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Integrity Vigilance Helpfulness

We are more than 40,000 people who give Securitas a face. Our knowledge, ability and ambition to do a good job create Securitas' image among our customers and the general public.

Our mission is to protect homes, work places and community. Our quest during Securitas' 60-year history has always been to live up to our three lead words – *Integrity, Vigilance, and Helpfulness*. This has built confidence in us with our customers and has enabled us to keep on growing.

It is also this culture that has helped Securitas to grow in Europe. With the recommendations of loyal customers and the respect of industry colleagues, we have entered into new countries step by step, getting to know new companies and people.

During the 1980's Securitas took the first steps towards becoming Europe's leading security company. Growth and increased profitability were combined with acquisitions in Norway, Denmark and Portugal, and establishing operations in Hungary. In September 1991 Securitas was listed on the Stockholm Stock Exchange.

The 1990's have continued to be distinguished by growth and acquisitions in France, Germany, Switzerland, Austria, Spain, Finland, Estonia, Poland and Great Britain.

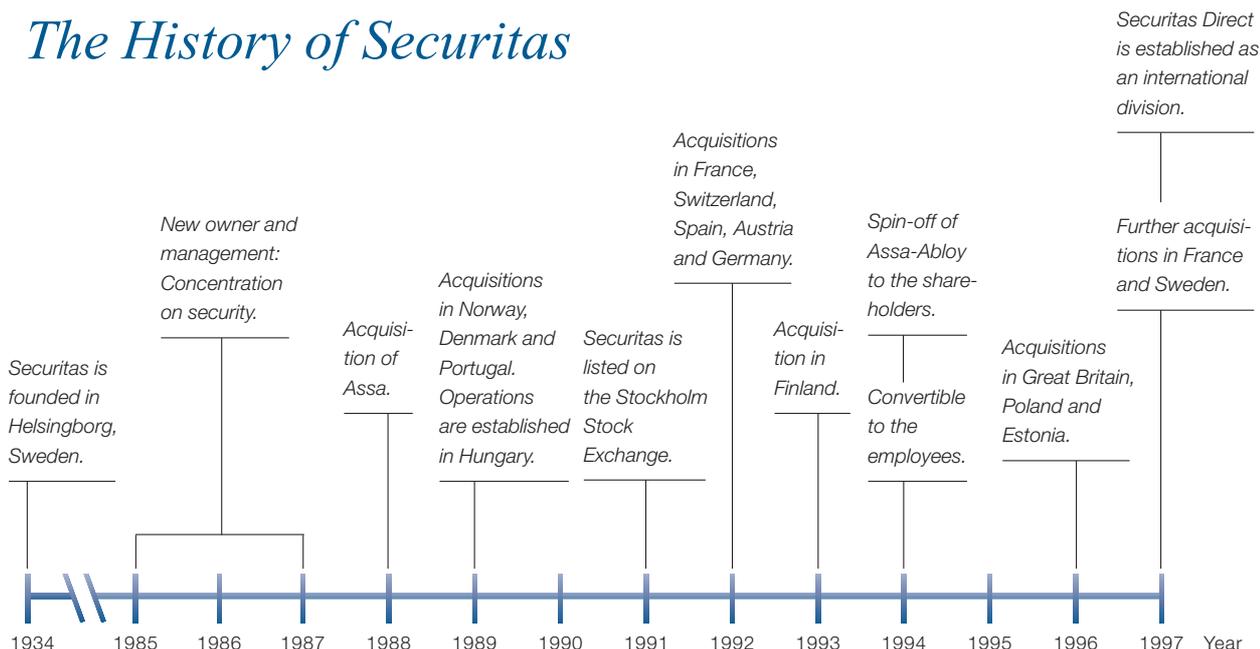
Today Securitas is the leading security company in Europe, with operations in 14 countries. Sales in 1997 reached approximately MSEK 11,000.

This development has also resulted in a security industry that today consists of more than merely guards and guarding. New business areas have been added and the services have continued to develop and become more specialized.

Every member of our staff wears the Securitas insignia. Under this emblem we unite individuals in our efforts to do a good job and to develop ourselves and the Company. The three red dots of the Securitas logotype are a reminder of our three lead words that guide us in these efforts. *Integrity, Vigilance and Helpfulness* remain the foundation of Securitas.



The History of Securitas



Left: Securitas guard Martin Klinkert works as a patrol guard at a shopping mall, where security and safety are important to customers.

The Chief Executive Officer: Focus Provides Security

The beginning of 1997 was slow but the year ended strong. We encountered a heavier restructuring in Germany than we had anticipated, but were also happy to see a quick turnaround in the recently acquired business in Great Britain, a doubled rate of expansion for Securitas Direct and the acquisition of TeleLarm.

Our goal for the next three years is clear – continued organic growth, operating margin in existing operations of up to 10 percent, and additional acquisitions to confirm our position as Europe’s leading security company. The growing European security market worth about SEK 180 billion offers great opportunities.

The year in brief

Sales increased by 19 percent to MSEK 10,763 (9,074), 7 percent of this increase being due to organic growth, and the remainder to acquisitions. The organic growth, which was a continuation of the trend of prior years, demonstrates that development and refinement of various security service opens up new and growing markets.

Income before taxes increased by 12 percent to MSEK 614 (550). The first half of the year was characterized by losses and restructuring costs in the German Cash In Transit Services business. The situation in Germany improved during the second half of the year, and other operations posted a stronger development as well. Our earnings performance was thus back to the previous trend of about 20 percent annual income growth.

The average annual growth in sales over the last 10 years has been 27 percent, with income growth of 29 percent.

Nordic operations have had strong development, both in terms of volume and income. In Sweden, thanks to the acquisition of TeleLarm, the Group’s Alarm Systems business was strengthened. In Finland a nation-wide Cash In Transit Services business has been built.

The Cash In Transit Services businesses acquired in Great Britain during 1996 have been turned from significant losses into profitable operations starting 1998. Heavy restructuring of the Cash In Transit business in Germany was completed during 1997, and the business is expected to achieve a break-even result for 1998. The German Guard Services business posted strong volume and earnings growth. The Cash In Transit business in Spain has



Chief Executive Officer Thomas Berglund at Securitas Alarm Monitoring Station in Stockholm.

recovered from losses of volume at the beginning of the year. In Guard Services, and particularly in Alarm Systems, the positive development in Spain continues.

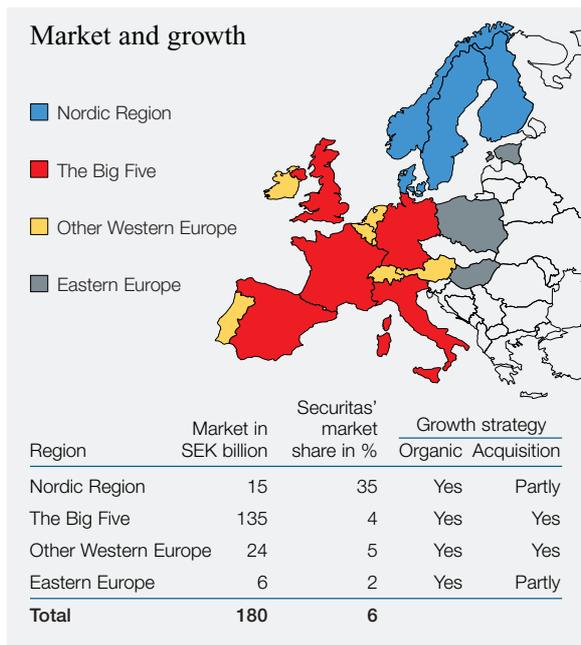
Other Western European nations show a strong development. Portugal retains its position as the Group’s most profitable country. The good development in Eastern Europe continues in Hungary and the new businesses in Poland and Estonia show a promising trend.

Sharper focus

A virtual doubling of the growth rate in Securitas Direct, from about 10,000 to almost 20,000 new alarms sold, is proof of the force that follows from a sharper focus. The Direct operations in the different countries were combined at the beginning of 1997 into one unit under joint management, which is one of the major reasons for the increasing growth rate. Cash In Transit Services operations have also received increased attention during the year as a separate business area, and we are assuming that this business will become even more clearly defined as a separate business unit.

The current position

We are now Europe’s leading security company, with annual sales of more than SEK 11 billion and good organic growth. The operating margin stands at 7.2 percent. Our market share is 6 percent of a market worth SEK 180



billion, which grows by at least 5 percent per year. After extensive restructuring and integration work, we now have a good grip on the acquisitions of recent years in Great Britain, Germany and Sweden.

A three-year perspective

We will remain a focused security company. We believe that the future holds more opportunities with increased specialization on the individual needs of different customer groups, and by offering complete security solutions. This will call for an even sharper focus on our part – not only on the various countries of operation – but also on the development of individual business areas in each country.

With increased focus on each business area, we believe that organic growth can remain at the current level for the next three years: 5–7 percent. We also believe that the operating margin during the same period can increase from 7.2 percent to 10 percent in existing operations. The raised margin will be generated in all countries and business areas, but a significant portion will be derived from the during 1997 restructured Cash In Transit businesses in the big countries.

During this period Securitas Direct will also more than double its annual growth rate and the focus on alarms for smaller companies and chains will increase. We now have about 75,000 alarm customers in Securitas Direct and the number should grow to more than 200,000 in the next three years. Today we also have about 125,000

smaller and medium-sized companies among our alarm customers. This business is at a slightly slower growth rate than Direct due to insufficient focus so far.

As far as future acquisitions are concerned, they will be concentrated on areas we call *the big five* and the *other Western Europe*. Not only do we need to cover certain “white spots” on the map of Europe, but we also need to strengthen the different business areas. The security business remains severely fragmented, which is demonstrated by the fact that with a market share of 6 percent, we are the largest. Acquisition targets are not lacking. Seen in a historic perspective, we believe that acquisitions can add between one and two billion SEK annually in new sales.

Employee convertible

Employee commitment is the key to Securitas' development. This commitment begins when each employee clearly and distinctly can see his or her role in the whole, and gets the training and education needed to fulfill that task. Compensation must also be such that people want to stay and develop with the Company. For some employees, an engagement in the development of the company as an owner may further strengthen this commitment.

All employees were therefore offered to acquire shares on equal terms in Securitas when the Company went public in 1991. Also, when Securitas distributed Assa Abloy to its shareholders in 1994, a convertible offering was made to all employees.

Since 1994 both sales and the number of employees have almost doubled. Therefore, it is now time to make a new offer to Securitas' personnel. The subordinated convertible debenture issue decided in January 1998 has a term of five years, on market terms, and the offer is directed to all employees on the same conditions.

I am convinced that the offer will contribute to continued good development for Securitas.

1998

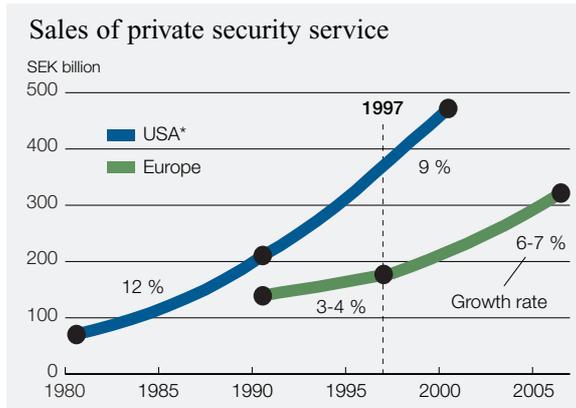
We anticipate continued organic growth in all countries and in all areas of operation for 1998. We also believe in strong earnings performance, allowing us to maintain a long-term trend of annual earnings growth of about 20 percent, with 1998 in line with this trend.

STOCKHOLM, MARCH 1998

Thomas Berglund

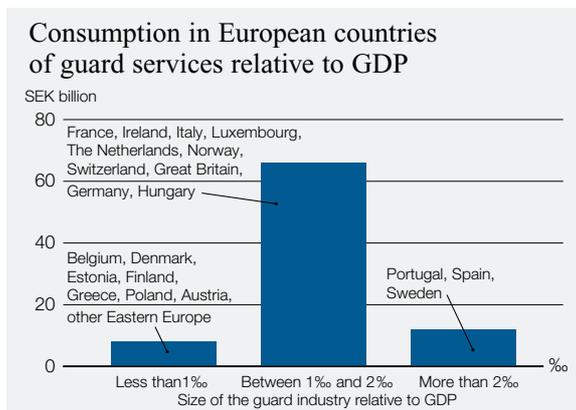
President and Chief Executive Officer

Europe – An Opportunity



The European security market is expected to grow to about SEK 350 billion in 10 years.

* Source: Private Security Trends 1970–2000 – The Hallcrest Report



The size of today's professional security guard markets relative to GDP varies from country to country. As companies concentrate on core businesses, specialized security companies are increasingly retained. In Europe the guard services market accounts for SEK 86 billion of the total security market of about SEK 180 billion.

Region	Guard Services	Alarm Systems	Cash In Transit Services	Direct	Total
Nordic Region	45	22	43	50	35
The Big Five	5	<1	14	2	4
Other Western Europe	6	1	10	>0	5
Eastern Europe	2	2	12	0	2
Total	8	3	15	6	6

The European security market is estimated to be worth SEK 180 billion, of which Securitas, as the largest company, accounts for about 6 percent.

In 1997 the European security companies sold services for approximately SEK 180 billion, of which Securitas, as the largest company, accounts for about 6 percent. There are great growth opportunities for Securitas in Europe.

Growing market

In the European market guard services account for SEK 86 billion with an annual growth rate of just short of 5 percent, alarm systems for SEK 78 billion with an annual growth rate of almost 10 percent and cash in transit services account for SEK 16 billion with an annual growth rate of slightly below 10 percent.

Growth is especially strong in Alarm to Response services for smaller companies and homes, where the annual growth rate is estimated to exceed 20 percent. For the entire security market, this means an annual rate of growth of 6–7 percent.

The security market has grown, and continues to grow as the increasing technical and financial complexity of society grows, and hence its vulnerability. The trend is the same in all parts of the world. In the United States, for instance, the annual growth rate is estimated to be about 9 percent. Demand is to some extent cyclical and slows down slightly during periods of economic weakness.

Outsourcing has begun – more on the way

The increasing vulnerability and specialization of society is the driving force behind more and more outsourcing of security work. In some countries this outsourcing has been going on for a long time, while it started more recently in other countries. 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 above 2.0%.

Securitas a market leader – but with a small market share

With about SEK 11 billion in sales, Securitas is the market leader with a share of about 6 percent of the total European security market. This shows that the market, in spite of many structural deals, remains highly fragmented.

Since 1989, when Securitas made its first acquisitions, we have completed about 30 individual acquisitions. These have added an aggregate of about SEK 7 billion in new business. The organic growth during the same period was approximately SEK 2 billion, which is equivalent to an average annual growth rate of about 6 percent. Most of the acquisition targets have been unprofitable businesses or businesses with low profitability, which with an introduction of the Securitas model have been developed into growing and profitable operations.

It is up to us

The trend of the underlying market is up, outsourcing contributes a great extent to this growth, and the potential for additional outsourcing is still great. In spite of a number of acquisitions, Securitas still only commands a market share of about 6 percent.

The conclusion is simple: Big potential remains, and there is plenty of room for expansive security companies – it's all up to us!

The need for security is increasing – 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.

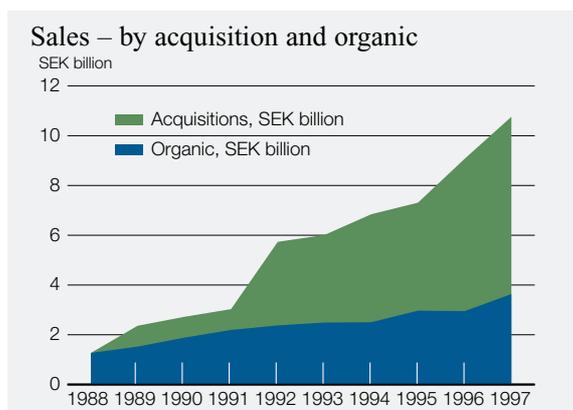
The challenge is first to choose the right customer groups, and then to build and deliver the right solutions to the selected customer groups. This is the base for continued and accelerated organic growth.

It is also the basis for continued acquisitions – if we cannot create growth within the volume we have, we do not have the legitimacy or the reason to acquire new volume.

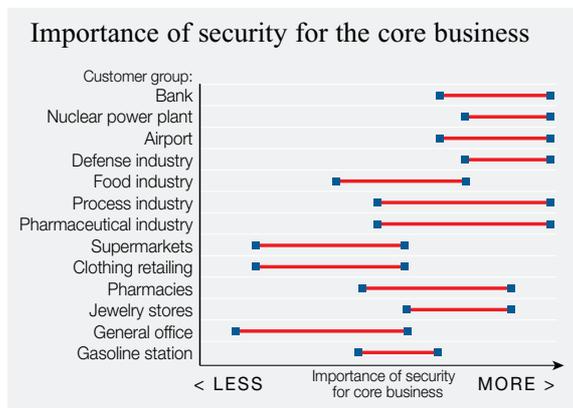
Acquisitions accelerate growth rate

We will continue to acquire companies at the rate the organization has capacity to restructure and integrate new volume. Acquisitions are not an end unto themselves, but are a way of increasing our strength in selected geographic markets and business areas. On a long-term basis, acquisitions will contribute to a gradually rising operating margin.

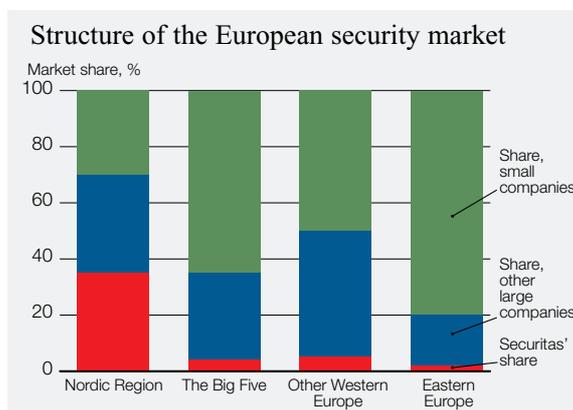
With the exception of the Nordic markets, the potential for acquisitions is very large. It is particularly important to become stronger on the large markets in Europe. ■



Securitas' sales by acquisitions and organic growth over the last ten years.

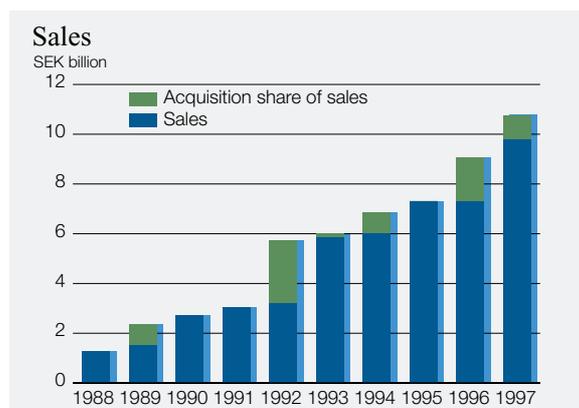


The foundation for improved and accelerated organic growth is to build and deliver the right solutions for the different customer groups.

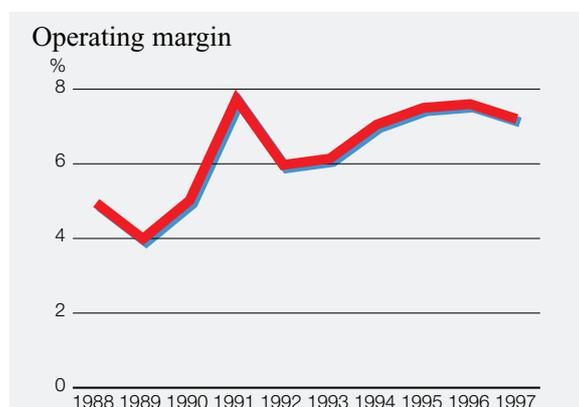


The security market in Europe remains fragmented.

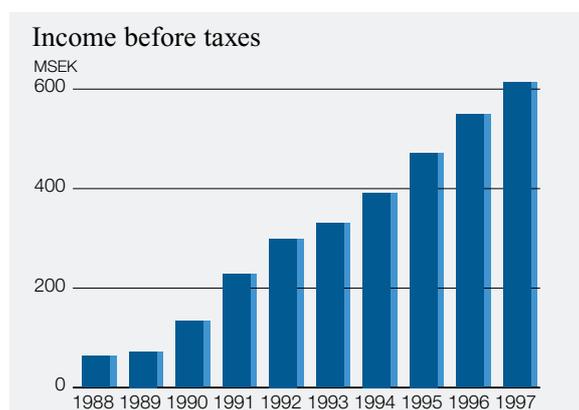
The Securitas Model in Figures



Sales have grown annually by an average of 27 percent over the most recent 10-year period. During 1997 sales increased by 19 percent, 7 percent of which was organic growth.



