax +45 43 43 19 21
Hardy Vad, President

Estonia

Securitas Eesti AS
Suur-Sõjamäe 44/46
EE-11415 Tallinn
Tel +372 6 139 250
Fax +372 6 139 251
Riho Lutter, President

Finland

Securitas Oy
Elimäenkatu 30, P.O. Box 93
FI-00520 Helsinki
Tel +358 204 911
Fax +358 204 91 2210
Jorma Hakala, President

France

Protectas France S.A.
98, avenue de la République
B.P. 35
FR-92403 Courbevoie Cedex
Tel +33 1 46 67 20 00
Fax +33 1 43 34 59 31
Patrick Coutand, President

Proteg France S.A.
2 bis, rue Louis Armand
FR-75741 Paris Cedex 15
Tel +33 1 53 98 15 15
Fax +33 1 40 60 61 60
Patrick Coutand, President

Germany

Securitas Deutschland Holding GmbH
Wilhelm-Raabe Straße 14
DE-40470 Düsseldorf
Postfach 30 02 03
DE-40402 Düsseldorf
Tel +49 211 96 14 0
Fax +49 211 96 14 200
Reinhard W. Ottens, President

Great Britain

Securitas UK Ltd
5th Floor, The Ziggurat
Grosvenor Road
GB-St. Albans, Herts. AL1 3AW
Tel +44 1727 86 86 66
Fax +44 1727 86 86 45
Melville Scott, President

Hungary

Securitas Hungária Rt
Hauszmann Alajos
utca 9–11
P.O. Box 472
HU-1519 Budapest 112
Tel +36 1 204 02 00
Fax +36 1 204 01 98
Péter Szabó, President
Manager Eastern Europe, Country Manager Estonia, Latvia, Czech Republic, Poland and Hungary: Björn Brisère

Latvia

Securitas Latvia
Audēju 16, LV-1050 Rīga
Tel +371 7 018 144
Fax +371 7 222 987
Per Venbakken, President

Norway

Securitas AS
Urtegata 9,
Postboks 35, Grønland,
NO-0133 Oslo
Tel +47 23 03 88 00
Fax +47 23 03 88 01
Tore K. Nilsen, President

Poland

Securitas Polska Sp. z o.o.
Securitas C.I.T. Sp.z. o.o.
Ul. Postepu 2
PL-02-676 Warsaw
Tel +48 22 549 07 35
Fax +48 22 549 07 84
Michal Jeżewski, President

Portugal

Securitas S.A.
Av. 25 de Abril, 23
Edifício Securitas
PT-2795-197 Linda-a-Velha
Tel +351 1 416 60 00
Fax +351 1 416 61 11
Artur Grilo, President

Spain

Securitas Seguridad España S.A.
C/Soto Hidalgo 1
ES-28042 Madrid
Tel +34 91 329 04 44
Fax +34 91 329 51 54
Santiago Galaz, President

Sweden

Securitas Sverige AB
Lindhagensplan 70
Box 12516,
SE-102 29 Stockholm
Tel +46 8 657 70 00
Fax +46 8 657 73 50
Juan Vallejo, President

Switzerland

Protectas S.A.
Rue de Genève 70
Case postale 3595
CH-1002 Lausanne
Tel +41 21 623 20 20
Fax +41 21 623 20 21
Antoine Epiney, President

Financial Information

SECURITAS WILL PUBLISH THE FOLLOWING FINANCIAL REPORTS DURING 1999:

Quarterly report Jan. - March 1999	**May 6, 1999**
Quarterly report Jan. - June 1999	**August 5, 1999**
Quarterly report Jan. - Sept. 1999	**November 4, 1999**

The Annual General Meeting will be held April 15, 1999.

All financial information is available in Swedish and English and may be requested from
Securitas AB, Investor Relations,
P.O. Box 12307, SE-102 28 Stockholm.
Telephone +46-8-657 74 00, Fax +46-8-657 74 85,
and through Securitas AB's home page,
www.securitasgroup.com

FINANCIAL ANALYSTS WHO FOLLOW SECURITAS:

Company	**Name**
Alfred Berg Fondkommission	Sandra Frimann-Clausen
Aros Securities	Lars Larsen
Carnegie Fondkommission	Carsten J. Leth
Cazenove	Charles Evans Lombe
Cheuvreux De Virieu	Jeff Saul
Deutsche Morgan Grenfell	Rasmus Engberg
Goldman Sachs International	Boris Bernstein
Handelsbanken Markets	Henrik Sparup
Kleinwort Benson Securities	Peter Lawrence
H. Lundén Fondkommission	Jonas Söderström
Merrill Lynch	Andreas Tholstrup
Nordbanken Trading	Mattias Gredmark
Nordiska Fondkommission	Jan Wolter
Swedbank Fondkommission	Jonas Palmqvist
Warburg Dillon Read	Elizabeth Farr

Invitation to the Annual General Meeting

Securitas AB's shareholders are invited to attend the Annual General Meeting to be held at 4:30 p.m., April 15, 1999, at Essinge Konferenscenter Lärarnas Hus, Stockholm.

RIGHT TO ATTEND

Shareholders, who are recorded in the printout of the Share Register made as of April 5, 1999, and who notify Securitas of their intent to participate in the meeting not later than by 4:00 p.m., Monday, April 12, 1999 are entitled to attend the Annual General Meeting.

OWNER REGISTRATION

The Share Register of Securitas is maintained by the Swedish Securities Register Centre (Värdepapperscentralen VPC AB). Only owner-registered shareholdings under the owners' own names are found in the Share Register. Attendance is reserved for shareholders who are recorded under their own names. Shareholders with nominee-registered shares should request temporary owner-registration, so-called voting right registration, from their bank or broker not later than a few banking days before April 5, 1999.

NOTICE

Notice of intention to participate in the proceedings of the meeting may be given by mail to Securitas AB, P.O. Box 12307, SE-102 28 Stockholm, or by telephone +46 8 657 74 00. When giving notice, please state your name, personal registration number (or equivalent), address and telephone number.

DIVIDEND

The Board of Directors has decided to propose a dividend of SEK 0.85 per share. As record date for the dividend, the Board of Directors proposes Tuesday, April 20, 1999. If the Annual General Meeting approves these proposals, the dividend is expected to be distributed by VPC on Tuesday, April 27, 1999 to shareholders of record and shareholders registered in the specification related to the Share Register of licens, pledgeholders, etc. on the record date.

Securitas Annual Report 1998 is produced in co-operation with n3prenör.
Photography: Mats Lundqvist and others. Printed by: Strokirk/Landströms, Lidköping, Sweden 1999.

Cover:
Great Britain is the single largest market for Cash In Transit Services in the Securitas Group. A lot of cash is in circulation during the Christmas rush in Central London and Securitas guards contribute to raising cash handling security for its customers.

Integrity Vigilance Helpfulness

Securitas AB P.O. Box 12307 SE-102 28 Stockholm, Sweden
Telephone +46-8-657 74 00 Fax +46-8-657 74 72
www.securitasgroup.com
Street address: Lindhagensplan 70

Securitas AB

HUGIN
Investor Relations Made Easy

- Table of Contents
- Overview
- Summary 1998
- Key figures
- Report of the Board of Directors
- Income Statement
- Balance Sheet
- Cash Flow Analysis
- Notes
- Shareholders Policy