Securitas AB

Full Year Report January-December 2018



OCTOBER-DECEMBER 2018

- Total sales MSEK 26 824 (24 024)
- Organic sales growth 5 percent (6)
- Operating income before amortization MSEK 1 475 (1 269)
- Operating margin 5.5 percent (5.3)
- Items affecting comparability (IAC) MSEK -187 (0) relating to IS/IT transformation programs
- Earnings per share SEK 2.02 (1.77)
- Earnings per share, before IAC, SEK 2.39 (2.11)

JANUARY-DECEMBER 2018

- Total sales MSEK 101 467 (92 197)
- · Organic sales growth 6 percent (5)
- Operating income before amortization MSEK 5 304 (4 697)
- Operating margin 5.2 percent (5.1)
- Items affecting comparability (IAC) MSEK -455 (0)
- Earnings per share SEK 8.26 (7.53)
- Earnings per share, before IAC, SEK 9.17 (7.87)
- Tax rate 25.0%. Expected around 28.5% for 2019
- Free cash flow/net debt 0.13 (0.19)
- Proposed dividend SEK 4.40 (4.00)

COMMENTS FROM THE PRESIDENT AND CEO

Fourth quarter and full year performance 2018

The fourth quarter confirmed the strong market momentum seen in the Group throughout 2018. Organic sales growth for the quarter was 5 percent (6), again on high comparatives. The full year ended with solid organic sales growth of 6 percent (5) and we grew faster than the security market in general. We have good traction with our offering and commercial activities in the market and we continue to push our strategy of combining different protective services into security solutions for our customers. Security solutions and electronic security sales grew by 21 percent compared with 2017 and represented 20 percent of total Group sales.

The operating margin was 5.5 percent (5.3) for the quarter and 5.2 percent (5.1) for the full year, with a strong performance in North America throughout 2018. Ibero-America also improved over the full year, however in the fourth quarter the situation in Argentina worsened. The operating margin in Europe improved in the fourth quarter lifting the full-year operating margin to be on par with last year. In 2018, we were able to balance wage cost increases with price increases, and in 2019, our focus remains the same while offering alternative solutions to our customers.

The cost-savings program in Security Services Europe that was initiated in the third quarter of 2018 is progressing according to plan, with some savings achieved in the fourth quarter of 2018 and the majority expected in 2019. The total payback period is about two years and is expected to reverse the negative cost development we have seen during previous quarters to allow a year-on-year operating margin improvement, everything else equal.

Earnings per share, adjusted for changes in exchange rates and items affecting comparability, improved by 12 percent in 2018. This growth derives from our strategic and commercial development and a positive impact from the US tax reform.

Strategy beyond 2020

When I started as CEO, we initiated a strategy review with the objective of delivering on our Vision 2020 but also to start shaping the strategy beyond 2020. Much of this work focuses on client centricity, how we strengthen our guarding core, and how we lead the industry through innovation. The strong organic sales growth and improved margins are proof of delivering on our Vision 2020 and we see significant opportunities by speeding up. Accelerating the modernization of our IS/IT capability and digitization of our operations will enable us to offer greatly improved data-driven and intelligence-based services. In a future where scale and data availability are critical, we will drive the next big shift in the security services industry to benefit our customers and society as a whole. This will also enable us to grow faster than the market and deliver profitable growth.

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We are now initiating two major transformation programs in the further digitization of the company. The first program will radically modernize our global IS/IT foundation throughout the Group. This investment into our global IS/IT foundation and the creation of a global IS/IT organization will make us more efficient. With the second program we are driving a business transformation of our North American operations with the objective to operate in a more effective way, with expected positive impact on our customer offering, competitiveness and bottom line. The programs have been initiated and are expected to be completed over the next 24 to 36 months.

Related to these two programs, MSEK -187 has been recognized as items affecting comparability in the income statement in the fourth quarter. An additional amount of approximately MSEK -650 will be recognized as items affecting comparability over the course of the next two years. Such costs relate primarily to the impairment of assets, organizational restructuring charges and other non-recurring items. Furthermore, an estimated amount of MSEK 550 related to these two programs will be capitalized and amortized over the life time of the assets.

When fully implemented, we expect to have a more technology-enabled platform across the Group, creating the capability to develop and launch digital services at scale for our customers, as well as a more cost-efficient base. Upon expected completion in 2022, the investment into our global IS/IT foundation is expected to reduce our current IT costs across the Group by MSEK 300. With higher efficiency and productivity, we will free up resources to invest in speeding up the development and delivery of intelligent services and to improve margins. The business transformation program in North America will, everything else equal, support our North American operating margin up to 0.5 percentage points, with a first positive impact starting in 2021 and gradually increasing during 2022.