Refinement and efficiency improvements have gradually raised the operating margin, which in 1997 reached 7.2 percent. Most of the acquisitions have been no or low income businesses, which occasionally have had a negative effect on the operating margin.



Income before taxes has grown by an average of 29 percent annually over the most recent 10-year period. In 1997 income before taxes rose by 12 percent to MSEK 614.

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 the profitability in the different business areas is analyzed on a monthly basis by focusing on a few key factors of importance to earnings performance in each respective business area: new sales of contracts and orders received, 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*. Further factors are the development of accounts receivable and capital expenditures, which are measures of *tied up capital*.

Follow-up and verification of the Group's long-term

Income, MSEK	1997	1996	1995	1994 *
Sales	10,762.9	9,074.3	7,309.1	6,843.8
whereof acquisitions	1,002.6	1,784.2	—	820.9
Operating income before amortization of goodwill	777.8	687.9	548.7	482.5
Operating margin, %	7.2	7.6	7.5	7.0
Amortization of goodwill	-115.5	-99.4	-65.9	-63.9
Net financial items	-48.2	-38.7	-11.0	-26.6
Income before taxes	614.1	549.8	471.8	392.0
Taxes paid	-114.4	-127.7	-104.6	-98.9
Deferred taxes	-54.7	-39.8	-19.8	-50.2
Minority interest	0.9	-0.2	-0.4	-0.2
Net income for the year	445.9	382.1	347.0	242.7
Cash flow, MSEK	1997	1996	1995	1994 *
Operating income before amortization of goodwill	777.8	687.9	548.7	482.5
Net financial items	-48.2	-38.7	-11.0	-26.6
Taxes paid	-114.4	-127.7	-104.6	-98.9
Adjusted income	615.2	521.5	433.1	357.0
Change in working capital	-57.3	-8.5	-75.6	67.9
Capital expenditures	-557.4	-475.6	-339.1	-292.7
Depreciation and amortization	450.5	354.0	289.8	262.2
Free cash flow	451.0	391.4	308.2	394.4
Capital employed and financing, MSEK	1997	1996	1995	1994 *
Operating capital employed	2,182.1	1,590.7	1,103.2	1,068.7
Shares in associated companies	258.4	—	—	—
Goodwill	1,457.4	1,180.7	590.5	649.5
Net debt	-1,532.5	-738.6	75.0	-122.6
Shareholders' equity	2,365.1	2,032.6	1,767.8	1,589.7
Total assets	7,911.5	6,438.1	5,014.5	4,532.1

earnings performance is focused on six financial measurements, all of which relate to key factors in each respective business area.

The key figures in 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. The evolution of these six key figures is illustrated here, numerically and in diagrammatic form. ■

1993	1992	1991	1990	1989	1988
6,010.6	5,734.8	3,030.4	2,720.7	2,361.6	1,268.3
160.3	2,522.0	—	—	838.0	—

368.8	342.6	234.3	136.6	94.3	62.8
6.1	6.0	7.7	5.0	4.0	5.0
-37.2	-26.8	-15.0	-10.5	-8.1	-1.5
-1.6	-16.6	8.6	7.9	-13.8	2.6
330.0	299.2	227.9	134.0	72.4	63.9
-81.6	-52.0	-33.3	-24.0	-7.0	-6.2
10.7	-20.7	-16.0	-14.8	-11.9	-7.3
-2.1	-0.1	0.0	-0.3	-0.1	0.0
257.0	226.4	178.6	94.9	53.4	50.4

1993	1992	1991	1990	1989	1988
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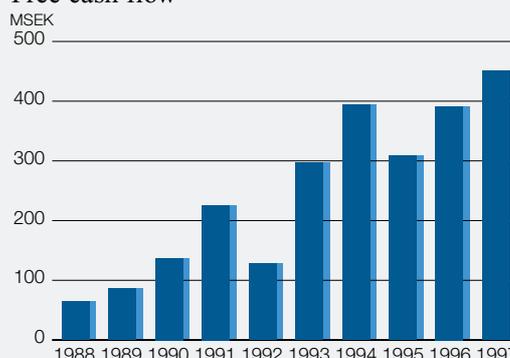
368.8	342.6	234.3	136.6	94.3	62.8
-1.6	-16.6	8.6	7.9	-13.8	2.6
-81.6	-52.0	-33.3	-24.0	-7.0	-6.2
285.6	274.0	209.6	120.5	73.5	59.2
-3.2	-148.2	92.4	124.0	32.6	26.8
-231.6	-207.1	-209.1	-218.7	-119.8	-71.3
246.1	208.9	132.9	111.4	99.8	49.9
296.9	127.6	225.8	137.2	86.1	64.6

1993	1992	1991	1990	1989	1988
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1,030.0	910.3	380.2	239.6	279.3	58.3
—	53.1	74.3	74.5	0.8	—
440.2	322.1	26.8	32.5	21.2	9.9
-78.2	-99.6	-131.9	-125.1	-86.3	-33.6
1,375.0	1,173.6	349.3	221.1	214.6	34.4
4,451.7	4,249.8	2,414.1	2,254.4	1,357.2	733.8

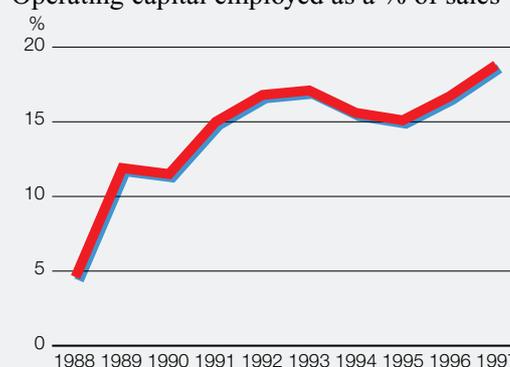
* Pro forma accounting for the full year 1994 is made up of the sum of the two abbreviated financial years during 1994.

Free cash flow



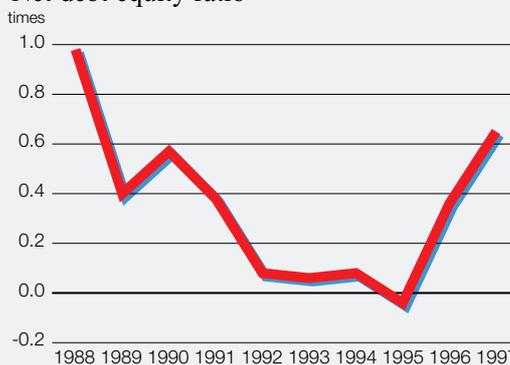
Free cash flow reflects earnings performance. On average, free cash flow has been 84 percent of adjusted income during the most recent 10-year period. During 1997 free cash flow increased by 15 percent, to MSEK 451.

Operating capital employed as a % of sales



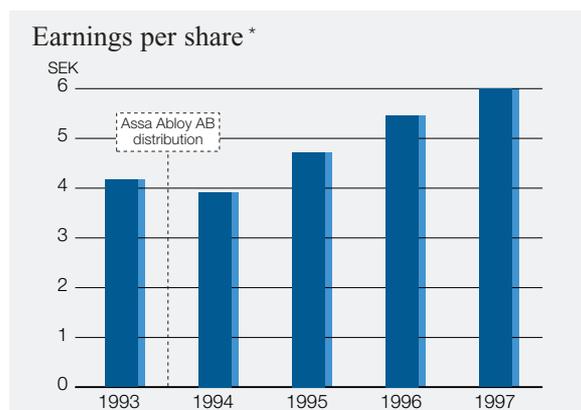
With control of accounts receivable and capital expenditures, capital employed can be kept low. The increase over the most recent 10-year period is explained by acquisitions of businesses with more extended payment terms and a larger proportion of Cash In Transit Services, which require more capital expenditures.

Net debt equity ratio



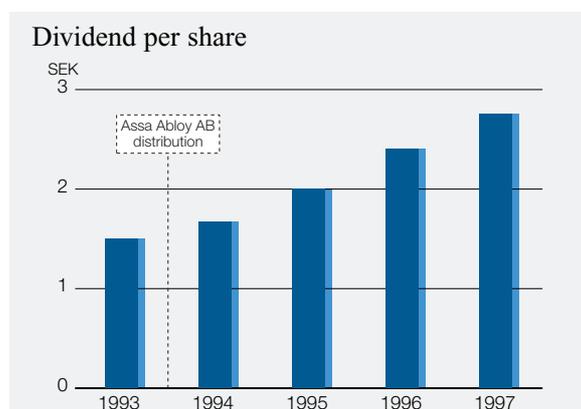
Strong cash flow and controlled development of capital employed gives opportunity for growth with reasonable indebtedness.

The Securitas Share

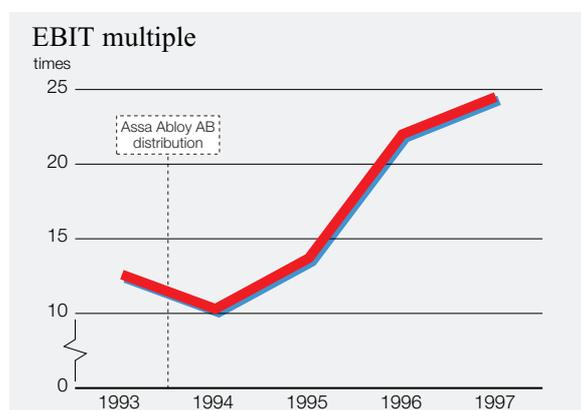


Earnings per share have grown by an average of 15 percent per year over the most recent four-year period.

* After 28 percent standard taxes.



The annual dividend has grown by an average of 16 percent over the most recent five-year period. In addition to the regular dividend, a distribution of shares in Assa Abloy AB was effected during 1994.



Securitas' market capitalization increased by about 22 percent during 1997. During 1994 Securitas distributed all shares in Assa Abloy AB.

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 21 percent during 1997. The composite index of the Stockholm Stock Exchange rose by 25 percent.

Securitas' market capitalization at year-end 1997 was MSEK 17,570 (14,430). A total of 23.1 million Securitas shares were traded on the Stockholm Stock Exchange, which was 71 percent higher turnover than in 1996.

Dividend

The Board of Directors proposes a 15 percent dividend increase to SEK 2.75 per share. This dividend is equivalent to a dividend yield of 1.1 percent on the price of the Series B share on December 30, 1997.

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 data¹⁾

SEK/share	1997	1996	1995	1994	1993 ²⁾
Income after taxes paid	6.78	5.81	5.09	4.07	4.38
same after 28% standard taxes	6.00	5.46	4.72	3.92	4.17
same after full taxes method	6.04	5.28	4.82	3.38	4.55
Dividend	2.75³⁾	2.40	2.00	1.67 ⁴⁾	1.50
Dividend in % ⁵⁾	46	44	42	43	36
Dividend yield, %	1.1	1.2	1.9	2.5	1.9
Share price, end of period	240.00	198.50	105	67	79
High share price	250.00	203.00	105	95	82
Low share price	174.00	94.90	64	60	48
Average share price	207.84	145.42	79	76	66
P/E-ratio, times	40	38	22	20	17
No. of shares (1,000's)	74,243	74,243	74,243	74,243	70,899

1) After full conversion. Per-share data adjusted for split 3:1 in 1996.

2) Including Securitas Lock Group.

3) Proposed dividend.

4) In addition to the regular dividend, shares in Assa Abloy AB were distributed in 1994.

5) 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 1997, 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.

EBIT multiple. The Company's market capitalization and net 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 amounts to MSEK 146.4, divided into 73.2 million shares, each with a nominal value of SEK 2, whereof 4.3 million shares are Series A and 68.9 million shares are Series B. Each Series A share carries ten votes and each Series B share carries one vote.

Year	Transaction	No. of share	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
1999	Convertible debentures outstanding ²⁾	74,242,896	148,485,792

1) A split 3:1 was made during 1996 and a stock dividend, changing the nominal value of the share from SEK 5 to SEK 2.

2) The term of the loan is until June 30, 1999. Conversion to Series B share may be requested at a price of SEK 91.30 during the period July 2, 1996 to June 1, 1999. Full conversion will result in 1,036,581 new shares.

Major owners*

Owners, December 31, 1997	Percentage of		capital	votes
	A shares	B shares		
Investment AB Latour		7,950,000	10.9	7.1
Janus Föndis		5,700,000	7.8	5.1
Melker Schörling + companies	750,000	4,245,125	6.8	10.5
Förvaltnings AB Wasatornet		3,750,000	5.1	3.4
SPP		3,686,970	5.0	3.3
SäKI AB	3,535,650	—	4.8	31.6
Femte AP-Fonden		2,521,650	3.4	2.2
Comgest S.A.		1,892,445	2.6	1.7
AMF Försäkring		1,745,000	2.4	1.6
WASA		1,208,150	1.7	1.1
Total, ten largest owners	4,285,650	32,699,340	50.5	67.6

Ownership structure**

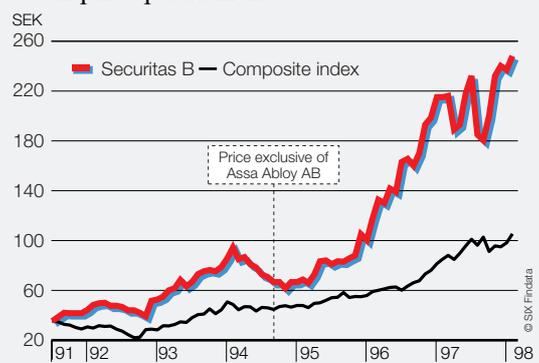
Owners with:	No. of owners	No. of shares	Percentage of capital
more than 100,001 shares	76	64,639,880	88
50,001–100,000 shares	38	2,747,338	4
20,001–50,000 shares	64	2,050,333	3
5,001–20,000 shares	142	1,587,206	2
1,001–5,000 shares	454	928,262	1
up to 1,000 shares	6,207	1,253,296	2
Total	6,981	73,206,315	100

As of December 31, 1997 Securitas had about 7,000 shareholders according to VPC – an increase by about 10 percent since 1996. The principal owners are Investment AB Latour, who together with Förvaltnings AB Wasatornet and SäKI AB holds 20.8 percent of the capital and 42.1 percent of the votes, and Melker Schörling with companies, who own 6.8 percent of the capital and 10.5 percent of the votes. Institutional investors account for 90 percent of the capital. Investors outside Sweden account for 49 percent (50) of the capital.

* Source: VPC and changes known to Securitas.

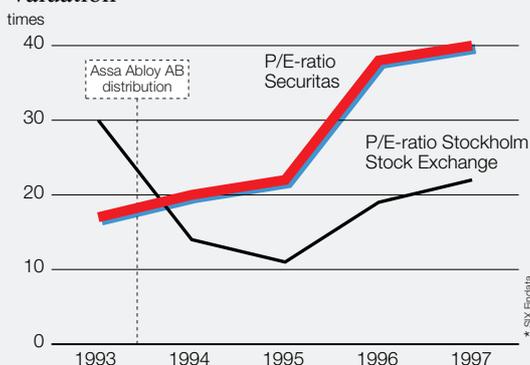
** Source: VPC.

Stock price performance



The market price of the Securitas share has increased by an average of 22 percent per year over the most recent five-year period.

Valuation



The average P/E ratios during 1997 increased more for the companies on the Stockholm Stock Exchange than Securitas' P/E ratio.

Liquidity



Trading of the Securitas share on the Stockholm Stock Exchange has increased by an average of 45 percent per year over the most recent five-year period. During 1997 trading increased by 40 percent.



Guard Services and Alarm Systems – A Growing Need

Securitas Guard Services and Alarm Systems had 1997 sales of MSEK 8,349 (7,164). Guard Services is the largest of the two with approximately 59 percent of total sales, and Alarm Systems accounts for about 18 percent.

The entire business community is changing at an ever faster pace. Companies become more vulnerable to production disturbances as competition gets tougher and when the business becomes more dependent on modern technology.

The risk of production disturbances increases the need for security in the form of protection and preventive action. A growing number of entities therefore retain professional security companies. This trend is strengthened as companies increasingly focus on their core businesses and use specialist companies for security duties, which earlier were handled in-house.

Adapted solutions

Total security solutions is one example of how Securitas adapts services to the business community to new and varying needs. We are increasingly dealing with specially adapted combinations of personal guarding and alarm systems.

Banks need advanced alarm systems that when triggered, lead to prompt response. The alarm is often combined with mobile patrols and access control.

Large customers often need specially adapted solutions with a combination of access control, mobile patrols and alarm systems.

Small customers may need a standardized alarm system which is connected to an alarm monitoring station. Small companies can also share the cost of a guard, who protects their premises against burglary.

Retailers can retain guards who help customers find their way and keep an eye on the operation to prevent robbery and shoplifting.

Homes most often need a standardized alarm system connected to an alarm monitoring station. Home alarms through Securitas Direct is Securitas' fastest growing business area.

Securitas Direct's alarm monitoring station serves homes. The Bank Monitoring Center for banks and the Customer Care Center in Securitas Response for smaller

companies are other examples of how alarm stations have been specialized for selected customer groups. This specialization and focus is expected to continue.

Strategic acquisition of alarm company

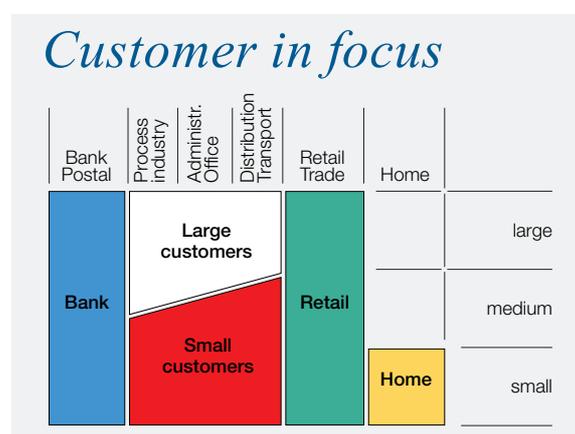
Alarm systems is the part of the security market with the fastest growth. That is because banks and large companies have come to the realization that alarm systems are cost-efficient complements to personal guarding in combination with security technology.

By acquiring the Swedish alarm company TeleLarm, greater opportunities are created for making customer-adapted security solutions.

Market and competitors

The total European guard services market is estimated to be worth about SEK 86 billion, with annual growth of just short of 5 percent. Securitas' share of this market is about 8 percent. The European alarm systems market is estimated to be worth about SEK 78 billion, with annual growth of almost 10 percent. Securitas' share is about 3 percent.

Securitas today is a focused European security company, while most competitors have concentrated on single countries or regions. The competitive picture therefore varies from country to country. In the Nordic Region, the Danish company Falck is the largest competitor. In Central Europe, Securitas competes with Proteg in France, Raab Karcher Sicherheit in Germany, and with Group 4, Securicor and Rentokil in Great Britain. The Swiss fire alarm company Cerberus also has operations in several European countries. In Southern Europe, Prosegur is the biggest competitor in both Spain and Portugal. ■



Proximity to the customer, and understanding of the real needs of the customer, create opportunities of development for the customer as well as Securitas. The market matrix is an internal tool to specialize the proficiency and hence better fulfill customer needs.

Left: Securitas guard Melanie Filous works at a passenger checkpoint at the Tegel airport in Berlin, Germany. Securitas manages security at 24 European airports. In most cases it is a matter of access and luggage control, ID checks, mobile patrols and cash in transit services.

Important Services for Banks

Banks are one of Securitas' most important customer segments and for obvious reasons, their requirements for security are very high. Alarm to Response is Securitas' term for a package of products and services for customers who need secure and reliable protection against robbery, assault, theft and burglary. An alarm must both function as a deterrent and reduce the number of robberies and robbery attempts. Response to an alarm must therefore be swift. In Sweden, Securitas has created a unique concept through the Bank Monitoring Center. Alarm installations at over 2,300 bank branches are directly connected to this center that works exclusively with bank security.

By creating efficient routines for systematically following up all alarms, the Bank Monitoring Center has

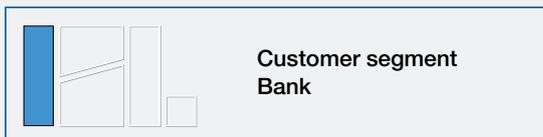
contributed to creating effective and secure bank alarm systems. This has contributed to higher quality, and the number of false alarms has been drastically reduced. This also means economic savings and confidence in the systems is increased. This also increases security. The close interaction among the Bank Monitoring Center, bank branch offices, alarm installers and the police has contributed to sharply lowering the number of bank robberies in Sweden in recent years. During 1997 only 22 robberies occurred, compared with, for instance, 120 in 1994.