We will analyze further opportunities similar to the North American business transformation initiative. Our focus is on our European operations to assess the feasibility of such an initiative and the business case and we expect to provide further information in the second half of the year.

We have good momentum as a company and team. In 2018, we took important steps and initiatives to put Securitas in a strong position. We are now speeding up the pace of change and leading the transformation of the global security services industry.

Magnus Ahlqvist President and Chief Executive Officer

January-December summary

ACCOUNTING PRINCIPLES

Comparatives have been restated for the Group due to the transition to IFRS 15. The restatement has been recognized on Group level and thus had no effect on the Group's segments. As of July 1, 2018, Securitas has adopted IAS 29 Financial reporting in hyperinflationary economies for our operations in Argentina. When calculating the key ratios for organic sales growth percentage and real change percentage, the impact from the remeasurement is treated similarly to currency change. The calculated key ratio percentages are thus comparable as to how these were calculated before the adoption of the IAS 29. Further information can be found in notes 1, 2 and 3 on pages 23–26.

FINANCIAL SUMMARY

		Quarter	Cho	ınge, %		Full year	Cha	ınge, %
MSEK	Q4 2018	Q4 2017	Total	Real	2018	2017	Total	Real
Sales	26 824	24 024	12	8	101 467	92 197	10	8
Organic sales growth, %	5	6			6	5		
Operating income before amortization	1475	1 269	16	8	5 304	4 6 9 7	13	9
Operating margin, %	5.5	5.3			5.2	5.1		
Amortization of acquisition- related intangible assets	-65	-72			-260	-255		
Acquisition-related costs	-79	-28			-120	-48		
Items affecting comparability*	-187	-			-455	-		
Operating income after amortization	1 144	1169	-2	-10	4 469	4 394	2	-1
Financial income and expenses	-154	-94			-441	-376		
Income before taxes	990	1 075	-8	-16	4 028	4018	0	-4
Net income for the period	743	648	15	6	3 021	2 751	10	5
Earnings per share (EPS), SEK	2.02	1.77	14	5	8.26	7.53	10	5
EPS before items affecting comparability, SEK**	2.39	2.11	13	5	9.17	7.87	17	12
Cash flow from operating activities, %	128	143			60	82		
Free cash flow	1 567	1 506			1884	2 290		
Free cash flow to net debt ratio	-	-			0.13	0.19		
Net debt to EBITDA ratio	-	-			2.3	2.0		

^{*} Items affecting comparability in the fourth quarter is in its entirety consisting of one-off effects of MSEK -187 from the IS/IT transformation programs in the Group. Items affecting comparability in the full year is consisting of one-off effects of MSEK -187 from the IS/IT transformation programs in the Group and one-off effects of MSEK -268 from the cost savings program in Security Services Europe.

^{**}EPS before items affecting comparability in the fourth quarter excludes the one-off effect before tax amounting to MSEK -187 and after tax MSEK -135 from the IS/IT transformation programs in the Group. EPS before items affecting comparability in the full year 2018 excludes the one-off effect before tax amounting to MSEK -187 and after tax MSEK -135 from the IS/IT transformation programs in the Group and the one-off effect before tax amounting to MSEK -268 and after tax MSEK -198 from the cost savings program in Security Services Europe. EPS before items affecting comparability in the fourth quarter and in the full year 2017 excludes the one-off tax effect amounting to MSEK -123 from the revaluation of US net deferred tax assets due to the US tax reform enacted in December 2017.

January-December summary

EARNINGS PER SHARE AND KEY RATIOS FOR CASH FLOW AND NET DEBT

Earnings per share amounted to SEK 8.26 (7.53), a total change of 10 percent compared with the preceding year. The real change in earnings per share was 5 percent in 2018. EPS before items affecting comparability amounted to SEK 9.17, representing a total change of 17 percent compared with the preceding year and a real change of 12 percent in 2018.

The free cash flow to net debt ratio was 0.13 (0.19) and the net debt to EBITDA ratio was 2.3 (2.0).

ANNUAL GENERAL MEETING 2019

The Annual General Meeting (AGM) of Securitas AB will be held on Monday, May 6, 2019 at 4:00 p.m. (CET) at Courtyard Marriott Hotel, Rålambshovsleden 50 in Stockholm, Sweden.

Refer to www.securitas.com/Corporate Governance for more information regarding the 2019 AGM. The 2018 Annual Report of Securitas AB will be published on www.securitas.com on April 12, 2019.

PROPOSED DIVIDEND

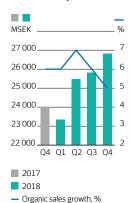
The Board of Directors proposes a dividend for 2018 of SEK 4.40 (4.00) per share. The total proposed dividend amounts to 53 percent of net income and 48 percent of net income before items affecting comparability. Wednesday, May 8, 2019 is proposed as the record date for the dividend.

ORGANIC SALES GROWTH AND OPERATING MARGIN DEVELOPMENT PER BUSINESS SEGMENT

		Organic sales growth Operating margi				g margin		
	Q4		4 FY Q		Q4		FY	
%	2018	2017	2018	2017	2018	2017	2018	2017
Security Services North America	5	6	6	5	6.3	6.1	6.1	5.9
Security Services Europe	3	4	4	2	6.3	6.1	5.6	5.6
Security Services Ibero-America	14	11	12	13	4.0	4.5	4.5	4.2
Group	5	6	6	5	5.5	5.3	5.2	5.1

Group development

Group quarterly sales development



Group quarterly operating income development



- 2018
- Operating margin, %

OCTOBER-DECEMBER 2018

Sales development

Sales amounted to MSEK 26 824 (24 024) and organic sales growth was 5 percent (6). The strong sales momentum across the Group continued in the fourth quarter, albeit with stronger comparative figures in the preceding year. Organic sales growth amounted to 5 percent (6) in Security Services North America and 3 percent (4) in Security Services Europe. In Security Services Ibero-America, organic sales growth improved to 14 percent (11), driven by Spain and Argentina.

Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 8 percent (6).

Sales of security solutions and electronic security sales amounted to MSEK 5 637 (4 702) or 21 percent (20) of total sales in the fourth quarter of 2018. Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 18 percent (18).

Operating income before amortization

Operating income before amortization was MSEK $1\,475$ ($1\,269$) which, adjusted for changes in exchange rates, represented a real change of 8 percent (8).

The Group's operating margin was 5.5 percent (5.3). Leverage from good organic sales growth and continued growth of security solutions contributed to the operating margin. However, there was a hampering impact on the operating margin related to the performance in Security Services Ibero-America.

Operating income after amortization

Amortization of acquisition related intangible assets amounted to MSEK -65 (-72).

Acquisition related costs amounted to MSEK -79 (-28) and primarily related to the acquisition of Kratos Public Safety and Security in the US. For further information, refer to note 7.

Items affecting comparability totaled MSEK -187 (0) and pertained entirely to the IS/IT transformation programs in the Group. The majority of the costs in the fourth quarter were from Security Services North America, and a smaller part from the segment Other.

Financial income and expenses

Financial income and expenses amounted to MSEK -154 (-94). The fourth quarter included a one-off effect of MSEK -46 relating to the re-financing of high interest-bearing debt items in Argentina. The negative development of the underlying financial income and expenses, excluding this effect, is due to a combination of the development of USD interest rates, a weaker Swedish krona and increased net debt. Financial income and expenses were positively impacted by MSEK 5 related to hyperinflation accounting in Argentina.

Income before taxes

Income before taxes was MSEK 990 (1 075).

Taxes, net income and earnings per share

The Group's tax rate was 25.0 percent (39.8). The tax rate adjusted for tax on items affecting comparability was 25.4 percent. The reduction is mainly due to lower US tax rates from 2018 as a result of the US tax reform. The 2017 quarterly tax rate was 28.3 percent, excluding a one-off tax expense of 11.5 percent pertaining to a revaluation of US net deferred tax assets, due to new US tax rates as of 2018.

Net income was MSEK 743 (648). Earnings per share amounted to SEK 2.02 (1.77). Earnings per share before items affecting comparability amounted to SEK 2.39 (2.11).

Group development

JANUARY-DECEMBER 2018

Sales development

Sales amounted to MSEK 101 467 (92 197) and organic sales growth was 6 percent (5). The portfolio development has been strong throughout the year and we were also supported by favorable market conditions. Security Services North America delivered organic sales growth of 6 percent (5) and Security Services Europe was strong at 4 percent (2). Security Services Ibero-America showed 12 percent (13).

Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 8 percent (5).