Other Securitas companies in Europe are preparing to introduce similar alarm monitoring centers for their bank customers.

New structure

Tougher competition is prompting the banks to rationalize and to make their operations more efficient. The rapid changes create new structures where the roles and tasks of the banks change. Security on bank premises

Customer in focus



Advanced alarm systems prevent disturbances

The joint payment and cash processing center of the Norwegian banks is an important part of the Norwegian infrastructure. There would be serious disturbances in the country's economy if, for example, operational disturbances or other incidents were to occur.

Securitas in Norway has installed an advanced alarm system to protect operations against any sabotage and burglary, and is also responsible for access control. This is accomplished with seven own guards, and with a system for technical access control.

The payment and cash processing center has been a Securitas customer since 1991. The company feels that a functional access control system that fulfills high security demands has been achieved in cooperation with Securitas.



Securitas protects companies against sabotage and burglary with the help of advanced alarm systems.

continues to be a high priority, however.

Among the effects of changes is that customers have to take over a lot of the handling of cash themselves, something that the banks used to handle for their customers across teller counters. In all European countries the number of ATMs (cash dispensers) is growing rapidly. Many banks are also building automated banks, where the customers can not only withdraw funds, but also deposit money.

New security needs

Aside from the traditional risks for banks in the form of production disturbances, robbery and fraud, the changes lead to new or altered risks, and hence different security needs.

- ATMs and automated banks need alarms and perhaps also TV monitoring and regular patrolling by guards in order to function as a secure environment for the customers.
- Due to rationalization, it is becoming increasingly common for stores, especially in rural areas, to take over some of the traditional banking services.
- Information technology has changed the way companies produce, working conditions and communications. This has also changed the risk profile in most companies, and also for the banks.

For Securitas the new risks mean an opportunity to satisfy new security needs. ■



Bank's security needs are high by nature. Many banks therefore choose to hire Securitas, who is a stable and long-term supplier. The picture shows Securitas' Bank Monitoring Center in Stockholm.

Secure bank for customers and employees

Banks connected to Securitas' Bank Monitoring Center get continuous assurance that their alarm system is always functioning properly.

If something happens, Securitas immediately takes action in accordance with instructions worked out with the bank's security department. It can be a matter of making functional alarms that for a variety of reasons may have been disabled, or dispatching a guard, and calling the police if there is a burglary attempt or other incidents.

Banks cannot afford to neglect security. Many of the Swedish banks who use the Bank Monitoring Center declare that they want to buy alarm and guard services from a supplier who has stable and long-term role in the market, and who has the resources to continue developing new services to fit their needs.

In the competition for workers it is also important for the banks to be able to offer a safe and secure work environment.

Bank branch offices in central Stockholm have since 1997 also started using Securitas' City Group, consisting of 15 guards who regularly visit shops and bank premises. The idea is that the guards through their presence will deter crime and, for instance, prevent persons under the influence of drugs to cause disturbances. For the employees at the bank offices it is secure to know that they can call on a guard who will be on location within 60 seconds if something should happen.

Total Security Solutions for Large Companies

As a result of tougher competition and increased dependence on modern technology, the sensitivity of large companies to production disturbances has increased. For industries, nuclear power plants, airports, insurance companies, defense installations and shopping centers it is therefore becoming increasingly important to prevent damage.

In order to offer total security solutions, that both protect and prevent, Securitas works with risk assessment. Securitas' specialists perform risk assessments by identifying customer risks, possible damage scenarios and by estimating the impact of different kinds of damage. Based on the risk assessment, Securitas then formulates a proposal for a total security solution in consultation with the customer's representatives.

The result is often a total solution where trained guards interact with modern technology.

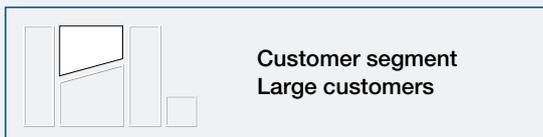
For large companies it is an advantage to have only one supplier of alarm and guard services. Securitas follows the development of the companies and can quickly adapt installations and guard routines to any changes that may occur.

For several years now, the traditional gate control at companies has been replaced by a combination of patrol guards, alarm systems, TV surveillance and technical access control.

People and technology

Increasingly higher demands are being placed on guards who work at large companies. They must be able to handle and respond quickly to information from access control and alarm installations. With the help of modern information technology, Securitas ties together different systems into a clear and well-arranged unit which facilitates the guard's work. For instance, access control can be effectively handled without compromising security.

Customer in focus



Many risks in pharmaceutical production

Pharmaceutical companies need total security solutions and therefore engage Securitas. The advanced research at pharmaceutical companies requires careful security precautions. Ever increasing competition makes it crucial not to disturb the research efforts or the production. The risk of industrial espionage and sabotage is always present. Since pharmaceutical companies handle large quantities of solvents, there is also always a fire hazard.

Effluents of contaminants in nature, water leaks and interruption of the electricity supply are other risks.

Securitas tailor-makes security solutions for pharmaceutical companies, with static and patrol guards, receptionists, access control and alarm and fire systems.



Many large companies, such as pharmaceutical companies, choose total solutions with patrol guards, receptionists, access control and alarm and fire systems.



The fire protection guard makes a fire inspection and follows up on what has been decided in connection with insurance company inspections.

With the aid of TV camera a guard can handle access control at several checkpoints in a company. Even if they are miles apart.

Modern guarding is much about technology. At the same time the technology must be served by people who stand up under stress and have the ability to be attentive over several guard sites at the same time. Since a guard is also the company's face to the public, he or she must also be service-minded and have good language skills.

Development of the guard profession

Changing needs and greater demands from customers mean that guards get more interesting and stimulating assignments. The status of the guard profession is raised as more and more companies realize they need professional guards to conduct secure and high-quality business.

Proximity to the customer and understanding the customer's real needs create opportunities for development for the customer as well as for the Securitas guard.

Fire protection, environmental and IT guards are examples of how Securitas specializes guard competence to meet the customer's need and new demands.

The fire protection guard performs fire inspections and follows up on what has been decided in connection with insurance company inspections. Checks of extinguishing materials and fire protection equipment are other assignments. This specialized guard also calls attention to fire hazards and checks fire door systems.

Airports require high security

Airport security is a growing business area within the large companies customer group.

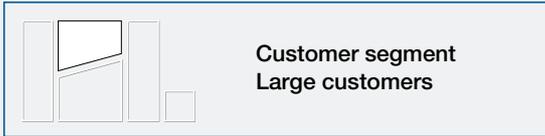
Terrorism, burglaries and bomb-threats are some of the risks an airport is exposed to. Disturbances may lead to everything from delays and burglaries, to accidents with personal injury, and even death. The security level at an airport must therefore always be high.

Securitas' assignments include access control and luggage checks, ID control, patrolling with guards, Cash In Transit services and VIP services.

More and more of the security work at European airports is handled by private security firms. Securitas handles security at 24 European airports and thus follows closely the development together with its customers. One advantage in the competition is that Securitas works in many countries, and is therefore in a position to transfer experience from one assignment to another.

Airport security is one of Securitas' growth areas. Security services at airports include services such as access control, luggage checks, ID control, patrol guarding, Cash In Transit services and VIP service.





**Customer segment
Large customers**

Customers are happy in secure shopping centers

Shopping centers are another group of large corporate customers with many and varying security needs. Securitas Guards' assignments at shopping centers include replenishing ATMs, picking up and counting daily receipts and then transporting this cash to different banks. At shopping centers Securitas guards often also assist in monitoring shops and parking lots, and help customers find their way around the often large facilities. Other assignments may be to monitor and maintain fire and burglary alarm systems, and to function as night watches.

A shopping center should be open and inviting, and at the same time a secure place for the customers.

Securitas currently works with security at about one hundred shopping centers all over Europe.



A shopping center should be open and inviting, and at the same time a secure place for the customers. Many shopping centers therefore let Securitas handle security.



The environmental guard may oversee a company's adherence to its environmental policy, and report data and current environmental protection level.

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

Information technology is changing companies' production, working conditions and communications. New risks emerge. Securitas therefore now offer *IT security guards* as an assurance for corporate IT protection and to keep the risks under control. It may be a matter of checking to see that the connection between the computer and its 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 check to see that no confidential printouts are left behind. ■

Alarm to Response for Smaller Companies and Retailers

For small and medium-sized companies Securitas has a wide variety of products and services in the areas of Guard Services and Alarm Systems. Securitas today has about 125,000 connected alarms for smaller and medium-sized companies.

Small companies are just as dependent on protection and preventive security as large companies, but in most cases they do not require the sophisticated solutions needed by the large companies.

Based on a risk assessment, an alarm and response plan is formulated, often complemented with mobile patrol guarding depending on the customer's needs. In most cases the company has a fire and/or burglary alarm

connected to one of Securitas' alarm monitoring stations. When an alarm is triggered, the action is immediate. The operator at the alarm station monitors the alarms, sends out call-out-guards and calls in extra resources if needed.

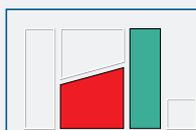
When the guard responds, it is to limit the damage that has occurred or to otherwise handle the situation. If need be, the guard can also call in the police, an emergency service or a repair crew.

Help from the mobile patrol guard

Many smaller companies complement their alarms with mobile patrol guarding. The company's premises will then be visited at different times of the day and night by a Securitas guard whose task it is to handle everything from closing and locking fire doors to turning off the coffee brewer. The guard checks, intervenes and also calls for help if need be.

The customer gets regular reports of what has occurred and is thus made aware of any shortcomings in the company's security planning.

Customer in focus



Customer segment
Small customers/
Retail

Growing security needs at gas stations

Securitas works for gasoline and service stations in many European countries. These businesses are today often open around the clock and, in addition to gasoline and accessories, often sell food items and other goods.

The security requirements vary. Since these businesses handle gasoline, there is always a fire hazard. The risk of theft has also increased as attractive goods are being exposed more than before.

For this type of facility Securitas has created security solutions which include burglary, fire and assault alarms, and TV surveillance and pilferage control. The staff deposits the daily receipts in special safes that are emptied regularly by Securitas. Once the money is deposited in the safe, it is protected by Securitas.



Securitas has created specially adapted security solutions for gas and service stations.



Area patrolling

It is becoming increasingly common for small companies to unite and purchase the services of a mobile patrol guard. Assignments can develop into area patrolling when, aside from the businesses, the local community becomes engaged. Drammen in Norway and Vimmerby in Sweden are examples of cities where Securitas has such assignments.

Area patrolling is often suitable in smaller communities where the police have limited resources. There are examples of how area patrolling has led to a drastic reduction in crime in a community, while the citizens have quieter and safer streets and public places. A community that invests in security will also be more attractive to new companies and inhabitants.

There is also area patrolling in the central parts of large cities, where stores and banks hire guards who regularly visit their premises. In this way they get peace and quiet in their surroundings and at the same time prevent shoplifting, theft and threats. A uniformed guard is often the most effective protection against different types of crimes.

Many stores retain the services of a Securitas mobile patrol guard. A uniformed guard patrolling in an area is effective protection against many types of crimes.

Alarm systems for chain operations

There are small businesses that are part of national chains of stores, restaurants and other service companies. Their operations are often distinguished by the fact that all units look alike and function in much the same way.

For these companies Securitas has developed the Response concept. The customer purchases a standardized alarm system for a fixed monthly fee, which includes service, support and alarm intervention. A specialized alarm station, the Customer Care Center, monitors and manages the alarms around the clock. When an alarm is triggered the operator will soon discover any false alarms. The center can concentrate on the live alarms and arrange for a guard to intervene.

In its basic form, Securitas Response is a burglary alarm which can easily be expanded to include fire warning features, access control, assault alarm, TV monitoring and image transfer. All parts are directly

connected to the Customer Care Center through the control panel that is part of each subscription. The customer only has to call one single number if, for instance, an alarm is triggered by mistake.

An important part of Securitas Response is Securi-safe, a key cylinder with an alarm at the entrance to the customer's premises. In case of intervention, the guard can go directly to the premises, open the cylinder with the master key and quickly gain entry to the premises, which leads to quicker response time. When the guard opens the cylinder, an alarm is triggered at the Customer Care Center, thus confirming that the guard has reached his destination.

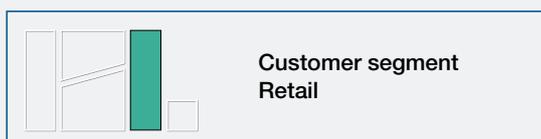
Adapting to the customer

With Securitas Response the chain or branch business gets a monthly invoice for each location. There are no additional service or intervention fees. The person responsible for security at the company can call a number each morning and get information on anything that has happened at the various locations overnight. The Customer Care Center tailor makes a report package for each company. In these reports the person responsible for security can see the reasons for the action taken, allowing him or her to correct the problem early, thus raising security.

Another advantage with Response is that it is simple for the staff of the chain business to switch between different locations. Just like sales and cash routines are the same, so are the security arrangements the same. With standardized alarms it is simple for the personnel to handle them.

Securitas Response has been met with strong and growing demand. The market is big since there are many chain and branch businesses. Growth occurs through new customers and as companies previously connected to another alarm station gradually embrace the Response concept. ■

Customer in focus



Practical alarm service for store chains

In Sweden there are several nation-wide store chains. The alarm systems of the different locations were previously connected to different alarm stations.

Starting in 1997, several of the store chains have instead elected to connect the various units to Securitas Response and the Customer Care Center that serves branch businesses.

Companies benefit from the fact that Securitas can offer complete service, with everything from alarm installation to guard intervention. The employees only need to remember one single telephone number when they need help to handle the alarm, or if there are any questions regarding the latest invoice.

When the stores are connected to Response, they can begin with a basic package consisting of burglary, fire and assault alarms. Later, it may become desirable to install an access control system and monitoring cameras. Chain stores operating in the large metropolitan areas often pool their resources, meaning that the staff may work at several different locations. With standardized alarms it becomes easier for the personnel to handle these, since they all work the same way at all locations.



Securitas Response is a standardized alarm system for a fixed monthly fee, which includes service, support and alarm intervention.

Home Alarms – A Rapidly Growing Market

The Group's organically fastest growing business area is Securitas Direct, who works with alarms for private individuals and small companies. The number of subscribers grew during the year by about 19,000, now having reached a total of about 75,000 for the entire Group. Securitas Direct's sales amounted to a total of MSEK 312, which is equivalent to about 3 percent of the Group's total sales.

From 1997, Securitas Direct is an autonomous division within Securitas. The division includes the local Direct companies in Sweden, France, Spain, Norway, Finland and Switzerland. During 1998 the Danish operation, which now is a part of Dansikring, will also be incorporated into Securitas Direct. The purpose of the

change is to create even better prerequisites to focus the operations and to work closely with the customers.

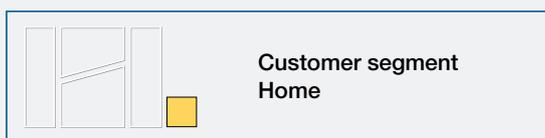
It will also be easier for the Direct companies in the Group to exchange experiences and share information.

Specialization

The Securitas Direct companies increasingly work according to the model which has been formed in such countries as Sweden. Under this system each Direct company has a Customer Service Center, a specialized alarm monitoring station, and operations are built around local partners. These are entrepreneurs, who function as the extended arm of the Customer Service Center. They install the systems and they help the customers if practical problems come up with the alarm installations. They build long-term customer relationships, while at the same time working with local sales campaigns.

The traditional task of an alarm station is to receive alarms and to transmit these to the guards, and if need be call in the police. For Securitas Direct's Customer Service Center, assistance to the customers is at least as

Customer in focus



Family of three gets a more secure life

Noëlle Vaillant lives in a small house in the Paris suburb of Saint-Cloud with her two teen-age children.

She is a sales representative and travels a lot. The children are often home alone. When they live with their father, Noëlle herself is alone in the high, narrow three-story house.

Ten years ago the house was burglarized. The thieves didn't have time to steal much, and it is now a long time ago. But she will never forget it. The knowledge that unknown persons had been snooping around in her home felt like a physical encroachment. Her nightmare is to experience a repeat intrusion. Perhaps when she or her children are asleep...

Following a tip from a friend, she contacted Domen Sécurité (the French Securitas Direct company) last spring and got a centrally connected alarm.



– It is less expensive than I thought, says Noëlle Vaillant, one of Domen Sécurité's 21,000 customers in France.

– Life definitely feels more secure now, says Noëlle Vaillant, who is one of Domen Sécurité's approximately 21,000 customers in France.

The installation cost just over 5,000 francs. The monthly fee is 190 francs.

– It is less expensive than I thought. But it is still a big expense for the family and I told the children that if we are to afford feeling secure, we have to forego something else. After much discussion, we decided to quit subscribing to film channel Canal Plus. I can't say that it was a very popular decision, but it feels right today.

important. The Customer Service Center handles all types of questions and needs that the subscribers may have. Thanks to the specialization on a defined customer segment, an understanding for the customers' needs is created, and hence quality of service.

Adapted products

Securitas Direct develops its home alarms for different segments of the market. Some customers need the basic model in the form of a burglary alarm. Others need a total solution and therefore complement with a fire warning alarm, and perhaps an assault alarm or an operations alarm.

Owners of single-family homes have different needs than apartment dwellers, and there are different levels of alarm functions. Is it enough to notify a neighbor when the alarm is triggered, or should a guard as well as the police be summoned?

Differentiation of services for different customers, without compromising efficiency, has been one of the most important success factors for Securitas Direct during 1997.

New sales channels

In its marketing Securitas Direct is building new sales channels as complements to advertising and direct promotion. In several countries there are cooperation agreements with insurance companies who offer their customers home alarms on favorable terms. Several house builders have also initiated cooperation with Securitas Direct. Here the idea is that a home alarm system should be installed from the beginning, just like the plumbing and electrical installations.

These kinds of alliances are good for both parties. Securitas Direct reaches a bigger market and the cooperation partner strengthens its position by offering an alarm system.

Market and competitors

The home alarm market in Europe is estimated to be worth about SEK 8 billion, with growth of about 20 percent annually. The need for security on the part of private individuals is due, among other things, to the growing risk of burglary. Homes are left unoccupied for longer and longer periods, both when people are at work and when they are on vacation. Securitas Direct's share of the European market is about 6 percent.



Home alarms is Securitas organically fastest growing business area. One of the factors of success is that Securitas has listened to its customers' needs.

Securitas Direct, currently with about 225 employees, will eventually establish itself in more countries. The ambition is to start an operation in Germany during 1998.

Geographic expansion is not an end itself, however. Over the coming years Securitas Direct will focus on further growth in the markets where it already operates. Home alarms is a new market and demand is growing rapidly.

On the home alarm market, Falck is the largest Nordic competitor. The European market is distinguished by a home alarm market made up of local players. ■

Cash In Transit Services – Focus on Efficient Money Flows

Securitas Cash In Transit Services had sales of MSEK 2,493 during 1997 (1,962), which is equivalent to 23 percent of the Group's total sales.

The amount of cash in circulation in society is rising. The value of paper money in circulation at the end of 1996 within the European Union amounted to just short of 6 percent of GDP, or ECU 392 billion*. The corresponding value in 1990 was 5 percent of GDP.

The banks are the hub of cash flows. Enormous sums are transferred every day between the central bank and bank branch offices, from banks to consumers and on to retailers – and back into the banking system.

Banks are the largest customer group for Cash In Transit Services, accounting for roughly 65 percent of the revenues of Securitas Cash In Transit Services. The remaining 35 percent comes from the retail trade.

A substantial portion of Securitas Cash In Transit Services business is about moving cash in a safe and secure manner – from stores to banks, from bank head



Every transportation of cash is preceded by rigorous security precautions ensuring that the right amount of cash gets to the right place at the right time.

offices to their local branches, and from banks to the country's central bank.

Securitas is increasingly doing the job of replenishing ATMs with paper money, and counting and sorting paper money and coins at the more than 80 cash processing centers operated by Securitas all over Europe.

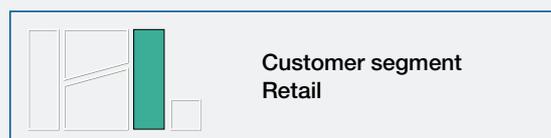
As a specialist in handling cash, Securitas is in a position to ensure that the customers get an efficient and secure money flow. An increasing number of banks and retail customers are offered total concepts, where Securitas handles the transportation of money, cash processing services and manages ATMs.

Cash management

Total solutions are good for the customers. A retailer gets its daily receipts counted quickly and deposited to a bank account. Bank branch offices earn interest by not having more cash on hand than needed. For a bank branch office it is also important for the money to be counted quickly, and for quick transportation to the central bank, so that the money becomes interest-bearing. ATMs are becoming an increasingly important part of bank service. Securitas will ensure that they always work and that they contain the right amount of money. In this way Securitas satisfies the customer's need for an efficient and secure flow of money.

Securitas also contributes to allowing its customers to focus on their core business. Retailers get more time to sell. From Securitas the customers get data and reports giving them a quick and accurate overview of their cash flows.

Customer in focus



Effective Cash In Transit Services for Spanish supermarket chain

Securitas Spain conducts a successful Cash In Transit Services business with a growing number of assignments for the retail trade in recent years.

The stores place their daily receipts in vaults that are emptied by Securitas without regard to store hours. The company sees it as an advantage to use the services of an outside specialist company for cash processing.

Securitas Spain has aimed to broaden the Cash In Transit Services business outside the highly competitive banking sector.

During the year Securitas has obtained an increasing number of assignments from the likes of gasoline stations, pharmacies and restaurants. In this way the transportation vehicles can be used more effectively, while Securitas at the same time gets more volume at its cash processing centers.

* Source: European Monetary Institute.

More ATMs

Securitas has developed the processing of cash despite predictions in recent years that cash will disappear as a means of payment, to be replaced by various bank and credit cards.

Between 60 and 80 percent of all payments are still made in cash. In most European countries the aggregate amount of paper currency and coins in circulation in the payment systems is growing. The number of ATMs in Europe has risen sharply between 1990 and 1996, from about 77,000 to 184,000. For store owners it is most economical when the customers pay cash, since they then avoid the administrative charges associated with card purchases.

Market and competitors

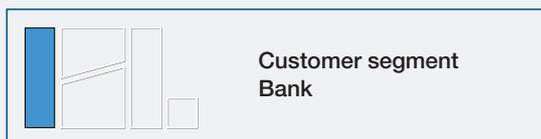
The European cash in transit services market is estimated to be worth about SEK 16 billion, with annual growth slightly below 10 percent. Securitas' share of the European cash in transit services market is about 15 percent.

There are considerably fewer players in Cash In Transit Services than in Guard Services and Alarm Systems. One reason is likely to be the higher initial costs to start a cash in transit services business.

The market is dominated by a number of national players. Securicor in Britain, Brinks in France and Prosegur in Spain are the largest. ■



Enormous sums are transferred every day between different locations. Securitas ensures that money is moved securely and efficiently.



More cash handling in Sweden

In cooperation with Sweden's central bank, Riksbanken, Securitas Sweden during the last two years has opened depots in Vänersborg, Västerås, Skövde and Gävle, where the bank previously had branches. Securitas now does what Riksbanken used to do at these locations, namely receive and quality sort money coming from the banks. The money is then returned to the banks in processed form.

When the money is in the vaults of the depot, it is considered to be Riksbanken's money, and thus earns interest for the banks.

In Västerås and Gävle the depots are integrated with Securitas' cash processing centers, a service that is also available in Umeå, Linköping and Falun. The cash processing services are the fastest growing part of Securitas Sweden's Cash In Transit Services business.

In conjunction with the cash processing center in Västerås, Securitas has invested during the year in a bank-neutral service box with the ability to issue receipts. The local banks have disposed of their own service boxes and are now steering customer cash deposits to Securitas' service box. If the system becomes popular with retailer customers, the concept can be expanded to other locations in Sweden.

Growing cooperation with English bank

Securitas UK works solely with Cash In Transit Services, about 70 percent for the retail trade and 30 percent for banks. Securitas UK gets involved in everything from transportation of valuables to cash processing services and cash dispenser management.

Securitas is responsible for the transportation of money for one of the large banking groups between the bank's head office and its branches. Securitas UK has also established close cooperation with one of the bank's cash processing centers, among other things handling counting and sorting of paper money and coins for many of the bank's customers.

Securitas UK has the position as the bank's main supplier in the area of transportation of valuables. The bank recommends its customers to use Securitas UK, who for example has consequently obtained a large and growing assignment for one of the large department store chains.

Securitas UK does not operate as a supplier, but handles the transportation of valuables for the bank's customers as its own assignments.



VÄKTARE

ORDNING'S
VAKT

SURI

Development in Countries of Operation

Sweden – TeleLarm the Year's Business Event

SWEDEN 			
Sales, MSEK	1997	1996	
Guard Services	1,540	1,514	
Alarm Systems	868	533	
Direct	102	80	
Cash In Transit Services	234	201	
Total	2,744	2,328	
Share of total sales, %	26	26	
Number of employees	5,670	4,975	

Securitas Sweden increased sales by 18 percent to MSEK 2,744. The acquisition of TeleLarm, a subsidiary of government-owned telecommunications company Telia, was the year's outstanding business event. The acquisition was approved by the Swedish Competition Authority in October 1997.

Securitas Teknik AB and TeleLarm AB together form Securitas Larm AB, who began operations as of January 1, 1998. This is Sweden's largest alarm company with about one third of the market.

TeleLarm and Securitas have both adapted alarm systems to the needs of the various customer groups. One of the basic ideas behind merging the companies is to be able to segment the market further, thereby increasing efficiency and profitability. The new company creates the strength required to allow Securitas to expand into the European alarm systems market.

Several new guard services contracts were received during the year. A large shopping center, several large industrial complexes and a government agency, are among the new customers. Securitas has also sold fire alarm solutions to two nuclear power plants.

Rationalization within the public sector has led to more assignments in the area of guarding. In many cases this means that businesses, in consultation with local authorities, unite to create disturbance-free city environments and to protect the community against burglary and other crimes.

Left: Securitas guard Helene Jonsson works as a patrol guard. In large cities it is common for stores and banks to unite to hire a guard to keep peace and order on their premises. A uniformed guard is often an efficient way of preventing different types of crimes.

Securitas Sweden has also met with continued interest from customers for specialized guard services, such as fire prevention, IT and environmental surveillance.

In Stockholm Securitas is actively working on transferring more accountability and authority to group leaders and guards. The objective is to increase their commitment to the job, which will benefit the customers.

In addition, further education and training of local managers has continued, as well as decentralization work, which includes more local offices.

A number of new solutions were launched by Securitas Sweden during the year, among which was the introduction to the market of Securimaster Control, which was favorably received. With this PC-based system static guards at major companies get total control of all entrances, gates and surveillance cameras.

Securitas Sweden has also built up the business area Response during the year with an alarm concept for small companies and chain businesses.

Within Cash In Transit Services, the cash processing services show the fastest growth. Securitas Sweden now has cash processing centers in five cities. As a parallel development, Securitas is augmenting its cooperation with the Swedish central bank, the Riksbank, by accepting cash at its depots in locations where the Riksbank previously had branches. For Securitas Cash In Transit Services the banks are the largest customer group. One development during the year is that Securitas has begun to work increasingly with total solutions, everything from transportation to counting deposits to servicing and loading ATMs.

For the retail trade Securitas Sweden has launched a new competitive Cash In Transit Service concept for smaller stores in the big cities. The stores are visited by one-man crew vehicles equipped with security cases.

Securitas Sweden also participates together with 40 other companies in the industry in the so-called *Väktarskolan*, a school for guards. During the year *Väktarskolan* educated about 950 guards.

The Swedish security market is estimated to be worth about SEK 8 billion, whereof Securitas' market share is about 40 percent.

In Guard Services and Cash In Transit Services Falck is the biggest competitor. In the market for Alarm Systems Cerberus is an important competitor. In the home alarm market most players are represented by local installers. ■

Norway – Good Prospects for the Future

NORWAY 			
Sales, MNOK	1997	1996	
Guard Services	697	623	
Alarm Systems	199	194	
Direct	59	42	
Cash In Transit Services	86	70	
Total	1,041	929	
Share of total sales, %	10	11	
Number of employees	2,402	2,186	

Sales increased by 12 percent compared to 1996. Cash In Transit Services and Home Alarm Systems are the fastest growing business areas, but Guard Services also posted good growth.

The Norwegian economy is strong and made a good showing in 1997, with low inflation and low interest rates. This development contributes to making the future prospects for the Norwegian security industry good. A strong general economy increases the pressure on costs however, especially in the areas of recruiting and education. The low unemployment rate of approximately 2 percent means that recruitment of personnel, needed to

handle new assignments, is a real challenge.

The concept Alarm to Response for small businesses was started as a separate unit during 1997 and the year's end result was highly positive.

The trend among Norwegian companies and government agencies to concentrate on their core activities, means that procurement of service functions from specialist companies continues. Banks have thus come to use Securitas to get help with cash processing and transportation of money, thus focusing more sharply on their core business.

Mergers and refinement among alarm centers is also underway, with the objective of raising the quality level of services offered. A successful merger has already taken place in the south-western regions of Norway. In mid-1998 the operations in Oslo will move to new premises tailor-made for Securitas' needs.

The Norwegian security market is estimated to be worth about SEK 3 billion. Securitas Norway is the market leader in all its business areas. The main competitor in Guard Services and Home Alarms is Falck. In Alarm Systems Cerberus is the largest competitor. In the market for cash in transit services, Securitas competes with local companies. ■

Modern guarding is increasingly about combining people with technology. Below, a Norwegian Securitas guard activating the alarm at a small business.



Finland – Developed Cash In Transit Services



FINLAND			
Sales, MFIM	1997	1996	
Guard Services	268	273	
Alarm Systems	135	102	
Direct	7	5	
Cash In Transit Services	22	11	
Total	432	391	
Share of total sales, %	6	6	
Number of employees	1,872	1,762	

Securitas in Finland focused during the operating year on building security solutions for the different customer groups. This product refinement has contributed to increased sales and profitability. Securitas in Finland increased its sales by about 10 percent during 1997, with the largest growth in Alarm Systems and Cash In Transit Services. The Finnish operations also began working under Securitas' common name and logotype during 1997.

Cash In Transit Services activities were started at several locations during the year making coverage nationwide. Cash processing centers are now located in Turku, Helsinki, Kouvola, Oulu and Vaasa. Cash In Transit Services is the fastest growing business area. Previously, the Finnish postal service had a virtual monopoly in cash in transit service, but since 1996 Securitas has become a viable contender in the market.

Securitas Finland is today the market leader in the area of Guard Services, with a market share of about 50 percent. During the year several new contracts for receptionist services, and several new combination agreements, personal guarding combined with technology, were concluded. The Alarm Systems business also showed considerable growth during the year. Securitas Finland is also working on developing the Alarm to Response concept for smaller business customers.

Changes have also been made in the Finnish management ranks to sharpen the focus on the various areas of operation. Large investments in personnel and products have also been made, and this is now beginning to show results.

The Finnish security market is estimated to be worth about SEK 1.7 billion, whereof Securitas' share is about 40 percent. The largest competitors in Guard Services are Falck and Engel. In Alarm Systems Hedengren and Esmi are big competitors, and in Cash In Transit Services the Finnish postal service is the foremost competitor.

The Finnish economy is showing a positive development, which constitutes a good base for continued growth for Securitas Finland. ■



There is considerable growth potential in the Danish Cash In Transit Services business, which today accounts for 25 percent of sales. The picture shows one of Dansikring's Cash In Transit vehicles.

Denmark – Growth Potential



DENMARK			
Sales, MDKK	1997	1996	
Guard Services	43	36	
Alarm Systems	102	94	
Cash In Transit Services	47	41	
Total	192	171	
Share of total sales, %	2	2	
Number of employees	266	233	

Dansikring increased its sales by about 12 percent compared to the year before. Dansikring is expecting to grow organically by recruiting new customers among companies who now provide guard services in-house, and partly by acquisition.

Dansikring, second largest in the market after Falck, has initiated an internal program of change during the year. Responsibility and authority have been decentralized in the organization with a view to better utilizing business opportunities in the marketplace.

Alarm Systems operations will be given a new

structure in 1998. The present technology organization will focus on the needs of large and medium-sized companies. A separate Securitas Direct organization, Dansikring Direct, will be working with Alarm Systems for private individuals and small businesses.

Guard Services account for about 25 percent of sales. The Danish guard services market is relatively immature. Many companies still handle their guarding needs in-house. With improved interaction between personal guarding and technology, Dansikring expects to create competitive advantages, thereby achieving growth in Guard Services over the next few years.

Growth opportunities are also good in Cash In Transit Services, which account for about 25 percent of sales. Dansikring today works mostly with the retail trade in this sector. Operations are of high quality and cover large parts of the country. In order to broaden the customer base, focus is being aimed at the monetary institutions who currently handle their cash processing needs in-house.

The Danish security market is estimated to be worth about SEK 2.4 billion, whereof Dansikring's share is about 10 percent.

In Guard Services, Cash In Transit Services and Alarm Systems Falck is the biggest competitor. In Alarm

Systems Cerberus is also a major player, and in Cash In Transit Services Post Danmark, the Danish postal service, is a significant competitor.

Germany – Turnaround in Cash In Transit Services



GERMANY			
Sales, MDEM	1997	1996	
Guard Services	228	200	
Alarm Systems	4	4	
Cash In Transit Services	150	161	
Total	382	365	
Share of total sales, %	16	18	
Number of employees	6,095	5,670	

Securitas' German operations increased its sales by about 5 percent compared to the year before. Securitas in Germany has operated in the country since 1992, when the guard and cash in transit services company Protectas was acquired. During 1996 DSW

The picture shows cash processing in Potsdam, outside Berlin.



Security was acquired as well as the cash in transit services part of Raab Karcher Sicherheit. This made Securitas the country's third largest security company, and the largest company in Cash In Transit Services.

The Guard Services business in Germany has since the acquisition grown by more than 10 percent on an annual basis with good profitability. The single most important event during 1997 was that Securitas took over passenger and baggage security checks at Berlin Tegel, one of three airports in the Berlin-Potsdam area. This assignment represents MDEM 14 in sales and is expected to grow during 1998 when Securitas will also be making bids for similar security assignments at Berlin's other airports.

The Cash In Transit Services business was characterized by restructuring work with a focus on internal efficiency, which entailed additional costs of MSEK 50 during the year. The restructuring work was completed during the latter part of the year and the operations are expected to reach break-even during 1998. The restructuring work also involved reviewing of the prices and terminating of some loss-producing contracts.

Moreover, wages at companies in cash in transit services business vary substantially between different regions being about DEM 10 per hour in some regions in the East, and as high as DEM 22 per hour in some regions in the West. This has generated unhealthy competition with salary expenses. The ambition here is, together with the employees and the union organizations, to lay down the general outlines for the future, which includes a uniform salary structure and investment in qualified personnel.

The German guard services market is estimated to be worth about SEK 20 billion. Securitas' share of the market is about 5 percent. Large players in the areas of guard services, besides Securitas, are Raab Karcher Sicherheit and Kötter Security.

The cash in transit services market is estimated to be worth about SEK 2.5 billion. Securitas' share of this market is about 25 percent. In this market Securitas competes primarily with GTG and Brinks as well as a great number of local companies. ■



Aided by modern information technology, the French guard is able to switch easily between different monitoring objects.

France – Strategically Important Acquisitions

FRANCE 			
Sales, MFRF	1997	1996	
Guard Services	721	483	
Direct	58	11	
Total	779	494	
Share of total sales, %	9	7	
Number of employees	5,308	3,137	

After acquiring guard services company SGI Surveillance in May, Protectas is second largest in the French guard services market after the main competitor Proteg. Rationalization was effected and costs were reviewed in the acquired company during the year.

With the acquisition of SGI Surveillance, Protectas gained better representation in northern France and thus a greater geographical coverage. This is important since industrial customers with operations nationwide often demand a single supplier of guard services.

January 1, 1998 Securitas acquired the guard services and alarm company Kessler. This acquisition has strengthened Protectas' business in the eastern part of France, also contributing to building a nationwide structure for the Alarm Systems operation.

Protectas is actively working to raise the status of the industry. Protectas is participating in a project sponsored by the security industry organization to create common standards for guard work.

In cooperation with the standardization organization Agence Française de Normalisation the industry is working to improve the quality of the services. Protectas is also working to meet the requirements in ISO 9002.

A new assignment was received in February from a large international data company, where Protectas now handles access control and other guarding duties at all of the company's offices and plants in the country. During the year Protectas also renewed the security assignments at five French airports.

The French guard services market is estimated to be worth about SEK 12 billion. Protectas' share of this market is about 8 percent. The five largest companies have close to half of the market, while, about another 1,000 players share all other assignments.

In Guard Services Protec and Onet Sécurité are large competitors. In the home alarm market there are several players, CIPE being one of the major ones.

In order to show that the company is part of the Securitas Group, a new logotype was introduced January 1, 1998 in which the Protectas name is written together with the three red dots in Securitas' logotype. ■



Securitas UK works exclusively with Cash In Transit Services, 70 percent for the retail trade and 30 percent for banks.

Great Britain – Profitable in 1998



GREAT BRITAIN			
Sales, MGBP	1997	1996*	
Cash In Transit Services	69	32	
Total	69	32	
Share of total sales, %	8	4	
Number of employees	2,869	2,762	

* Part of Securitas since July 1996.

Securitas has had operations in Great Britain since June 1996, when the unprofitable company Security Express Armagard was acquired. Securitas UK is engaged exclusively in Cash In Transit Services, with 70 percent for retail trade and 30 percent for banks.

During 1997 the company underwent extensive changes. A new country management was appointed and organizational changes were implemented. The Securitas culture and Securitas' management philosophy have been introduced. Responsibility and authority have been decentralized, and branch managers have been given increased marketing responsibility. Thanks to a new contract with the two unions who represent the guards, all employees now have the same working conditions.

The cash in transit services industry itself has undergone fundamental changes during 1997. One such change is the significant price increases in the industry. Securitas' increase in sales of 10–12 percent is largely explained by these price increases.

In order to improve security, the company has invested almost MGBP 14 in vehicles, premises and transportation during the year. A new IT-based support system for cash in transit services will also be tested and implemented, which also contributes to refining the operations.

These investments in security have led to a decline in losses from robbery by 70 percent. They have also contributed to reducing the costs in connection with robberies and assault, something which has been a big problem for the cash in transit services industry in Great Britain. By its loss-prevention work, Securitas has also been able to lower its insurance costs.

The British cash in transit services market is estimated to be worth about SEK 3.7 billion and Securitas' share is about 20 percent. The market is dominated by a few large companies. The main competitor is Securicor, with a market share of about 55 percent. Cashco, another significant competitor, has about 20 percent.

The investments and efforts expended during 1997 have resulted in a solid platform for future development. Securitas UK is expected to operate at a profit in 1998. ■

Spain – More Total Security Solutions



SPAIN			
Sales, MESP	1997	1996	
Guard Services	17,578	17,634	
Alarm Systems	1,649	1,210	
Direct	794	456	
Cash In Transit Services	4,751	5,522	
Total	24,772	24,822	
Share of total sales, %	12	14	
Number of employees	7,391	7,264	

The Spanish security market is worth approximately SEK 12 billion. Securitas' share of the market is about 10 percent. Securitas in Spain offers a complete array of services in Guard Services, Alarm Systems and Cash In Transit Services.

In Guard Services, accounting for 70 percent of sales, the number of combination agreements has grown. Major companies want to replace traditional stationary guarding with less personnel-intensive services, where mobile guards are combined with technical access control and various types of alarms.

Securitas in Spain offers a complete array of services in Guard Services, Alarms Systems and Cash In Transit Services. During 1997, the number of combination agreements has increased.



Guard Services saw an increase in sales during the latter part of the year. In September, Securitas was awarded the prestigious assignment of guarding one of the country's well-known museums in Bilbao. In its effort to get more combination agreements, the company is building a new organization for mobile guarding in major metropolitan areas.

The development in the direction of combination agreements is also reflected in strong growth in Alarm Systems, which now accounts for close to 7 percent of sales. Alarm Systems is the most rapidly growing business area, during the last two years by more than 30 percent annually. This development is expected to continue during 1998. Bank alarms are a future large market. Securitas focuses on selling total security solutions, which include alarm system connection and service agreements.

Cash In Transit Services, with approximately 20 percent of sales, has reduced its volumes during the year. The reason is intense price competition during the fall of 1996 and the spring of 1997, when Securitas intentionally chose to lose volume rather than lower the price level beyond what was deemed reasonable in the longer term. Volume recovery during the second half of the year reduced the loss of volume to MSEK 30 on an annual basis. Securitas expects to replace lost contracts with additional assignments for retailers and chain stores.