Sales of security solutions and electronic security sales amounted to MSEK 20 440 (16 697) or 20 percent (18) of total sales in 2018. Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 21 percent (19).

Operating income before amortization

Operating income before amortization was MSEK 5 304 (4 697) which, adjusted for changes in exchange rates, represented a real change of 9 percent (4).

The Group's operating margin was 5.2 percent (5.1). The operating margin in Security Services North America improved as well as in Security Services Ibero-America where Spain showed a strong performance. In Security Services Europe the operating margin was flat. Total price adjustments in the Group were on par with wage cost increases.

Operating income after amortization

Amortization of acquisition related intangible assets amounted to MSEK -260 (-255).

Acquisition related costs were MSEK -120 (-48). Acquisition related costs for Kratos Public Safety and Security in the US were MSEK -80 in 2018. For further information regarding acquisition related costs refer to note 7.

Items affecting comparability were MSEK -455 (0), of which MSEK -187 related to the IS/IT transformation programs and MSEK -268 related to the cost savings program in Security Services Europe. The majority of the cost for the IS/IT programs in 2018 were from Security Services North America, and a smaller part from the segment Other.

Financial income and expenses

Financial income and expenses amounted to MSEK -441 (-376). 2018 included a one-off effect of MSEK -46 relating to the re-financing of high interest-bearing debt items in Argentina. The negative development of the underlying financial income and expenses, excluding this effect, is due to a combination of the development of USD interest rates, a weaker Swedish krona and increased net debt. Financial income and expenses were positively impacted by an amount of MSEK 23 related to hyperinflation accounting in Argentina.

Income before taxes

Income before taxes was MSEK 4 028 (4 018).

Taxes, net income and earnings per share

The Group's tax rate was 25.0 percent (31.5). The tax rate adjusted for tax on items affecting comparability was 25.2 percent. The reduction is mainly due to lower US tax rates as from 2018 as a result of the US tax reform. The 2017 full-year tax rate was 28.4 percent, excluding a one-off tax expense of 3.1 percent, pertaining to a revaluation of US net deferred tax assets, due to new US tax rates as of 2018. Assessing the current tax base and tax matters, the best judgment is that the full-year Group tax rate in 2019 is expected to increase to around 28.5 percent, mainly due to reversed effects from the US tax reform.

Net income was MSEK 3 021 (2 751). Earnings per share amounted to SEK 8.26 (7.53). Earnings per share before items affecting comparability amounted to SEK 9.17 (7.87).

Development in the Group's business segments

Quarterly sales development



Organic sales growth, %

Quarterly operating income development



2018

Operating margin, %

SECURITY SERVICES NORTH AMERICA

Security Services North America provides protective services, including on-site, mobile and remote guarding, electronic security, fire and safety services and corporate risk management in the US, Canada and Mexico and comprises 13 business units: the national and global accounts organization, five geographical regions and five specialized business units in the US - critical infrastructure services, healthcare, Pinkerton Corporate Risk Management, mobile and Securitas Electronic Security - plus Canada and Mexico. In total, there are approximately 750 branch managers and 114 000 employees.

		Quarter	Quarter Change, % Full year Chan		Full year		Change, % Full year		inge, %
MSEK	Q4 2018	Q4 2017	Total	Real	2018	2017	Total	Real	
Total sales	11 523	9840	17	8	42 366	38 108	11	8	
Organic sales growth, %	5	6			6	5			
Share of Group sales, %	43	41			42	41			
Operating income before amortization	722	596	21	12	2 589	2 254	15	11	
Operating margin, %	6.3	6.1			6.1	5.9			
Share of Group operating income, %	49	47			49	48			

October-December 2018

Organic sales growth was 5 percent (6), derived once again from the strong portfolio development across the business segment, primarily from the five geographical regions and the critical infrastructure services business unit. Last year organic sales growth was positively impacted by the start-up of a few larger contracts.

Security solutions and electronic security sales represented MSEK 2 048 (1 551) or 18 percent (16) of total sales in the business segment in the fourth quarter of 2018, including the acquisition of Kratos Public Safety and Security.

The operating margin was 6.3 percent (6.1), supported by leverage from the topline growth, a strong performance in risk management and a good contribution from security solutions and electronic security.

The Swedish krona exchange rate weakened against the US dollar, which had a positive effect on operating income in Swedish kronor. The real change was 12 percent in the fourth quarter.