Securitas is Spain's second largest security company. The principal competitor is Prosegur. The market is dominated by a few large players. The five largest companies have about 75 percent of the guard services market and 40 percent of the alarm systems market. The market for cash in transit services is 95-percent controlled by the three largest companies.

In Guard Services, Alarms Systems and Cash In Transit Services Prosegur is the largest competitor. In Guard Services Prosesa and Seguriberica are also significant competitors, and in Alarm Systems Fichet and Cerberus are competitors. In Cash In Transit Services Ausysegur is a significant player. In the home alarm market Securitas competes with a number of players, the largest of which is Prosegur. ■

Portugal – Venture into Package Solutions



PORTUGAL		
Sales, MPTE	1997	1996
Guard Services	11,933	11,732
Alarm Systems	1,929	1,788
Cash In Transit Services	2,492	2,372
Total	16,354	15,892
Share of total sales, %	7	8
Number of employees	5,506	6,014

The Portuguese security market is estimated to be worth about SEK 3 billion. Securitas' share of the market is about 20 percent. Securitas in Portugal increased its sales by 3 percent compared to the year before. Portugal is still the Securitas Group's most profitable country. The job of combining guard services company Sonasa and its existing business with Securitas

was completed at the beginning of the year. The company was acquired in 1996, then further strengthening Securitas' position on the Portuguese market.

Alarm Systems grew organically by about 7 percent during the year, about the same rate as in 1996.

Competition in the market is tough and the largest competitors in Alarm Systems are Prosegur and Cerberus.

Securitas has increased its sales of Cash In Transit Services despite a market that was at a virtual standstill. As a market leader in Cash In Transit Services, Securitas competes mainly with Prosegur.

During 1998, Securitas' Portuguese operations will be building a national organization for mobile operations in Guard Services. At the same time Securitas is introducing a new alarm system concept for smaller companies. The strategy is to offer mobile guard services and alarm systems as a package for smaller companies. ■

Portugal is the Securitas Group's most profitable country.



Switzerland – Increased Sales on Declining Market

SWITZERLAND 			
Sales, MCHF	1997	1996	
Guard Services	43	40	
Alarm Systems	1	1	
Cash In Transit Services	5	5	
Total Protectas	49	46	
Securitas Direct AG*	3	3	
Total Switzerland	52	49	
Share of total sales, %	3	3	
Number of employees	578	554	

* Securitas Direct AG is included with 50 percent according to the proportionate method.

Protectas S.A. in Switzerland increased its sales in 1997 by about 7 percent. Demand for security from large international companies has continued to grow. Protectas' increase in sales is partly due to the fact that the company has managed to capture several of these assignments. During 1997 Protectas was also involved in short-time guarding assignments at international trade shows and conferences.

Protectas started mobile patrolling 20 years ago. More and more of this type of guarding is now being replaced by technology. Protectas has, for example, business where the alarm monitoring station remotely monitors industrial plants and other installations with video cameras.

Cash in transit services are rather underdeveloped in Switzerland, since most banks and retail organizations in rural areas handle these matters on their own, or in cooperation with the postal service. A shift in attitude is now under way and business opportunities are expected to grow in this area.

The Swiss guard services market has shrunk in recent years because of stagnation in the country's economy. The Swiss guarding market was in 1997 estimated to be worth about SEK 3 billion. Protectas' share of the market is about 8 percent.

In Guard Services Protectas competes primarily with the market leader Securitas AG. It is also with Securitas AG that the Securitas Group owns the Home Alarm System business in Switzerland. Securitas Group's share in this business is 50 percent. In Cash In Transit Services, MAT-Express is the largest competitor. In Home Alarm Systems Cerberus, CIPE and C.E.T. are significant

competitors. ■

Austria – More Business for Retail Industry

AUSTRIA			
Sales, MATS	1997	1996	
Cash In Transit Services	189	171	
Total	189	171	
Share of total sales, %	1	1	
Number of employees	339	342	

Protectas in Austria increased its sales by approximately 10 percent during 1997. Protectas is the market leader in the Austrian cash in transit services market, which is estimated to be worth about MSEK 250.

In the cash in transit services industry, the postal service and several smaller firms are the main competitors.

The banks account for more than 70 percent of sales. During 1997 there was a number of bank mergers. This development has prompted the banks to focus more on their core business, and demand for cash in transit services has thereby grown.

Protectas continued during the year to focus on assignments for the retail industry. A new concept for small stores was introduced during 1997. The concept involves one-man crew security vehicles driving around picking up daily receipts from stores. The crew, i.e. the driver, remains in the car while a store employee deposits the money in a receptacle on the vehicle. The concept also includes counting and sorting store cash receipts.

Protectas can perform this service at a very competitive price for the customer. This idea has contributed to increasing sales to the retail industry segment by 20 percent during the year. ■

Hungary – Continued Growth

HUNGARY 			
Sales, MHUF	1997	1996	
Guard Services	854	603	
Alarm Systems	93	57	
Cash In Transit Services	1,102	867	
Total	2,049	1,527	
Share of total sales, %	1	1	
Number of employees	1,184	985	

In Hungary the rapid economic development with declining unemployment and growing foreign investment continues. This is, among other things, manifested in strong growth for the security industry. The Hungarian security market is estimated to be worth about MSEK 800. Securitas' share of the market is about 10 percent. Securitas increased its sales during the year by about 34 percent.

Demand is growing in Guard Services, especially from the major international companies. Customers are increasingly demanding combination solutions with guards and different types of technical security solutions.

In October Securitas achieved a breakthrough in the alarm systems market by capturing a contract for an alarm system, TV surveillance and access control system for a major telecommunications company.

Cash in transit services have become an established market. All large banks, retail chains and gasoline stations are now using security companies for this service. During the fall Securitas for the first time became able to offer cash processing in a contract with one of the country's largest banks. Negotiations for similar contracts with other banks are in progress.

Securitas is making preparations to begin offering smaller stores cash in transit and cash processing services in a competitive package solution.

Securitas is one of the largest companies in Cash In Transit Services in Hungary. Aside from OTP Security, Banktech, Kötter and Securicor, there are 15 smaller competitors. In Guard Services Securitas competes with

10 larger companies, of which Group 4 is the largest competitor, and some 1,500 smaller companies. In Alarm Systems there are some 10 major companies, of which Cerberus is the largest competitor, and about 800 smaller competitors.

During the year Securitas Hungary began to operate under the same name and logotype as the Parent Company. The name-change is aimed at further enhancing the company's image in the market. ■

Estonia – Stabilization and Development

ESTONIA 			
Sales, MEEK	1997	1996	
Alarm Systems	7	—	
Cash In Transit Services	7	—	
Total	14	—	
Share of total sales, %	0	—	
Number of employees	156	—	

The Estonian security industry finds itself at an early stage of its development, but is growing rapidly. Securitas has a firm base in the country since 1996, when cash in transit services company Inkassaator was acquired from the Estonian central bank. In July 1997 this company was merged into the technology company that Finnish Securitas had operated in the country since 1993. Operations are part of the Securitas Group since 1997.

During the year the job has been all about establishing and developing the Cash In Transit Services business. Securitas has inaugurated a new office in Tallinn, also opening new branch offices in the towns of Tartu and Jõhvi. During 1998 the Cash In Transit Services operation will be complemented by a cash processing center in Tallinn.

Securitas in Estonia has also started Guard Services on a small scale in 1998. After consolidating the business during 1997, the company is expected to operate at a profit during 1998.

Growth opportunities in Estonia abound. The country is undergoing rapid privatization. Aside from Securitas, there are now three rather large security companies in this market. The Estonian alarm systems and cash in transit services market is estimated to be worth about MSEK 150. ■

Poland – Entering New Areas

POLAND 			
Sales, MPLN	1997	1996*	
Guard Services	18	7	
Total	18	7	
Share of total sales, %	0	0	
Number of employees	902	774	

* Part of Securitas since July 1996.

The Polish economy is growing rapidly. The country's GDP increased by 6 percent during 1997. Foreign investment continues to increase. Among other investments, several auto manufacturers are building plants in Poland.

This development is favorable for the security industry. Since Securitas started operating in Poland in mid-1996 it has enjoyed strong growth in Guard Services. The Guard Services activities broke even for 1997, and are expected to generate a positive contribution to the Group's result for 1998.

Having started out in Guard Services only, Securitas will begin its activities in Cash In Transit Services on a small scale during 1998. The banks, most of them still government owned, have so far handled cash in transit services on their own. As the banks are privatized, this market will begin to open up. Transportation of valuables managed by private companies has not been permitted so far under Polish law.

The Polish guard services market is estimated to be worth about SEK 3 billion. Securitas, who is one of the largest players in the industry, today competes with about 4,000 guard services companies and 500 cash in transit services companies, whereof Sezam and Group 4 are two significant competitors. ■



Since the start of operations in 1996, Securitas in Poland has enjoyed good growth.



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 1997 financial year.

Ownership Structure

The principal owners of Securitas AB are Investment AB Latour, who together with Förvaltnings AB Wasatornet and SäkI AB hold 20.8 percent of the capital and 42.1 percent of the votes, and Melker Schörling with companies, who hold 6.8 percent of the capital and 10.5 percent of the votes. These owners are represented by Gustaf Douglas and Melker Schörling 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.

The Board of Directors consists of six members, and a 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 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 and auditors consists of the Chairman of the Board of Directors and the Vice Chairman of the Board of Directors as representatives for the principal owners.

The Group Management consists of five persons, who lead the Group's current operations together with the country managers. In order to achieve short and effective lines of communication, country and product responsibility is divided among the members of Group Management. A flat and simple organization is sought. A great deal of emphasis is placed on decentralization of the decision-making process.

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

The European Group Council in Securitas was formed with the objective of constituting a forum for information and consultation between Group Management and the employees in Securitas' countries of operation. The first meeting was held in February 1997, with training and education issues on the agenda, among other things.

Left: Securitas guard Mattias Sundqvist works as a Cash In Transit guard Securitas moves cash and valuables safely and efficiently.

Securitas Direct

Effective as of January 1, 1997, Securitas Direct, with operations in Sweden, Norway, Finland, France, Spain and Switzerland, forms a separate division in the Securitas Group.

Development in the Countries of Operation

The organic growth reached 7 percent in 1997, which is about the same level as in 1996. Acquisitions have increased sales by MSEK 1,003.

Group sales by country

Country	1997	Percent. of total	1997	1996	Change in %	
	MSEK		M(local)	M(local)	organic	total
Sweden	2,744	26	2,744	2,328	7	17
Norway	1,127	10	1,041	929	12	12
Denmark	222	2	192	171	12	12
Finland	638	6	432	391	11	11
Germany	1,688	16	382	365	5	5
France	1,021	9	779	494	10	57
Great Britain	865	8	69	32*	12	n/a
Spain	1,295	12	24,772	24,822	0	0
Switzerland**	257	2	49	46	7	7
Portugal	715	7	16,354	15,892	3	3
Austria	118	1	189	171	10	10
Hungary	84	1	2,049	1,527	34	34
Poland	41	0	18	7	46	n/a
Estonia	7	0	14	—	—	—
Elimination	-59		-59	-40	—	—
Total (MSEK)	10,763	100	10,763	9,074	7	19

* refers to 6 months in 1996 ** excluding Securitas Direct AG

Operations in *Sweden, Norway, Denmark and Finland* show continued good volume development and earnings performance, in Guard Services as well as Alarm Systems and Cash In Transit Services. Overall organic growth reached 9 percent in these countries during the fourth quarter.

In January 1997 the Swedish operations were reorganized and realigned into five areas of operation. This has resulted in sharper focus on the various customer segments. Integration of TeleLarm, acquired in October 1997, continues according to plan. Effective as of January 1, 1998, the operations of TeleLarm Fire and Security have been combined with Securitas Teknik in a joint company, Securitas Larm. Cash In Transit operations were started in *Finland* during the year. Good growth of this business was experienced.

In *Germany* the positive volume and earnings performance development continues in Guard Services. The restructuring work which continued during 1997 in the Cash In Transit Services business, and which focused on internal efficiency, resulted in costs of MSEK 50 during the year. Restructuring costs amounted to MSEK 5 during the fourth quarter. The restructuring efforts were completed according to plan during 1997, and the German Cash In Transit Services business is expected to generate a break-even result for 1998.

In *France*, the integration of SGI Surveillance is progressing according to plan. The acquisition is part of the Group since May 1, 1997, adding MSEK 242 to Group sales. The acquisition is expected to have a positive effect on earnings

from 1998. All other operations in France posted positive performance in terms of volume as well as earnings.

Restructuring work in *Great Britain* came to a close during the year, and price and wage negotiations have been completed. The ongoing capital expenditure program has contributed to a higher level of overall safety.

In *Spain*, good volume growth and positive earnings performance continues in Alarm Systems operations. The Guard Services operation records good volume growth. Intense price competition was experienced in the cash in transit services market in Spain during the fall of 1996 and in the spring of 1997. In this situation, Securitas intentionally chose to lose volume rather than lower prices below a level deemed reasonable on a longer term basis. A volume rebound was experienced during the second half of the year, and volume losses were held to about MSEK 30 on an annual basis.

Portugal retains its position as Securitas' most profitable country.

Acquisitions

Acquisitions completed during the year will add approximately MSEK 1,400 in annual sales. All acquisitions have been paid for in cash. For 1997 these acquisitions added MSEK 1,003 in sales. The acquisitions have increased the Group's goodwill by MSEK 340 and the Group's amortization of goodwill will increase by about MSEK 20 per year.

Acquisitions 1996-1998, MSEK

Date	Company	Country	Full year sales	Business activity
Jan. -96	DSW	Germany	1,000	Guard services
Jan. -96	Raab Karcher	Germany	180	CIT services
Feb. -96	La Ronde 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	Great Britain	650	CIT 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	CIT 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 & Alarm systems

Sweden

On October 17, 1997 Securitas' acquisition of TeleLarm was approved by the Swedish Competition Authority. In this acquisition Securitas took over 100 percent of the shares outstanding in TeleLarm AB with business areas Fire and Security, and Care. The Alarm Communication business area has been transferred to an independent company, TeleLarm Multicom AB, jointly owned by Telia and Securitas, with Telia as a 55-percent

majority owner. The price for Fire and Security and Care, with sales of MSEK 920 and income of MSEK 50 for 1997, was MSEK 620. For 45 percent of the shares in the Alarm Communication business area, with sales of MSEK 200 and an operating income of MSEK 45, the price was MSEK 250. With this acquisition a security technology business was created in Securitas with expected sales of about MSEK 2,500. The combined operations have achieved the critical mass to take on the large European security markets in the future.

Business area Fire and Security will be coordinated and integrated with Securitas Teknik's business area in Sweden under the name Securitas Larm during 1998. These businesses complement each other well since TeleLarm has a large portion of its customer base in the public sector, while Securitas has its emphasis on banking and industry.

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

The acquisition had only a marginally positive effect on consolidated earnings for 1997. The acquisition is expected to generate good earnings performance in 1998 as a result of the above mentioned coordination with Securitas Teknik. Goodwill in the Securitas Group increases by MSEK 321 as a result of this transaction. Goodwill attributable to the acquisition will be amortized over 20 years. The purchase price also includes trade marks worth MSEK 200, which will be amortized over 20 years. The acquisition is paid for in cash and is a part of the Securitas Group from October 1, 1997.

France

In January 1997 three smaller alarm businesses were acquired in the Paris region, JLMT SA, Télésurveillance SARL and CTGM SARL, with combined sales of MSEK 18. These acquisitions are parts of the Securitas Group as of January 1, 1997 and have had a positive effect on the Group's earnings. Goodwill attributable to these acquisitions amounted to MSEK 15 and is amortized over 10 years.

In April 1997, the French Finance Ministry approved Securitas' acquisition of SGI Surveillance. Securitas took over SGI Surveillance's guard services business in France, as of May 1, 1997, with 2,400 employees and annual sales of MSEK 420. At the time of acquisition, the business was operating at a loss. In connection with the acquisition, Securitas took over assets worth MSEK 40, MSEK 39 of which in the form of liquid funds. The purchase price was SEK 0 and the seller, Groupe Consortium de Réalisation (CDR), assumed responsibility for MSEK 6.7 in restructuring costs. The acquisition is a part of the Securitas Group as of May 1, 1997 and has had no effect on Group earnings for 1997. Starting in 1998, the acquisition is expected to have a positive effect on earnings.

In January 1998 Securitas in France acquired the Kessler group, consisting of Kessler Sécurité and Télésécur, with its main business in eastern France. Sales in 1997 amounted to MSEK 120,

with MSEK 80 thereof in Guard Services and MSEK 40 in Alarm Systems with 5,000 alarm connections. The number of employees is 550. The acquisition strengthens Securitas operations considerably in the region and contributes to building a country-wide structure for the alarm systems business.

The purchase price will be between MSEK 13 and MSEK 23, depending on the actual income by year-end 1998. At the time of acquisition the acquired business was generating a zero result, but is expected to have a positive effect on the Group's earnings for 1998. The acquired business will be a part of the Securitas Group from January 1, 1998. After this acquisition, Securitas' annual sales in France are expected to reach about MSEK 1,200. Goodwill attributable to the acquisition will be amortized over 10 years.

Financing

New syndicated loan facility

For the purpose of securing the Group's long-term financing, a new seven-year syndicated loan was raised December 17, 1997 in the amount of MSEK 3,500 (MDEM 800) provided by a syndicate of 15 international banks. Deutsche Bank and Enskilda Debt Capital Markets were arrangers for the loan, with Banque National de Paris and Commerzbank as co-arrangers. The loan replaces a previous syndicated loan facility of MSEK 2,400 (MDEM 550) with maturity 2003. Expansion of the facility was prompted primarily by the acquisitions completed during 1997.

Subordinated convertible debenture loan to the employees

At an Extra General Meeting in Securitas AB held January 8, 1998 it was decided to offer the employees of the Securitas Group to subscribe for subordinated convertible debentures in Securitas AB. The loan amount is a maximum of MSEK 700 and it runs from April 24, 1998 to February 28, 2003. The loan will carry interest at an annual rate of 12-month STIBOR less 0.25 percent. The conversion price is SEK 318, equivalent to 137 percent of the average market price quoted on the Stockholm Stock Exchange for Series B Securitas shares during the period January 19, 1998 to February 13, 1998. The debentures are convertible into Series B shares during the period May 30, 2001 up to and including January 31, 2003.

Upon full conversion, 2.2 million shares are expected to be added, which is equivalent to dilution of about 3 percent of the number of shares outstanding, and about 2 percent of the number of votes. Together with outstanding subordinated convertible debentures loan 1994/1999, total dilution upon full conversion will be about 4.4 percent of the number of shares and about 2.9 percent of the number of votes.

Introduction of the Euro

The new European common currency, the Euro, is expected to be introduced in some of the countries where the Group is active effective as of January 1, 1999. The countries primarily in question are Finland, Germany, France, Spain, Portugal and Austria. These countries account for about 50 percent of the

Group's sales and about 46 percent of the Group's net assets. Also companies in countries that are not part of the so-called Euro-zone, such as Sweden, are expected to be affected since the Euro in all likelihood will be used as parallel legal tender in these countries.

Securitas is anticipating a positive effect on the Group's business of the introduction of the Euro. On the commercial side, especially in Cash In Transit Services, new business opportunities are expected to emerge over time, in part by replacement of the means of payment in the countries affected, and in part by the emergence of new money 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.

In countries where the introduction of the Euro is expected to have some impact, a review of the areas that may be affected is going on. This is particularly the case with respect to the administrative systems and the local banking systems. Expectations are that the companies affected will be able to handle the introduction of the new currency as of January 1, 1999.

Parent Company Operations

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

Development 1998

Organic growth and positive earnings performance is anticipated in all countries and businesses. Earnings performance is therefore expected to revert to the level of prior years and the long-term trend of about 20 percent.

Proposed Allocation of Earnings

The Group's unrestricted shareholders' equity according to the Consolidated Balance Sheet amounts to MSEK 1,014.3. 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	1,149,435,214
Retained earnings	SEK	183,810,657
Total	SEK	1,333,245,871

The Board of Directors and the President propose:

A dividend to the shareholders of SEK 2.75 per share	SEK	201,317,366
To be carried forward	SEK	1,131,928,505
Total	SEK	1,333,245,871

Consolidated Statement of Income

MSEK	1997	1996
Sales, continuing operations	9,760.3	7,290.1
Sales, acquired businesses	1,002.6	1,784.2
Total sales (Note 1)	10,762.9	9,074.3
Production expenses	-8,665.5	-7,252.9
Gross income	2,097.4	1,821.4
Selling and administrative expense	-1,319.6	-1,133.5
Operating income before amortization of goodwill	777.8	687.9
Amortization of goodwill	-115.5	-99.4
Operating income after amortization of goodwill	662.3	588.5
Net financial items (Note 4)	-48.2	-38.7
Income before taxes	614.1	549.8
Taxes paid	-114.4	-127.7
Deferred taxes	-54.7	-39.8
Minority interest	0.9	-0.2
Net income for the year	445.9	382.1

Comments on the statement of income

Consolidated invoiced sales amounted to MSEK 10,762.9 (9,074.3). This is an increase of 19 percent compared to 1996. In local currencies sales increased by 18 percent compared to the previous year, whereof organic growth accounted for 7 percent and acquisitions for 11 percent.