January-December 2018

Organic sales growth was 6 percent (5), with a good portfolio development throughout the year in the five geographical regions and the critical infrastructure services business unit. The client retention rate remained solid at 91 percent (91).

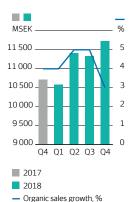
Security solutions and electronic security sales represented MSEK 7 365 (5 665) or 17 percent (15) of total sales in the business segment in 2018.

The operating margin was 6.1 percent (5.9), supported mainly by leverage from the strong organic sales growth and a good performance within the risk management business.

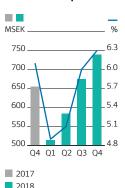
The Swedish krona exchange rate weakened against the US dollar, which had a positive effect on operating income in Swedish kronor. The real change was 11 percent in 2018.

Development in the Group's business segments

Quarterly sales development



Quarterly operating income development



Operating margin, %

SECURITY SERVICES EUROPE

Security Services Europe provides security services for large and medium-sized customers in 26 countries, and airport security in 15 countries. The service offering also includes mobile security services for small and medium-sized businesses and residential sites, and electronic alarm surveillance services. In total, the organization has approximately 760 branch managers and $120\,000$ employees.

		Quarter		inge, %	Full year		Cho	ınge, %
MSEK	Q4 2018	Q4 2017	Total	Real	2018	2017	Total	Real
Total sales	11 725	10 714	9	7	45 040	40 703	11	6
Organic sales growth, %	3	4			4	2		
Share of Group sales, %	44	45			44	44		
Operating income before								
amortization	739	655	13	11	2 5 1 1	2 275	10	7
Operating margin, %	6.3	6.1			5.6	5.6		
Share of Group								
operating income, %	50	52			47	48		

October-December 2018

Organic sales growth was 3 percent (4), with stronger comparative figures noted in the fourth quarter. Main contributors to organic sales growth were Germany and Turkey. Organic sales growth was driven by the positive portfolio momentum in many countries, but to some extent offset by a negative impact from lower refugee-related sales.

Security solutions and electronic security sales represented MSEK 2 686 (2 348) or 23 percent (22) of total sales in the business segment in the fourth quarter 2018.

Aviation in Security Services Europe has lost a major airport contract in France of total annual sales of MEUR 22 that is due to end on April 1, 2019.

The operating margin was 6.3 percent (6.1), an improvement deriving primarily from leverage on the strong topline together with improved cost control. The cost savings program that was initiated in the third quarter is being implemented according to plan. Savings started to come in during the fourth quarter but will mostly be realized throughout 2019. France burdened the operating margin due to impact from certain regulatory changes and some operational inefficiencies.

The Swedish krona exchange rate weakened against foreign currencies, primarily the Euro, which had a positive effect on operating income in Swedish kronor. The real change was 11 percent in the fourth quarter.

January-December 2018

Organic sales growth was 4 percent (2) and almost all countries supported the development, with main contribution from Belgium, Germany and the guarding business in Turkey. The portfolio development in 2018 was strong with good new sales and a client retention rate of 93 percent (91). The lower refugee-related sales represented almost 1 percent negative impact on organic sales growth in the business segment in 2018.

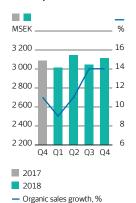
Security solutions and electronic security sales represented MSEK 9 638 (8 071) or 21 percent (20) of total sales in the business segment in 2018.

The operating margin was 5.6 percent (5.6), supported by leverage on the strong topline but hampered by some operational inefficiencies during the year, continued investments in the Vision 2020 strategy and the lower level of refugee-related sales.

The Swedish krona exchange rate weakened against foreign currencies, primarily the Euro, which had a positive effect on operating income in Swedish kronor. The real change was 7 percent in 2018.

Development in the Group's business segments

Quarterly sales development



Quarterly operating income development



2017

Operating margin, %

SECURITY SERVICES IBERO-AMERICA

Security Services Ibero-America provides security services for large and medium-sized customers in eight Latin American countries, as well as in Portugal and Spain in Europe. Security Services Ibero-America has a combined total of approximately 170 branch managers and 61 000 employees.

		Quarter Ch		ange,%	Full year		Cho	ınge,%
MSEK	Q4 2018*	Q4 2017	Total	Real	2018*	2017	Total	Real
Total sales	3 111	3 086	1	14	12 315	11971	3	12
Organic sales growth, %	14	11			12	13		
Share of Group sales, %	12	13			12	13		
Operating income before	45-	420	- 10					_
amortization	125	139	-10	-38	550	506	9	7
Operating margin, %	4.0	4.5			4.5	4.2		
Share of Group								
operating income, %	8	11			10	11		

^{*} As of July 1, 2018, Securitas has adopted IAS 29 Financial reporting in hyperinflationary economies for our operations in Argentina. When calculating the key ratios for organic sales growth percentage and real change percentage, the impact from the remeasurement is treated similarly to currency change. The calculated key ratio percentages are thus comparable as to how these were calculated before the adoption of IAS 29. The impact from IAS 29 is a net reduction of sales with MSEK -63 and a net reduction of operating income before amortization of MSEK -3 for the full year.

October-December 2018

Organic sales growth was 14 percent (11). The improvement derived from Spain with double-digit organic sales growth and was also supported by price increases in Argentina. The start-up of a large aviation contract in Colombia also contributed.

Security solutions and electronic security sales represented MSEK 857 (767) or 28 percent (25) of total sales in the business segment in the fourth quarter 2018.

The operating margin was 4.0 percent (4.5). The decline is due to Argentina. We are not satisfied with the situation in Argentina and have made management changes in the country. Spain continued to show a strong performance, which includes good sales of security solutions. Some of these security solutions contracts are short term and the longevity is difficult to estimate.

The Swedish krona exchange rate strengthened against the Argentinian peso while it weakened against the Euro. The net effect was positive on operating income in Swedish kronor. The real change in the segment was –38 percent in the fourth quarter.

January-December 2018

Organic sales growth was 12 percent (13). The decline was primarily due to Argentina where the macro economic environment and instability in the security market had a negative impact on organic sales growth. Organic sales growth was strong in Spain.

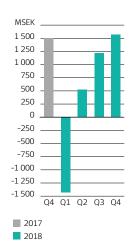
Security solutions and electronic security sales represented MSEK 3 270 (2 833) or 27 percent (24) of total sales in the business segment in 2018.

The operating margin was 4.5 percent (4.2), an improvement driven by Spain. The operating margin was burdened by Argentina and we expect continued challenging conditions in the coming quarters. The client retention rate was 92 percent (91).

The Swedish krona exchange rate strengthened against the Argentinian peso while it weakened against the Euro. The net effect was positive on operating income in Swedish kronor. The real change in the segment was 7 percent in 2018.

Cash flow

Quarterly free cash flow



October-December 2018

Cash flow from operating activities amounted to MSEK 1 882 (1 813), equivalent to 128 percent (143) of operating income before amortization.

The impact from changes in accounts receivable was MSEK -387 (57). Changes in other operating capital employed were MSEK 914 (650).

Free cash flow was MSEK 1 567 (1 506), equivalent to 146 percent (156) of adjusted income.

Cash flow from financing activities was MSEK -491 (-434) due to a net decrease in borrowings.

Cash flow for the period was MSEK 849 (1054).

January-December 2018

Cash flow from operating activities amounted to MSEK 3 172 (3 837), equivalent to 60 percent (82) of operating income before amortization.

There was an important impact from changes in accounts receivable with MSEK -1 575 (-449), with a negative impact from an increase in Days of Sales Outstanding (DSO), primarily in Security Services North America where the cash collection was below the plan. There is a continued negative impact from an invoicing system change transition in the Netherlands and the interest hike in Argentina causing payment delays. Also, the strong organic sales growth, especially in Security Services North America, impacted change in accounts receivable. Further it is noticed that larger customers continue to demand longer payment terms which is difficult to compensate as the Group's production cost relates mostly to payments to employees. All in all, the cash performance was not satisfying and the reasons will be analyzed together with potential actions to improve. Changes in other operating capital employed were MSEK -62 (-48).

Cash flow from operating activities was also impacted by net investments in non-current tangible and intangible assets, amounting to MSEK -495 (-363). The net investments include capital expenditures in equipment for solution contracts.

Free cash flow was MSEK 1 884 (2 290), equivalent to 48 percent (68) of adjusted income.

Cash flow from investing activities, acquisitions, was MSEK -1 755 (-304), of which purchase price payments accounted for MSEK -1 700 (-257), assumed net debt for MSEK 42 (12) and acquisition related costs paid for MSEK -97 (-59).

Cash flow from financing activities was MSEK -376 (-743) due to dividend paid of MSEK -1 460 (-1 369) and a net increase in borrowings of MSEK 1 084 (626).