Acquisitions increased sales by MSEK 1,002.6. The distribution of sales by country is shown in Note 1 to the financial statements.

Gross income amounted to MSEK 2,097.4 (1,821.4). This represents an increase of 15 percent from 1996. In local currencies, it also represents an increase of 15 percent. The increase is primarily attributable to the acquisitions and to the organic volume growth. The gross margin, computed as gross income as a percentage of invoiced sales, reached 19.5 percent (20.1).

Operating income before amortization of goodwill amounted to MSEK 777.8 (687.9). This is an increase of 13 percent from 1996. In local currencies this represents an increase of 15 percent. The increase is due to the acquisitions and to the organic volume growth. The operating margin was 7.2 percent (7.6).

Goodwill was amortized by MSEK 115.5 (99.4). The increase is attributable to the acquisitions.

Net financial items were MSEK -48.2 (-38.7). The change is explained by the acquisitions completed during the year, all of which were paid for in cash. At the same time, free cash flow had a positive effect on the financial net. The interest coverage ratio was 5.8 (5.8).

Income before taxes amounted to MSEK 614.1 (549.8), which represents an increase of MSEK 64.3, or 12 percent compared to 1996. In local currencies the increase is 12 percent. The increase is due to the acquisitions and organic growth. The net margin was 5.7 percent (6.1)

Breakdown of change:

Income before taxes 1996	549.8
Volume increase and acquisitions	91.0
Increased amortization of goodwill	-18.0
Interest expense related to acquisitions	-14.3
Effects of cash flow	7.6
Currency effect	-2.0
Income before taxes 1997	614.1

Taxes paid amounted to MSEK -114.4 (-127.7), which is equivalent to 18.6 percent (23.2) of income before taxes. The lower amount of taxes paid is primarily attributable to utilization of tax loss carry-forwards.

Deferred taxes amounted to MSEK -54.7 (-39.8), which is equivalent to 8.9 percent (7.2) of income before taxes. Total taxes for 1997 were 27.5 percent (30.5).

Consolidated Cash Flow Analysis

MSEK	1997	1996
Operating income before amortization of goodwill	777.8	687.9
Net financial items	-48.2	-38.7
Taxes paid	-114.4	-127.7
Adjusted income	615.2	521.5
Change in working capital	-57.3	-8.5
Capital expenditures in operating assets	-557.4	-475.6
Depreciation (excl. amortization of goodwill)	450.5	354.0
Free cash flow	451.0	391.4
Acquisitions (Note 5)		
Goodwill	-339.6	-725.9
Operating capital employed	-535.5	-388.8
Shares in associated companies	-256.6	—
Shareholders' equity		
Dividend paid	-174.5	-144.7
Shares issued by conversion	46.4	31.8
Change in net indebtedness before translation of opening balances	-808.8	-836.2
Translation differences	14.9	22.6
Change in net indebtedness	-793.9	-813.6

Comments on the cash flow analysis

Adjusted income amounted to MSEK 615.2 (521.5), an increase of 18 percent over 1996. 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 -57.3 (-8.5). The change in working capital is primarily attributable to the organic growth. As a consequence of a new three year insurance agreement for Cash In Transit Services, insurance premiums of approximately MSEK 20 were paid during the fourth quarter. These premiums are normally payable in January the following year.

Capital expenditures in operating assets amounted to MSEK 557.4 (475.6). The increase has to do with the growth in sales in general, but also with investments in the Cash In Transit Services businesses in Great Britain, Germany and Finland, and with investments in technical machinery for leasing to customers, primarily in Sweden, Norway and Finland.

MSEK	1997	1996
Capital expenditures	557.4	475.6
Depreciation (excl. amortization of goodwill)	450.5	354.0
Capital expenditures in percent of depreciation, %	124	134

Free cash flow amounted to MSEK 451.0 (391.4), which is an increase of 15 percent. As a percentage of adjusted income, free cash flow was 73 percent (75).

All acquisitions completed during 1997 were 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 1,131.7, MSEK 339.6 of which is goodwill, MSEK 535.5 is operating capital employed and MSEK 256.6 is shares in associated companies.

Conversion of subordinated convertible debentures affected Group's net indebtedness positively in an amount of MSEK 46.4 (31.8) during 1997.

Dividends of MSEK 174.5 (144.7), or SEK 2.40 per share (2.00) were paid for the 1996 financial year.

Translation differences have affected net indebtedness by MSEK 14.9 (22.6). 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 was MSEK -793.9 (-813.6).

Consolidated Balance Sheet

as of December 31

MSEK	1997	1996
ASSETS		
<i>Fixed assets:</i>		
Goodwill (Note 6)	1,457.4	1,180.7
<i>Other intangible fixed assets</i> (Note 7)		
Intangible rights	211.3	8.5
Other intangible assets	44.7	45.5
Total other intangible fixed assets	256.0	54.0
<i>Tangible fixed assets</i> (Note 8)		
Buildings and land	801.9	781.5
Machinery	983.5	741.2
Equipment	257.0	229.0
Total tangible fixed assets	2,042.4	1,751.7
Shares in associated companies (Note 10)	258.4	0.0
<i>Non-interest-bearing financial fixed assets</i>		
Deferred tax claims	408.0	417.9
Other fixed assets	33.7	108.5
Total non-interest-bearing financial fixed assets	441.7	526.4
Interest-bearing financial fixed assets	53.7	—
Total fixed assets	4,509.6	3,512.8
<i>Current assets:</i>		
<i>Non-interest-bearing current assets</i>		
Inventories	177.8	89.0
Accounts receivable	1,569.6	1,220.3
Other receivables (Note 11)	341.4	327.2
Total non-interest-bearing current assets	2,088.8	1,636.5
<i>Interest-bearing current assets</i>		
Short-term investments	1,039.0	1,029.4
Cash and bank deposits	274.1	259.4
Total interest-bearing current assets (Note 12)	1,313.1	1,288.8
Total current assets	3,401.9	2,925.3
TOTAL ASSETS	7,911.5	6,438.1
Pledged assets (Note 13)	21.9	3.0

Comments on the balance sheet

The operating capital employed is defined as non-interest-bearing fixed and current assets less non-interest-bearing current and long-term liabilities and non-interest-bearing provisions. Capital employed is financed by either loans (net indebtedness) or equity.

Capital employed

MSEK	1997	1996
Non-interest-bearing fixed assets (not including goodwill and shares in associated companies)	2,740.1	2,168.3
Non-interest-bearing current assets	2,088.8	1,636.5
Non-interest-bearing current liabilities	-2,441.5	-2,208.3
Non-interest-bearing long-term liabilities and provisions	-205.3	-5.8
Operating capital employed	2,182.1	1,590.7
Shares in associated companies	258.4	—
Goodwill	1,457.4	1,180.7
Capital employed	3,897.9	2,771.4

Accounts receivable totalled MSEK 1,569.6 (1,220.3). This represents an increase of MSEK 349.3, 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 13.5 percent (13.4).

The Group's operating capital employed amounted to MSEK 2,182.1 (1,590.7). The increase is explained by the acquisitions and by the capital expenditures. Consolidated capital employed increased to MSEK 3,897.9 (2,771.4).

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

The return on operating capital employed was 38.5 percent (43.2). The return on capital employed was MSEK 17.0 percent (21.2).

MSEK	1997	1996
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity:		
<i>Restricted equity</i>		
Share capital	146.4	145.4
Restricted reserves	1,204.4	1,023.4
Total restricted equity	1,350.8	1,168.8
<i>Non-restricted equity</i>		
Non-restricted reserves	568.4	481.7
Net income for the year	445.9	382.1
Total non-restricted equity	1,014.3	863.8
Total shareholders' equity (Note 15)	2,365.1	2,032.6
Minority interest	0.3	0.2
Provisions:		
<i>Interest-bearing provisions</i>		
Provision for pensions, PRI	83.4	—
Provision for pensions, other	11.2	10.3
Total interest-bearing provisions	94.6	10.3
<i>Non-interest-bearing provisions</i>		
Deferred taxes	182.1	163.8
Other provisions	9.9	—
Total non-interest-bearing provisions	192.0	163.8
Total provisions	286.6	174.1
Long-term liabilities:		
Non-interest-bearing long-term liabilities	13.3	5.8
<i>Interest-bearing long-term liabilities</i>		
Subordinated convertible debenture loan (Note 14)	94.6	141.1
Loan liabilities (Note 16)	1,869.8	1,264.4
Total interest-bearing long-term liabilities	1,964.4	1,405.5
Total long-term liabilities (Note 16)	1,977.7	1,411.3
Current liabilities:		
<i>Non-interest-bearing current liabilities</i>		
Accounts payable	354.9	244.9
Other current liabilities (Note 17)	2,086.6	1,963.4
Total non-interest-bearing current liabilities	2,441.5	2,208.3
Interest-bearing current liabilities	840.3	611.6
Total current liabilities	3,281.8	2,819.9
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	7,911.5	6,438.1
Contingent liabilities (Note 18)	413.6	159.0

Net indebtedness

MSEK	1997	1996
Interest-bearing fixed asset	53.7	—
Interest-bearing current assets	1,313.1	1,288.8
Interest-bearing provisions	-94.6	-10.3
Subordinated convertible debenture loan	-94.6	-141.1
Loan liabilities	-1,869.8	-1,264.4
Interest-bearing current liabilities	-840.3	-611.6
Net indebtedness	-1,532.5	-738.6

The Group's net indebtedness was MSEK -1,532.5. The rate of net indebtedness was 0.65 (0.36).

During 1997 conversion of subordinated convertible debentures decreased net indebtedness and increased shareholders' equity by a total of MSEK 46.4 (31.8).

The average period of fixed interest on net debt is 14 months. The remaining life of committed long-term credit facilities is about 6 years.

The available long-term financing in the form of committed credit facilities and shareholders' equity was 157 percent (167) of the Group's capital employed.

The minority interest was MSEK 0.3 (0.2).

Shareholders equity

Total shareholders' equity amounted to MSEK 2,365.1 (2,032.6), equivalent to SEK 31.86 (27.38) per share. Adjusted shareholders' equity amounts to MSEK 2,459.7 (2,173.7), or SEK 33.13 (29.28) per share. The equity ratio is 29.9 percent (31.6).

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

Opening shareholders' equity, MSEK, 12/31/96	2,032.6
Dividend	-174.5
Net income for the year	445.9
Conversion of subordinated convertible debentures	46.4
Translation differences	14.7
Closing shareholders' equity, MSEK, 12/31/97	2,365.1

Parent Company – Statement of Income and Cash Flow Analysis

Parent Company Statement of Income

MSEK	1997	1996
Administrative contribution and other revenue	71.6	63.9
Gross income	71.6	63.9
Administrative expense	-65.3	-65.6
Operating income	6.3	-1.7
<i>Result of financial investments</i>		
Result of intra-Group sales of shares in subsidiaries	254.3	-342.1
Anticipated dividend on shares in subsidiaries	671.9	336.1
Interest income	17.4	1.6
Interest expense	-97.8	-121.9
Other financial items	-3.9	-4.0
Total financial income and expense	841.9	-130.3
Income after financial items	848.2	-132.0
<i>Year-end appropriations</i>		
Reversal of tax equalization reserve	0.3	0.3
Allocation to timing difference reserve	-3.8	—
Accelerated depreciation	0.3	0.0
Group contributions received	312.3	308.2
Group contributions rendered	-3.7	-0.7
Total year-end appropriations	305.4	307.8
Income before taxes	1,153.6	175.8
Taxes on the year's income	-4.2	—
Net income for the year	1,149.4	175.8

Parent Company Cash Flow Analysis

MSEK	1997	1996
Operating income	6.3	-1.7
Net financial items	841.9	-130.3
Taxes paid	-4.2	—
Adjusted income	844.0	-132.0
Change in working capital	-354.7	-272.5
Capital expenditures in operating assets	-1.2	-0.1
Depreciation	2.0	1.9
Free cash flow	490.1	-402.7
Group contributions received	312.3	308.2
Group contributions rendered	-3.7	-0.7
Investment in shares in subsidiaries	-1,428.2	-122.8
Change in other components of working capital	—	16.8
Dividends paid	-174.5	-144.7
New issue through conversion	46.4	31.8
Change in net indebtedness	-757.6	-314.1

Parent Company – Balance Sheet

Parent Company Balance Sheet as of December 31

ASSETS, MSEK	1997	1996	SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK	1997	1996
Fixed assets			Shareholders' equity		
<i>Intangible fixed assets (Note 7)</i>			<i>Restricted equity</i>		
Intangible rights	1.0	2.1	Share capital	146.4	145.4
Total intangible fixed assets	1.0	2.1	Premium reserve and other reserves	887.5	842.0
<i>Tangible fixed assets (Note 8)</i>			Total restricted equity	1,033.9	987.4
Buildings and land	9.4	9.5	<i>Non-restricted equity</i>		
Machinery	0.1	0.2	Retained earnings	183.8	182.5
Equipment	2.5	2.0	Net income for the year	1,149.4	175.8
Total tangible fixed assets	12.0	11.7	Total non-restricted equity	1,333.2	358.3
<i>Non-interest-bearing financial fixed assets</i>			Total shareholders' equity (Note 15)	2,367.1	1,345.7
Shares in subsidiaries (Note 9)	4,346.5	2,918.3	Untaxed reserves		
Shares in associated companies (Note 10)	2.1	2.1	Tax equalization reserve	0.8	1.1
Total non-interest-bearing financial fixed assets	4,348.6	2,920.4	Timing difference reserve	45.1	41.3
Interest-bearing financial fixed assets	3.0	3.0	Accumulated accelerated depreciation	0.1	0.4
Total fixed assets	4,364.6	2,937.2	Total untaxed reserves	46.0	42.8
Current assets			Long-term liabilities		
<i>Non-interest-bearing current assets</i>			<i>Non-interest-bearing long-term liabilities</i>		
Due from subsidiaries	379.7	359.9	Due to subsidiaries	112.0	112.0
Other receivables	29.7	7.3	Total non-interest-bearing long-term liabilities	112.0	112.0
Tax claim	—	2.5	<i>Interest-bearing long-term liabilities</i>		
Prepaid expenses and accrued income	681.1	345.1	Subordinated convertible debenture loan (Note 14)	94.6	141.1
Total non-interest-bearing current assets	1,090.5	714.8	Group account bank credits	94.2	191.6
<i>Interest-bearing current assets</i>			Long-term loans	1,803.0	1,201.1
Due from subsidiaries	737.4	5.0	Total interest-bearing long-term liabilities	1,991.8	1,533.8
Short-term investments	120.0	—	Total long-term liabilities (Note 16)	2,103.8	1,645.8
Cash and bank balances	0.0	0.2	Current liabilities		
Total interest-bearing current assets (Note 12)	857.4	5.2	<i>Non-interest-bearing current liabilities</i>		
Total current assets	1,947.9	720.0	Due to subsidiaries	37.3	9.0
TOTAL ASSETS	6,312.5	3,657.2	Accounts payable	3.1	3.2
Pledged assets (Note 13)	none	none	Tax liability	0.2	—
			Accrued expenses and prepaid income	26.1	27.6
			Other current liabilities	0.6	6.6
			Total non-interest-bearing current liabilities	67.3	46.4
			<i>Interest-bearing current liabilities</i>		
			Due to subsidiaries	970.6	81.9
			Short-term loans	757.7	494.6
			Total interest-bearing current liabilities	1,728.3	576.5
			Total current liabilities	1,795.6	622.9
			TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	6,312.5	3,657.2
			Contingent liabilities (Note 18)	473.7	415.3

Accounting Principles

(Common to the Group and the Parent Company)

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

As a consequence of the Annual Accounts Act, which came into force in 1996 with application from 1997, the form of compilation of the statement of income and the balance sheet has been changed and certain items have been reclassified. Comparative data for 1996 have been adjusted accordingly.

Consolidation

Principles of consolidation

The consolidated financial statements include Securitas AB and all companies in which Securitas AB 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. In cases 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 beginning of the year.

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. Shares in the income 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 exceeds equity in the acquired company at the time of acquisition, the difference, after analysis of the nature of the surplus value, is amortized according to the same principles as Group goodwill, and has been charged against the share in income of the associated company. Shares 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 shares in income 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 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. Translation differences arising as a result of translating income statements using the average rate method and balance sheets using the year-end rate of exchange are carried directly to non-restricted shareholders' equity.

In cases 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, so-called equity hedging, exchange rate differences on the loans or foreign exchange forwards are offset against exchange rate differences arising in translation of the net foreign assets. The tax effect due to this strategy, which arises in the company accounting for these instruments, is taken into account.

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 1997	Dec. 1997	Weighted average 1996	Dec. 1996
Norway	NOK	100	108.31	107.20	103.96	106.60
Denmark	DKK	100	115.98	115.45	115.35	115.60
Finland	FIM	100	147.60	145.30	146.03	148.20
Germany	DEM	100	441.88	439.75	444.01	442.30
France	FRF	100	131.07	131.40	131.42	131.20
Great Britain	GBP	1	12.59	13.12	10.76	11.60
Spain	ESP	100	5.23	5.20	5.29	5.25
Switzerland	CHF	100	529.11	542.10	540.43	510.00
Portugal	PTE	100	4.37	4.30	4.35	4.40
Austria	ATS	100	62.77	62.51	63.31	62.87
Hungary	HUF	100	4.12	3.91	4.56	4.25
Poland	PLN	1	2.31	2.26	2.61	2.09
Estonia	EEK	1	0.54	0.55	—	—

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.

In cases when 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 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 taxes paid.

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 Statement of Income.

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

Interest-bearing current assets

Interest-bearing short-term assets and financial instruments are valued at fair market value. In cases 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.

Treasury 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.

The acquisitions made during 1997 were all paid for in cash, which has had the effect that the Group is a net borrower.

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 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 – 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 of operation.

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 committed credit facilities) at a

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. The 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 2 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.

Credit/Counterparty risk

Investments of liquid funds may only be made in government paper or banks with a strong official credit rating, thereby minimizing credit and counterparty risks. 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 combined with low net indebtedness also implies short periods of interest fixing.

The net indebtedness arising in the Group as a result of the acquisitions made during 1996 and 1997 is expected to be amortized over the medium term. To minimize the Group's exposure to changes in interest rate levels, an interest fixing period of about 2 years has been selected for this net debt.

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. On a gross basis, the Group's currency flows reach about MSEK 100. Net foreign exchange flows are only about MSEK -45, i.e. the Group is a net buyer of foreign currency. The largest single currencies are ESP, DEM, NOK and USD. These flows are hedged on a continuing basis during the year. An average of 8 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 maintaining matching loan liabilities of foreign exchange contracts in each respective currency. When hedging, due consideration is given to the cash flow generated by the foreign asset with the view of avoiding cash flow exposure resulting from the strategy. The tax effect arising in the hedging company is taken into account.

Foreign exchange differences on loans and forward contracts are offset against exchange rate differences on net assets. The interest rate difference, i.e. the difference between Swedish interest rates and the foreign interest rate in the currency in which the loan is raised, or the forward contract entered into, is carried to the Group's net financial items. The largest exposures are found among ESP, FIM, PTE, CHF and DEM.

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 locally, and since their competitive situation is not affected by exchange rate changes, this exposure is not hedged.

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 1997: MSEK 8,665.5

Administration expense

All costs of selling, administration and management. In relation to the total administration expense, the selling expenses are insignificant and therefore not reported separately.

Actual 1997: MSEK 1,319.6

Operating margin

Operating income before amortization of goodwill relative to sales.

Actual 1997: $777.8 / 10,762.9 = 7.2$ percent

Net margin

Income before taxes as a percentage of sales.

Actual 1997: $614.1 / 10,762.9 = 5.7$ percent

Interest coverage ratio

Operating income after amortization of goodwill, plus interest income, relative to interest expense.