Cash flow for the period was MSEK -364 (1 243). The closing balance for liquid funds after translation differences of MSEK -18 was MSEK 3 229 (3 611).

Capital employed and financing

Capital employed and financing

MSEK Dec	31, 2018
Operating capital employed	9 199
Goodwill	21 061
Acquisition related intangible assets	1 458
Shares in associated companies	452
Capital employed	32 170
Net debt	14513
Shareholders' equity	17657
Financing	32 170

Capital employed as of December 31, 2018

The Group's operating capital employed was MSEK 9 199 (7 560), corresponding to 9 percent of sales (8), adjusted for the full-year sales figures of acquired units. The translation of foreign operating capital employed to Swedish kronor increased the Group's operating capital employed by MSEK 151.

The increase in operating capital employed is mainly explained by the delayed cash flow from operating activities as explained under the cash flow section, in combination with the increased business volume in Security Services North America and a higher need for operating capital employed related to the changed sales mix from growing different protective services. The Group also continues to invest into the execution of the strategy with investments in customers' site equipment.

The annual impairment test of all Cash Generating Units (CGU), which is required under IFRS, took place during the third quarter 2018 in conjunction with the business plan process for 2019. None of the CGUs tested for impairment had a carrying amount that exceeded the recoverable amount. Consequently, no impairment losses have been recognized in 2018. No impairment losses were recognized in 2017 either.

Net debt development

MSEK	
Jan 1, 2018	-12333
Free cash flow	1 884
Acquisitions	-1 755
Items affecting comparability	-117
Dividend paid	-1 460
Change in net debt	-1 448
Revaluation	26
Translation	-758
Dec 31, 2018	-14 513

The Group's total capital employed was MSEK 32 170 (27 872). The translation of foreign capital employed to Swedish kronor increased the Group's capital employed by MSEK 1 064. The return on capital employed was 15 percent (17).

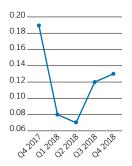
Financing as of December 31, 2018

The Group's net debt amounted to MSEK $14\,513$ ($12\,333$). The net debt was positively impacted mainly by free cash flow of MSEK $1\,884$, while it was negatively impacted mainly by cash flow from acquisitions of MSEK $-1\,755$, dividend of MSEK $-1\,460$, paid to the shareholders in May 2018, and the translation of net debt in foreign currency to Swedish kronor of MSEK -758.

The free cash flow to net debt ratio amounted to 0.13 (0.19). The net debt to EBITDA ratio was 2.3 (2.0). The interest cover ratio amounted to 10.7 (11.8).

Securitas has a revolving credit facility with its 12 key relationship banks. This credit facility comprises two respective tranches of MUSD 550 and MEUR 440 and matures in 2022. On December 31, 2018, MUSD 50 of the facility was drawn. Further information regarding financial instruments and credit facilities is provided in note 9.

Free cash flow/net debt



Standard and Poor's rating for Securitas is BBB with stable outlook.

Shareholders' equity amounted to MSEK 17 657 (15 539). The translation of foreign assets and liabilities into Swedish kronor increased shareholders' equity by MSEK 306. Refer to the statement of comprehensive income on page 17 for further information.

The total number of outstanding shares amounted to $365\,058\,897$ ($365\,058\,897$) as of December 31, 2018.

Acquisitions

ACQUISITIONS JANUARY-DECEMBER 2018 (MSEK)

Company	Business segment ¹⁾	Included from	Acquired share 2)	Annual sales 3)	Enter- prise value ⁴⁾	Goodwill	Acq. related intangible assets
Opening balance						18 719	1173
Automatic Alarm, France 6)	Security Services Europe	Jan 2	100	370	299	302	138
Süddeutsche Bewachung, Germany ⁶⁾	Security Services Europe	Jan 2	100	95	95	51	46
Johnson & Thomson, Hong Kong ⁶⁾	Other	Jan 2	100	17	19	30	12
Alphatron Security Systems, the Netherlands	Security Services Europe	Mar 1	100	102	126	83	32
Kratos Public Safety and Security, the US	Security Services North America	Jun 11	100	1 175	639	479	106
Pronet Security and Sernet Services, Turkey	Security Services Europe	Jul 25	100	480	315	214	108
Other acquisitions 5) 6)		-	-	141	165	55	57
Total acquisitions January-	December 2018			2 380	1658	1 214	499
Amortization of acquisition re	lated intangible asset	S				-	-260
Exchange rate differences and	d remeasurement for I	nyperinflatio	n			1 128	46
Closing balance						21 061	1 458

¹⁾ Refers to business segment with main responsibility for the acquisition.