Actual 1997: $(777.8 + 110.5) / 154.4 = 5.8$ 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 1997: $4,509.6 - 53.7 + 2,088.8 - 2,441.5 - 13.3 - 192.0 =$ MSEK 3,897.9

Operating capital employed

Capital employed less goodwill and shares in associated companies.

Actual 1997: $3,897.9 - 1,457.4 - 258.4 =$ MSEK 2,182.1

Return on capital employed

Operating income after amortization of goodwill, relative to capital employed.

Actual 1997: $662.3 / 3,897.9 = 17.0$ percent

Return on operating capital employed

Operating income before amortization of goodwill, relative to operating capital employed.

Actual 1997: $777.8 / 2,182.1 = 35.6$ percent

Adjusted equity

Equity adjusted for outstanding subordinated convertible debentures.

Actual 1997: $2,365.1 + 94.6 =$ MSEK 2,459.7

Return on shareholders' equity

Net income for the year, adjusted for interest on subordinated convertible debentures after taxes, relative to shareholders' equity.

Actual 1997: $(445.9 + 4.8 \times 0.72) / 2,459.7 = 18.3$ 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 1997: MSEK 451.0

Interest-bearing current assets

Cash and bank deposits, plus short-term investments.

Actual 1997: MSEK 1,313.1

Net indebtedness

Interest-bearing fixed and current assets, less interest-bearing provisions, subordinated convertible debentures, loan liabilities and interest-bearing current liabilities.

Actual 1997: $53.7 + 1,313.1 - 94.6 - 1,869.8 - 840.3 =$ MSEK 1,532.5

Net debt equity ratio

Net debt relative to shareholders' equity.

Actual 1997: $1,532.5 / 2,365.1 = 0.65$ times

Equity ratio

Shareholders' equity relative to total assets.

Actual 1997: $2,365.1 / 7,911.5 = 29.9$ percent

Notes to the Financial Statements

Note 1 Sales by country and product

MSEK	Guard Services		Alarm Systems		Direct		CIT Services		Total		Change			
	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	Growth	Currency	Acquisi.	Total
Sweden	1,540.4	1,514.4	867.7	532.7	102.4	79.7	233.7	200.8	2,744.2	2,327.6	154.2	—	262.4	416.6
Norway	754.3	647.8	215.5	201.6	64.1	43.7	92.9	72.3	1,126.8	965.4	116.3	45.1	—	161.4
Denmark	49.4	41.2	118.1	108.3	—	—	54.6	47.5	222.1	197.0	24.0	1.1	—	25.1
Finland	394.9	398.9	199.6	149.4	10.3	7.5	33.2	15.1	638.0	570.9	60.5	6.6	—	67.1
Germany	1,007.7	887.0	16.5	18.9	—	—	663.6	713.5	1,687.8	1,619.4	76.5	-8.1	—	68.4
France	945.2	633.1	—	—	75.4	13.6	—	—	1,020.6	646.7	68.1	-0.7	306.5	373.9
Great Britain	—	—	—	—	—	—	865.1	344.6	865.1	344.6	41.1	71.8	407.6	520.5
Spain	919.4	932.2	86.2	63.7	41.5	24.1	248.5	292.1	1,295.6	1,312.1	-2.6	-13.9	—	-16.5
Switzerland*	227.2	217.2	4.5	3.9	18.5	15.4	25.2	25.3	275.4	261.8	19.1	-5.5	—	13.6
Portugal	521.5	510.4	84.2	77.7	—	—	108.9	103.1	714.6	691.2	20.1	3.3	—	23.4
Austria	—	—	—	—	—	—	118.4	108.2	118.4	108.2	11.2	-1.0	—	10.2
Hungary	35.2	27.3	3.8	2.7	—	—	45.4	39.6	84.4	69.6	23.8	-9.0	—	14.8
Poland	41.2	12.0	—	—	—	—	0.0	—	41.2	12.0	11.0	-0.4	18.6	29.2
Estonia	0.1	—	3.9	—	—	—	3.5	—	7.5	—	—	—	7.5	7.5
Elimination	—	—	—	—	—	—	—	—	-78.8	-52.2	-26.6	—	—	-26.6
Group	6,436.5	5,821.5	1,600.0	1,158.9	312.2	184.0	2,493.0	1,962.1	10,762.9	9,074.3	596.7	89.3	1,002.6	1,688.6

* Sales for 1996 and 1997 have been adjusted for Securitas Direct AG in accordance with the proportional method.

Note 2 Personnel. Average number of employees – distribution men and women

Average number of employees	Women		Men		Total	
	1997	1996	1997	1996	1997	1996
Group:						
Sweden	1,212	1,089	4,481	3,916	5,693	5,005
Norway	553	488	1,849	1,698	2,402	2,186
Denmark	58	48	208	185	266	233
Finland	300	242	1,572	1,520	1,872	1,762
Germany	1,069	826	5,026	4,844	6,095	5,670
France	693	422	4,615	2,715	5,308	3,137
Great Britain	712	733	2,157	2,029	2,869	2,762
Spain	769	752	6,622	6,512	7,391	7,264
Switzerland	50	44	528	505	578	549
Portugal	647	663	4,859	5,351	5,506	6,014
Austria	49	43	290	299	339	342
Hungary	190	190	994	795	1,184	985
Poland	54	28	848	746	902	774
Estonia	12	0	144	0	156	0
Ireland	4	3	2	3	6	6
Total	6,372	5,571	34,195	31,118	40,567	36,689
Whereof Parent Company:						
Sweden	12	12	11	18	23	30

Compensation, Board of Directors and Presidents

MSEK		1997			1996		Whereof bonus	
		Salaries	Soc. benef.	(whereof pension)	Salaries	Soc. benef.*	1997	1996
Group:								
Sweden		18.8	8.9	(2.4)	17.3	8.6	3.4	5.3
Norway		6.5	1.1	(0.1)	6.7	1.1	4.4	4.8
Denmark		5.1	0.0	(0.0)	1.8	0.0	0.0	0.0
Finland		0.7	0.2	(0.1)	0.9	0.3	0.0	0.2
Germany		4.9	5.5	(0.0)	6.3	0.2	1.6	2.4
France		6.7	2.9	(0.0)	5.8	2.6	0.7	1.2
Great Britain		1.1	0.2	(0.1)	0.4	0.1	0.0	0.0
Spain		1.9	0.0	(0.0)	0.9	0.0	0.0	0.0
Switzerland		1.7	0.3	(0.1)	1.6	0.3	0.0	0.0
Portugal		0.9	0.1	(0.0)	0.9	0.1	0.0	0.0
Austria		0.9	0.7	(0.5)	0.9	0.2	0.0	0.0
Hungary		0.2	0.1	(0.0)	0.3	0.0	0.0	0.0
Poland		1.1	0.2	(0.2)	0.1	0.0	0.0	0.0
Estonia		0.5	0.2	(0.0)	0.0	0.0	0.0	0.0
Ireland		0.0	0.0	(0.0)	0.0	0.1	0.0	0.0
Total		51.0	20.4	(3.5)	43.9	13.6	10.2	13.9
Whereof Parent Company:								
Sweden		7.3	3.4	(0.8)	6.6	3.2	0.9	1.9

* Pension costs not specified for 1996.

Wages and salaries, other employees

MSEK		Other employees					Total, all				
		1997		(whereof pension)	1996		1997			1996	
		Wages & salaries	Soc. benef.		Wages & salaries	Soc. benef.*	Wages & salaries	Soc. benef.	(whereof pension)	Wages & salaries	Soc. benef.*
Group:	Sweden	1,229.7	519.3	(81.3)	972.3	408.7	1,248.5	528.2	(83.7)	989.6	417.3
	Norway	612.8	128.4	(15.4)	538.5	94.8	619.3	129.5	(15.5)	545.2	95.9
	Denmark	86.9	0.0	(0.0)	74.5	1.3	92.0	0.0	(0.0)	76.3	1.3
	Finland	317.2	75.7	(47.5)	250.7	111.3	317.9	75.9	(47.6)	251.6	111.6
	Germany	1,043.9	213.2	(0.1)	991.4	205.7	1,048.8	218.7	(0.1)	997.7	205.9
	France	543.5	301.7	(0.6)	355.2	196.2	550.2	304.6	(0.6)	361.0	198.8
	Great Britain	141.9	16.6	(3.0)	217.1	23.8	143.0	16.8	(3.1)	217.5	23.9
	Spain	796.8	200.6	(0.0)	828.6	207.7	798.7	200.6	(0.0)	829.5	207.7
	Switzerland	175.9	32.3	(6.6)	157.0	27.7	177.6	32.6	(6.7)	158.6	28.0
	Portugal	364.8	87.4	(0.0)	392.1	89.1	365.7	87.5	(0.0)	393.0	89.2
	Austria	61.1	12.7	(0.2)	53.2	10.9	62.0	13.4	(0.7)	54.1	11.1
	Hungary	24.6	12.3	(0.0)	19.6	8.2	24.8	12.4	(0.0)	19.9	8.2
	Poland	29.6	8.3	(8.1)	1.3	0.6	30.7	8.5	(8.3)	1.4	0.6
	Estonia	3.2	1.0	(0.0)	0.0	0.0	3.7	1.2	(0.0)	0.0	0.0
	Ireland	2.6	0.0	(0.0)	2.2	0.0	2.6	0.0	(0.0)	2.2	0.0
Total		5,434.5	1,609.5	(162.8)	4,853.7	1,386.0	5,485.5	1,629.9	(166.3)	4,897.6	1,399.5
Whereof Parent Company:	Sweden	16.4	7.1	(1.4)	9.5	5.2	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 1997 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 1997 financial year, the President and CEO has received a salary of SEK 2.700 thousand, and a bonus related to income for 1997 of SEK 200 thousand. In addition, the President and CEO has the same opportunity for a long-term bonus as other members of Group Management. The President and CEO has the same pension benefits as other members of Group Management (see below). 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.

Other members of Group Management

For the 1997 financial year, other members of Group Management have received salaries of SEK 6,164 thousand, and bonuses related to

income of SEK 725 thousand. There is also an agreement for rights to a long-term bonus based on the market price performance of the Securitas share for the period 1998 until year-end 2002. The aggregate bonus for other members of Group Management, 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.

Group Management has pension benefits equivalent to the ITP plan, plus the right to retire from the age of 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. 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.

Note 3 Depreciation and amortization (excluding goodwill)

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

Note 4 Net financial items

Group, MSEK	1997	1996
Interest income	110.5	104.8
Interest expense	-154.4	-135.8
Net interest income	-43.9	-31.0
Other financial income and expense	-7.5	-8.8
Shares in income of associated companies	3.2	1.1
Net financial items	-48.2	-38.7

Note 5 Acquisitions

Group MSEK	Company	Acquisition price	Other net debt	Total	Whereof			Remaining restructuring reserve
					Goodwill	Operating capital employed	Shares in associated companies	
Acquisitions completed during 1997								
	JLMT SA	-18.4	4.5	-13.9	-15.1	1.2		—
	Télésurveillance SARL							
	CTGM SARL							
	SGI Surveillance	0	15.1	15.1	—	15.1		—
	TeleLarm AB	-620.0	-1.7	-621.7	-321.0	-300.7		34.0
	TeleLarm Multicom AB	-256.6	—	-256.6	—	—	-256.6	—
Payments during 1997 for acquisitions completed during 1996*								
		—	-254.6	-254.6	-3.5	-251.1		—
Total		-895.0	-236.7	-1,131.7	-339.6	-535.5	-256.6	34.0

* Refers to acquisition payments 1997, in the form of structural investments, utilization of structural reserves and settlement of other liabilities, for acquisitions made during 1996.

Note 6 Goodwill

Group, MSEK	1997	1996
Opening balance	1,504.7	818.3
Capital expenditures	396.7	688.0
Translation difference	-5.2	-1.6
Closing accumulated balance	1,896.2	1,504.7
Opening amortization	-324.0	-227.8
Amortization for the year	-115.5	-99.4
Translation difference	0.7	3.2
Closing accumulated amortization	-438.8	-324.0
Closing residual value	1,457.4	1,180.7

Note 7 Other intangible fixed assets

MSEK	Group				Parent Company	
	Intangible rights		Other intangible assets		Intangible rights	
	1997	1996	1997	1996	1997	1996
Opening balance	16.1	2.5	65.5	70.3	3.1	3.1
Capital expenditures	211.1	13.6	3.7	10.5	—	—
Sales / disposals	-6.2	0.0	-0.1	-12.4	—	—
Translation difference	-0.1	0.0	-0.5	-2.9	—	—
Closing accumulated balance	220.9	16.1	68.6	65.5	3.1	3.1
Opening amortization	-7.5	-2.0	-20.0	-20.2	-1.0	0.0
Sales / disposals	4.1	0.0	0.1	3.9	—	—
Amortization for the year	-6.4	-5.3	-4.1	-4.4	-1.1	-1.0
Translation difference	0.2	-0.2	0.1	0.7	—	—
Closing accumulated amortization	-9.6	-7.5	-23.9	-20.0	-2.1	-1.0
Closing residual value	211.3	8.6	44.7	45.5	1.0	2.1

Note 8 Tangible fixed assets

Group, MSEK	Buildings and land		Machinery		Equipment	
	1997	1996	1997	1996	1997	1996
Opening balance	948.4	780.0	1,640.1	1,378.8	521.6	455.8
Capital expenditures	77.4	273.7	555.4	581.1	171.4	186.0
Sales / disposals	-17.1	-92.4	-334.2	-298.7	-114.6	-111.8
Translation difference	14.9	-12.9	40.4	-21.1	0.0	-8.4
Closing accumulated balance	1,023.6	948.4	1,901.7	1,640.1	578.4	521.6
Opening depreciation	-173.0	-146.7	-882.1	-819.0	-303.4	-297.8
Sales / disposals	-3.5	6.0	291.4	177.5	83.7	64.0
Depreciation for the year	-39.9	-33.3	-298.5	-237.2	-101.6	-73.8
Translation difference	-5.3	1.0	-29.0	-3.4	-0.1	4.2
Closing accumulated depreciation	-221.7	-173.0	-918.2	-882.1	-321.4	-303.4
Closing residual value	801.9	775.4	983.5	758.0	257.0	218.2

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

Note 9 Shares in subsidiaries

Name of subsidiary	Registered number	Domicile	Number of shares	Proportion of		Cur- rency	Nominal value	Book value	
				Share capital	Voting rights			Sub- sidiary*	Parent Comp.
Securitas Sverige AB	556020-2193	Stockholm	375,000	100	100	MSEK	37.5		97.6
Securitas Direct AB	556156-2176	Linköping	500	100	100	MSEK	0.1	1.9	
Svensk Bolagsinkasso AB	556277-4892	Norrköping	500	100	100	MSEK	0.1	2.1	
Aktiv Bevakning AB	556347-8493	Norrköping	1,000	100	100	MSEK	0.1	0.1	
Securitas Uthyrning AB	556054-5799	Stockholm	10,000	100	100	MSEK	1.0	5.9	
Securitas Beredskapsservice AB	556055-5269	Stockholm	50	100	100	MSEK	0.1	0.1	
Jourmontör AB	556087-1468	Stockholm	1,000	100	100	MSEK	0.1	1.6	
Securitas Teknik AB	556076-0757	Stockholm	20,000	100	100	MSEK	2.0	11.1	
TeleLarm AB	556214-5523	Stockholm	36,000	100	100	MSEK	36.0	420.0	
Timetechintressenter AB	556436-6267	Stockholm	5,000	100	100	MSEK	0.5	46.5	
Presec AB	556096-2572	Stockholm	20,000	100	100	MSEK	2.0	7.6	
Svensk Bevakningstjänst AB	556068-7112	Stockholm	1,000	100	100	MSEK	0.1	0.3	
Securitas Bevakning AB	556108-6082	Stockholm	20,000	100	100	MSEK	2.0	69.8	
Securitas Response AB	556081-8755	Stockholm	20,000	100	100	MSEK	2.0	4.6	
Securitas Värde AB	556191-0679	Stockholm	500	100	100	MSEK	2.0	2.1	
Securitas Utveckling och Service AB	556250-3317	Stockholm	500	100	100	MSEK	0.1	0.1	
Säkdata AB	556248-3627	Stockholm	1,000	100	100	MSEK	0.1		4.4
Network Management Konsult AB	556492-0808	Stockholm	1,441	100	100	MSEK	0.1	17.8	
Securitas Sert AB	556109-7386	Stockholm	502	100	100	MSEK	0.1	0.1	
Securitas Holding AS		Oslo	8,000	100	100	MNOK	80.0		111.5
Securitas Direct A/S		Oslo	1,400	100	100	MNOK	1.2	2.0	
Securitas Norge AS		Oslo	15,000	100	100	MNOK	150.0		160.5
Securitas A/S		Oslo	12,000	100	100	MNOK	12.0	750.0	
A/S Norsk Vaktelskap		Oslo	100	100	100	MNOK	0.1	0.1	
Autoguard AS		Oslo	100	100	100	MNOK	0.2	0.2	
TeleLarm AS		Oslo	3,030	100	100	MNOK	3.0	3.0	
Dansikring Holding A/S		Copenhagen	100%	100	100	MDKK	138.2		158.5
Dansikring A/S		Copenhagen	2	100	100	MDKK	16.1	9.6	
Vest Vagt		Copenhagen	750	100	100	MDKK	0.8	0.8	

Note 9 Shares in subsidiaries (continued)

Name of subsidiary	Registered number	Domicile	Number of shares	Proportion of		Cur- rency	Nominal value	Book value	
				Share capital	Voting rights			Sub- sidiary*	Parent Comp.
Securitas OY		Helsinki	131,550	100	100	MFIM	13.2		186.8
Kiinteistö Oy Elimäenkatu 30		Helsinki	12,000	100	100	MFIM	1.2	3.1	
Securitas Direct Oy		Helsinki	270	100	100	MFIM	0.4	0.2	
Securitas Tekniikka Oy		Helsinki	600	100	100	MFIM	6.0	7.7	
A/O STW Security St. Petersburg		St.Petersburg	2,050	100	100	MRUR	0.0	0.0	
Securitas Deutschland Holding GmbH		Düsseldorf	20,000	100	100	MDEM	2.0		352.8
Securitas Sicherheitsdienste Holding GmbH		Düsseldorf	100%	100	100	MDEM	2.0	2.0	
Securitas Sicherheitsdienste Berlin GmbH		Berlin	100%	100	100	MDEM	0.2	13.0	
Securitas Sicherheitsdienste Basdorf GmbH		Berlin	100%	100	100	MDEM	0.1	0.1	
Securitas Sicherheitsdienste Dresden GmbH		Dresden	100%	100	100	MDEM	0.5	7.1	
Securitas Sicherheitsdienste Düsseldorf GmbH		Düsseldorf	100%	100	100	MDEM	0.4	50.2	
Securitas Sicherheitsdienste Frankfurt GmbH		Frankfurt	100%	100	100	MDEM	1.0	41.4	
Securitas Sicherheitsdienste Hamburg GmbH		Hamburg	100%	100	100	MDEM	0.2	5.5	
Securitas Sicherheitsdienste München GmbH		Munich	100%	100	100	MDEM	0.3	11.1	
Securitas Sicherheitsdienste Potsdam GmbH		Potsdam	100%	100	100	MDEM	0.2	19.6	
Jahreszeiten Berlin GmbH		Berlin	100%	100	100	MDEM	0.1	0.1	
Securitas Consult GmbH		Düsseldorf	100%	100	100	MDEM	0.2	0.1	
Securitas Sicherheit & Service GmbH		Berlin	100%	51	51	MDEM	0.4	0.5	
Landmann Team GmbH		Düsseldorf	100%	80	80	MDEM	0.2	0.2	
Securitas Wertdienste Holding GmbH		Düsseldorf	100%	100	100	MDEM	2.0	33.5	
Securitas Geld-u. Wertdienste Köln GmbH		Cologne	100%	100	100	MDEM	0.5	32.7	
Securitas Geld-u. Wertdienste Berlin GmbH		Berlin	100%	100	100	MDEM	0.1	0.1	
Securitas Geld-u. Wertdienste Potsdam GmbH		Postdam	100%	100	100	MDEM	0.2	0.2	
Securitas Geld-u. Wertdienste Luschendorf GmbH		Luschendorf	100%	100	100	MDEM	0.5	0.5	
Grundstücksverwaltung GmbH		Düsseldorf	100%	100	100	MDEM	1.5	2.6	
Cash Service AG		Düsseldorf	100%	100	100	MDEM	1.0	1.0	
Securitas Transporte GmbH		Gallin	100%	100	100	MDEM	0.2	0.2	
Protectas France SA		Paris	45,600	100	100	MFRF	45.6		70.2
Protectas SDC SA		Paris	200,000	100	100	MFRF	10.0	50.0	
SGI Surveillance SA		Paris	2,500	100	100	MFRF	0.3	0.0	
O.P.D.S SARL		Paris	1,120	100	100	MFRF	2.1	1.5	
SEGA SARL		Paris	1,500	100	100	MFRF	0.2	2.5	
A.C.S.P SARL		Paris	500	100	100	MFRF	0.1	0.1	
Securitas UK Ltd		Nottingham	80,000	100	100	MGBP	8.0		291.3
Securitas Iberia Holding BV		Amsterdam	25,000	100	100	MNLG	25.0		327.0
Securitas Seguridad España SA		Madrid	45,174,102	100	100	MESP	6,098.0	84.1	
Servicios Securitas SA		Madrid	10,000	100	100	MESP	1.0	25.0	
Euroseguridad SA		Madrid	10,000	100	100	MESP	1.0	10.0	
Securitas Direct Spain SA		Madrid	20,000	100	100	MESP	0.5	10.0	
Protectas S A		Lausanne	50,000	100	100	MCHF	5.0		85.6
Protectas Unternehmen für Sicherheit GmbH		Vienna	96.50%	96.5	96.5	MATS	2.4		53.3
Securitas Serviços e Tecnologia de Seguranca SA		Lisbon	350,000	100	100	MPTE	350.0		79.6
Sonasa Lda		Lisbon	1	100	100	MPTE	60.0	60.0	
Sotechnasa SA		Lisbon	5,000	100	100	MPTE	5.0	5.0	
Custodia Lda		Lisbon	1	100	100	MPTE	0.5	0.5	
Euroguarda Lda		Lisbon	1	100	100	MPTE	25.0	25.0	
Securitas Hungária RT		Budapest	47,730	100	100	MHUF	477.3		29.6
Securitas Polska Sp.z.o.o.		Warsaw	3,040	95	95	MPLN	0.3		10.3
Securitas C.I.T. Sp.z.o.o.		Warsaw	230,000	100	100	MPLN	0.2		0.7
Securitas Rahaveod AS		Tallinn	568	100	100	MEEK	5.7		4.7
Securitas Eesti AS		Tallinn	400	100	100	MSEK	0.4	0.4	
Domen Sécurité SA		Paris	90,000	100	100	MFRF	9.0		44.0
TeleLarm Care AB	556391-2285	Stockholm	332,000	100	100	MSEK	33.2		41.9
Care Center Int. AB	556387-8551	Stockholm	1,000	100	100	MSEK	0.1	0.1	
Trygghetscentralen AB	556270-6522	Stockholm	10,000	100	100	MSEK	0.1	0.1	
TeleLarm GmbH		Munich	100%	100	100	MDEM	2.2	8.0	
TeleLarm Care Oy		Helsinki	2,000	100	100	MFIM	2.0	3.3	
TeleLarm Aps		Copenhagen	300	100	100	MDKK	3.0	0.3	
TeleLarm SA		Leuven	1,250	100	100	MBEF	1.3	0.1	

Note 9 Shares in subsidiaries (continued)

Name of subsidiary	Registered number	Domicile	Number of shares	Proportion of		Cur- rency	Nominal value	Book value	
				Share capital	Voting rights			Sub- sidiary*	Parent Comp.
TeleLarm Care AB forts									
Cass Care Group Ltd		London	825,007	100	100	MGBP	0.1	51.0	
Cass Group Ltd		London	6,500,000	100	100	MGBP	0.7	0.0	
Daris Care Ltd		London	1,000	100	100	MGBP	0.0	0.0	
Cass Electronics Ltd		London	20,860,250	100	100	MGBP	2.1	0.0	
Faxdata Ltd		London	1,000	100	100	MGBP	0.0	0.0	
Nelson Tansley Communications Ltd		London	100	100	100	MGBP	0.0	0.0	
Daris Security Communications Ltd		London	700,000	100	100	MGBP	0.6	0.0	
CDS Ltd		London	1,000	100	100	MGBP	0.0	0.0	
Securitas Treasury Ireland Ltd.		Dublin	22,500,000	100	100	MSEK	225.0		2,225.0
Securitas Reinsurance Ireland Ltd		Dublin	500,000	100	100	MSEK	5.0	5.0	
Securitas Rental AB	556376-3829	Stockholm	500	100	100	MSEK	0.1		0.1
ValuGard AB	556253-8164	Stockholm	500	100	100	MSEK	0.1		0.1
Securitas Östra Sverige AB	556133-6479	Stockholm	1,000	100	100	MSEK	0.1		1.8
Förenad Parkeringsadministration AB	556262-5102	Stockholm	500	100	100	MSEK	0.1		0.1
XLNT P-Kontroll AB	556291-7681	Stockholm	5,000	100	100	MSEK	0.0		0.0
Securitas Competence AB	556205-6795	Stockholm	1,004	100	100	MSEK	0.1		3.6
Prefera AB	556114-5557	Stockholm	2,000	100	100	MSEK	0.2		0.2
Sydvakt/Nordvakt AB	556058-1612	Stockholm	2,000	100	100	MSEK	0.2		0.0
Stor-Stockholms Bevaknings AB	556113-3280	Stockholm	2,000	100	100	MSEK	0.2		0.2
Protect Alarm AB	556164-0359	Stockholm	1,500	100	100	MSEK	0.2		0.2
Säkerhetskonsult i Umeå AB	556251-4546	Stockholm	500	100	100	MSEK	0.0		0.0
Dalavakt AB	556303-8925	Stockholm	1,160	100	100	MSEK	0.1		0.1
Silop Security AB	556255-0474	Stockholm	500	100	100	MSEK	0.0		0.1
Automatik & Ventilations- service Bröderna Lindfalk AB	556271-7057	Stockholm	5,000	100	100	MSEK	0.0		0.0
AB Internkontroll	556077-1478	Stockholm	500	100	100	MSEK	0.0		0.0
Infragon AB	556279-3504	Stockholm	500	100	100	MSEK	0.1		0.1
BinoVideo AB	556093-4068	Stockholm	1,000	100	100	MSEK	0.1		0.1
TeleLarm Home Security Inc		Raleigh, NC	1,500	100	100	MUSD	0.8		0.0
VRTL Holdings Ltd		Manchester	300	100	100	MGBP	0.0		0.0
Grainger Fire Protection Ltd		Manchester	2	100	100	MGBP	0.0	0.0	
TeleLarm VRC Ltd		Manchester	800	100	100	MGBP	0.0	0.0	
TeleLarm Security Systems Pte Ltd		Singapore	55,000	100	100	MSGD	0.0		4.4
Securitas Direct International AB	556222-9012	Linköping	1,000	100	100	MSEK	0.1		0.1
Total									4,346.5

* Expressed in each respective parent company's currency.

Note 10 Shares in associated companies

Name of associated company	Registered number	Domicile	Number of shares	Proportion of		Cur- rency	Nominal value	Book value	
				Share capital	Voting rights			Group	Parent Comp.
Securitas Direct AG		Bern	500	50	50	MCHF	0.5	0.0	2.1
TeleLarm Multicom AB	556527-2001	Stockholm	450	45	45	MSEK	0.0	258.4	—
Total								258.4	2.1

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

Note 11 Other receivables

Group, MSEK	1997	1996
Tax claims	37.8	0.0
Prepaid expenses and accrued income	155.1	167.3
Other items	148.5	159.9
Total	341.4	327.2

Prepaid expenses and accrued income consists of rental payments, insurance premiums and accrued interest income.

Note 12 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 credit 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 13 Pledged assets

Group, MSEK	1997	1996
Real estate mortgages*	21.9	3.0
Total pledged assets	21.9	3.0

* Refers to loan liabilities in Securitas Germany.

Parent Company, MSEK	1997	1996
	none	none

Note 14 Subordinated convertible debenture loan

Group, MSEK	1997	1996
Subordinated convertible debenture loan	94.6	141.1

The subordinated convertible debenture 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. Conversion may be requested during the period July 2, 1996 to June 30, 1999 into Series B shares. The conversion price is SEK 91.30 per share, which corresponds to a maximum of 1,893,546 new Series B shares, each with a par value of SEK 2, adjusted for stock dividend and split. During 1997 conversion was effected by MSEK 46.4, equivalent to 508,576 Series B shares.

Note 15 Change in shareholders' equity

Group, MSEK	Share capital	Statutory reserves	Non-restricted equity	Total
Opening balance January 1, 1997	145.4	1,023.4	863.8	2,032.6
Dividend paid	—	—	-174.5	-174.5
Net income for the year	—	—	445.9	445.9
New issue by conversion	1.0	45.4	—	46.4
Transfer between statutory and non-restricted reserves	—	117.4	-117.4	0.0
Translation differences	—	18.2	-3.5	14.7
Closing balance	146.4	1,204.4 *	1,014.3	2,365.1

Parent Company, MSEK	Share capital	Statutory reserves	Premium reserve	Non-restricted equity	Total
Opening balance January 1, 1997	145.4	842.0	—	358.3	1,345.7
Dividend paid	—	—	—	-174.5	-174.5
Net income for the year	—	—	—	1,149.4	1,149.4
New issue by conversion	1.0	—	45.4	—	46.4
Closing balance	146.4	842.0	45.5	1,333.2	2,367.1

Number of shares outstanding December 31, 1997

Series A	4,285,650, each with a par value of SEK 2	8.6
Series B	68,920,665, each with a par value of SEK 2	137.8
Total	73,206,315, each with a par value of SEK 2	146.4

* The Group's statutory reserves include an equity reserve of MSEK 1.8.

Note 16 Loan liabilities

On December 17, 1997 Securitas renewed the Group's long-term financing by raising a seven-year syndicated loan in the amount of MSEK 3,500, equivalent to MDEM 800, from a consortium of 15 international banks. The loan replaces an earlier syndicated loan facility in the amount of MDEM 550, with maturity in 2002.

MSEK 1,400 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 7 years remaining to maturity.

Long-term liabilities

Group, MSEK	1997	1996
Maturity < 5 years	473.2	960.5
Maturity > 5 years	1,504.5	450.8
Total	1,977.7	1,411.3

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

Note 17 Other current liabilities

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

Note 18 Contingent liabilities*

MSEK	Group		Parent Company	
	1997	1996	1997	1996
Sureties	71.1	10.0	176.6	185.1
Guaranties	336.9	146.0	296.9	229.6
Other	5.6	3.0	0.2	0.6
Total contingent liabilities	413.6	159.0	473.7	415.3
Whereof pension commitments	1.6	1.1	1.7	—
(whereof on behalf of subsidiaries)	—	—	(384.1)	(325.4)

* Starting in 1996, the Parent Company carries guaranties for loan liabilities at full value even if the underlying facilities in the subsidiaries are not fully utilized.

STOCKHOLM, MARCH 9, 1998

Melker Schörling
Chairman

Gustaf Douglas
Vice Chairman

Anders Frick
Mikael Eriksson (E)

Berthold Lindqvist
Camilla Henricsson (E)

Fredrik Palmstierna
Rune Lindblad (E)

Thomas Berglund
President and Chief Executive Officer
(E) Employee representative

Auditor's Report

To the Annual General Meeting of the shareholders of Securitas AB (publ)
Registered 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 1997. These accounts and the administration of the Company 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information 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 Pres-

ident or whether they have in some other 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 consequently we recommend

that the Statements of Income and the Balance Sheets 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 of Directors and the President be discharged from liability for the financial year.

STOCKHOLM, MARCH 9, 1998

Öhrlings Coopers & Lybrand AB

Nils Brehmer
Authorized Public Accountant
Chief Auditor

Anders Lundin
Authorized Public Accountant



Group Management



Thomas Berglund

b. 1952

President of Securitas AB and Chief Executive Officer of the Securitas Group.
Employed by Securitas since 1984.
Shares in Securitas: 361,227 Series B and convertibles equivalent to 466,000 Series B shares.



Amund Skarholt

b. 1948

Executive Vice President of Securitas AB. Operative responsibility together with the Chief Executive Officer.
Responsible for product and development for Cash In Transit Services.
Employed by Securitas since 1991.
Shares in Securitas: 0.



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 138,505 Series B shares.



Tore K. Nilsen

b. 1956

Country Manager Norway and President of Securitas A/S.
Responsible for product and development for Guard Services.
Employed by Securitas since 1988.
Shares in Securitas: Convertibles equivalent to 6,618 Series B shares.



Juan Vallejo

b. 1957

Country Manager Sweden and President of Securitas Sverige AB.
Responsible for product and development for Alarm Systems.
Employed by Securitas since 1990.
Shares in Securitas: 2,050 Series B.

Left: Helping customers find their way is a common occurrence of Securitas guard Martin Klinkert's every-day work.

Country Management



Björn Brisère

b. 1943

Manager Eastern Europe, Country Manager Estonia, Poland and Hungary.
Employed by Securitas since 1987.
Shares in Securitas: 3,420 Series B.



Patrick Coutand

b. 1950

Country Manager France and President of Protectas France S.A.
Employed by Protectas since 1992.
Shares in Securitas: 0.



Antoine Epiney

b. 1950

Country Manager Switzerland and President of Protectas S.A.
Employed by Protectas since 1984.
Shares in Securitas: 0.



Santiago Galaz

b. 1959

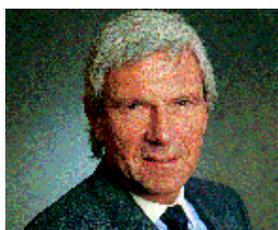
Country Manager Spain and President of Securitas Seguridad España S.A.
Employed by Securitas since 1995.
Shares in Securitas: 0.



Jorma Hakala

b. 1944

Country Manager Finland and President of Securitas Oy.
Employed by Securitas since 1986.
Shares in Securitas: Convertibles equivalent to 339 Series B shares.



Emanuel Mensdorff-Pouilly

b. 1934

Country Manager Austria and President of Protectas Unternehmen für Sicherheit GmbH.
Employed by Protectas since 1979.
Shares in Securitas: 1,500 Series B.

**Reinhard W. Ottens***b. 1944*

Country Manager Germany and President of Securitas Deutschland Holding GmbH.
Employed by Securitas since 1975.
Shares in Securitas: 4,000 Series B.

**Melville Scott***b. 1961*

Country Manager Great Britain and President of Securitas UK Ltd.
Employed by Securitas since 1997.
Shares in Securitas: 0.

**Dick Seger***b. 1953*

President of Securitas Direct International.
Employed by Securitas since 1988.
Shares in Securitas: Convertibles equivalent to 3,284 Series B shares.

**Bo Syde***b. 1943*

Country Manager Denmark and President of Dansikring A/S.
Employed by Securitas since 1978.
Shares in Securitas: 0.

**João Violante***b. 1940*

Country Manager Portugal and President of Securitas S.A.
Employed by Securitas since 1983.
Shares in Securitas: Convertibles equivalent to 846 Series B shares.

The country management also includes Tore K. Nilsen, Country Manager Norway,
and Juan Vallejo, Country Manager Sweden.

Board of Directors and Auditors

Regular Members



Melker Schörling

(Chairman) b. 1947

President of Securitas 1987–1992. Chairman of Skanska AB and JM Byggnads och Fastighets AB. Vice Chairman of Assa Abloy AB and Scancem AB. Director of the Federation of Swedish Industries. Director of Securitas AB since 1987 and Chairman since 1993. Shares in Securitas: 750,000 Series A, 4,245,125 Series B, privately and through companies.



Gustaf Douglas

(Vice Chairman) b. 1938

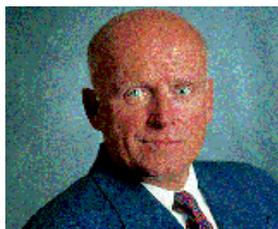
Owns with family Förvaltnings AB Wasatornet (principal owner of Investment AB Latour). Chairman of Investment AB Latour, AB Fagerhult and Säki AB. Vice Chairman of Sveriges Television. Director of Assa Abloy AB, Munksjö AB, Pharmacia & Upjohn Inc., Skanska AB and Stiftelsen Svenska Dagbladet. Chairman of Securitas AB 1985–1992 and Vice Chairman since 1993. Shares in Securitas: through Investment AB Latour 7,950,000 Series B, through Säki AB 3,535,650 Series A, and through Förvaltnings AB Wasatornet 3,750,000 Series B.



Thomas Berglund

b. 1952

President of Securitas AB and Chief Executive Officer of the Securitas Group. Director of Securitas AB since 1993. Shares in Securitas: 361,227 Series B and convertibles equivalent to 466,000 Series B shares.



Anders Frick

b. 1945

Director of Brio AB, Ernström Holding AB, AB Fagerhult, Getinge Industrier AB, Nordbanken – Southern Region, Skanditrä AB and Sweco AB. Director of Securitas AB since 1985. Shares in Securitas: 720 Series B.



Berthold Lindqvist

b. 1938

President of Gambro AB and Chief Executive Officer of the Gambro Group. 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: 132,509 Series B.

Employee Representatives



Mikael Eriksson

b. 1953

Guard with Securitas Bevakning AB. Swedish Transport Workers' Union.
Director of Securitas AB since 1985.
Shares in Securitas: 0.



Camilla Henricsson

b. 1968

Guard with Securitas Värde AB. Swedish Transport Workers' Union.
Director of Securitas AB since 1993.
Shares in Securitas: 0.



Rune Lindblad

b. 1947

Service technician with Securitas Larm AB. Swedish Electricians' Union.
Director of Securitas AB since 1995.
Shares in Securitas: 600 Series B.

Deputy Board Members



Carl Douglas

b. 1965

Director of PM-Luft AB, Specma AB and Säkl AB.
Deputy Director of Securitas AB since 1992.
Shares in Securitas: 25,000 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

Intervention guard with Securitas Bevakning AB.
Employee representative, Swedish Transport Workers' Union.
Deputy Director of Securitas AB since 1989.
Shares in Securitas: 0.

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.

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Janet Watters, President

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Péter Szabó, President

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Juan Vallejo, President

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Antoine Epiney, President

Securitas Direct International

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 Fax +46-13-13 55 26

Dick Seger, President

Financial Information

Securitas publishes the following reports during 1998:

Year-End Report for 1997	February 6, 1998
Annual Report	April 1998
Quarterly Report January – March 1998	May 7, 1998
Semi-Annual Report January – June 1998	August 6, 1998
Quarterly Report January – September 1998	November 10, 1998

Annual General Meeting

Annual General Meeting	May 7, 1998
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Financial analysts who follow Securitas:

Alfred Berg Fondkommission AB	Magnus Angenfelt
Aros Securities A/S	Lars Larsen
Carnegie Fondkommission AB	Johan Ståhl
Cazenove & Co	Charles Evans Lombe
CI Nordic Securities	Jeff Saul
Enskilda Corporate	Sandra Frimann-Clausen
H. Lundén Fondkommission	Niklas Antman
Kleinwort Benson Securities Ltd.	Peter Lawrence
Merrill Lynch	Andreas Tholstrup
Nordbanken Trading	Mattias Gredmark
Nordiska Fondkommission AB	Jan Wolter
Svenska Handelsbanken	Torben Sand
Swedbank Fondkommission AB	Jonas Palmqvist

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, Sweden
Telephone +46 8 657 74 00 Fax +46 8 657 70 72

1997 in Brief

- Sales increased by 19 percent to MSEK 10,763 (9,074). Seven percent of this increase was accounted for by organic growth, with the remainder due to acquisitions.
- Income before taxes increased by 12 percent to MSEK 614 (550).
- Free cash flow increased by 15 percent to MSEK 451 (391).
- Earnings per share after full taxes increased by 14 percent to SEK 6.04 (5.28).
- The Board of Directors proposes a dividend for 1997 of SEK 2.75 (2.40).
- Average annual growth in sales during the past 10 years has been 27 percent, with a 29 percent growth rate for income before taxes.

Cover: Home alarms are Securitas' organically fastest growing business area. The number of subscribers grew by almost 20,000 during 1997.

Welcome 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., May 7, 1998, at Moderna Museet, Skeppsholmen, Stockholm.

Right to attend

Shareholders, who are recorded in the printout of the Share Register made as of April 27, 1998, and who notify Securitas of their intent to participate in the Meeting not later than by 4:00 p.m., Monday, May 4, 1998 are invited 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 owner's own name 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 27, 1998.

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 2.75. As record date for the dividend, the Board of Directors proposes Tuesday, May 12, 1998. If the Annual General Meeting approves these proposals, the dividend is expected to be distributed by VPC on Tuesday, May 19, 1998 to shareholders of record and shareholders registered in the specification related to the Share Register of liens, pledgeholders, etc. on the record date.

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Integrity Vigilance Helpfulness

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Securitas

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