All acquisition calculations are finalized no later than one year after the acquisition is made. Transactions with non-controlling interests are specified in the statement of changes in shareholders' equity on page 20. Transaction costs and revaluation of deferred considerations can be found in note 7 on page 29.

Automatic Alarm, France

Securitas has acquired the electronic security company Automatic Alarm in France. Automatic Alarm is a nation-wide system integrator and installer of electronic security solutions, including intruder systems, video surveillance and access control, with multiyear maintenance contracts. The company has 250 employees. The acquisition was consolidated in Securitas as of January 2, 2018.

Süddeutsche Bewachung, Germany

Securitas has acquired the security solutions company Süddeutsche Bewachung in Germany. Süddeutsche Bewachung has 300 employees. The company offers on-site, mobile and remote guarding in the Rhein-Neckar area in the south-west of Germany, with headquarter located in Mannheim. The company has a very solid customer portfolio, comprising many customer segments. With this acquisition, Securitas strengthens its position in this area of Germany. The acquisition was consolidated in Securitas as of January 2, 2018.

Johnson & Thomson, Hong Kong

Securitas has acquired the technology and installations company Johnson & Thomson in Hong Kong. Johnson & Thomson is a monitoring, maintenance and installation company focused on the retail and mid-sized corporate market in Hong Kong. By this acquisition, Securitas continues to strengthen the ability to optimize security solutions, covering a combination of on-site guarding and remote guarding, mobile, monitoring and electronic security services to its customers in the AMEA region. The acquisition was consolidated in Securitas as of January 2, 2018.

²⁾ Refers to voting rights for acquisitions in the form of share purchase agreements. For asset deals no voting rights are stated.

³⁾ Estimated annual sales

⁴⁾ Purchase price paid plus acquired net debt but excluding any deferred considerations.

Selated to other acquisitions for the period and updated previous year acquisition calculations for the following entities: Prevendo (contract portfolio), Sweden, Vartioimisliike H. Hakala (contract portfolio), Finland, Industrie- und Werkschutz Brandstetter (contract portfolio), WHD Wachdienst Heidelberg, Germany, Milton Keynes Security Services, R&R Frontline, UK, Services in Safety, Belgium, Video Monitoring, XXXLutz (contract portfolio), Kika/Leiner (contract portfolio), Austria, Microtech, Czech Republic, DAK, Sensormatic, Turkey and PSGA, Australia. Related also to deferred considerations paid in Finland, Germany, Belgium, the Netherlands, Austria, Czech Republic, Croatia, Turkey, Argentina, Chile, China and Australia.

⁶⁾ Deferred considerations have been recognized mainly based on an assessment of the future profitability development in the acquired entities for an agreed period. The net of new deferred considerations, payments made from previously recognized deferred considerations and revaluation of deferred considerations in the Group was MSEK 109. Total deferred considerations, short-term and long-term, in the Group's balance sheet amount to MSEK 272.

Acquisitions

Alphatron Security Systems, the Netherlands

Securitas has acquired the electronic security company Alphatron Security Systems in the Netherlands, to further strengthen its technology capabilities in the country. Alphatron Security Systems offers video solutions, access control systems and security management systems to industrial, public, aviation, construction and real estate customers on a country-wide basis. The company has 48 employees. The acquisition of Alphatron Security Systems makes Securitas the market leader within security solutions and electronic security in the Netherlands. The acquisition was consolidated in Securitas as of March 1, 2018.

Kratos Public Safety and Security, the US

Securitas has acquired the division Kratos Public Safety and Security from Kratos Defense & Security Solutions, Inc. (NASDAQ:KTOS). The acquisition is expected to be neutral to Securitas earnings per share in 2018 and 2019, and accretive as of 2020.

Kratos Public Safety and Security (KPSS) is ranked as a top 10 system integrator in the United States. The operation has 400 employees. The primary focus is electronic security projects for commercial customers with special expertise in transportation, petrochemical, healthcare, and education vertical markets. The business provides design, engineering, installation and service of advanced integrated security technology and systems. KPSS has a wide breadth of capabilities including access, video, intrusion, and fire solutions supported by on-going maintenance, inspections, and monitoring services.

KPSS, which is to be combined with Securitas Electronic Security, Inc., aligns well with Securitas Electronic Security's current operations and strategic focus. The acquisition will expand Securitas' electronic security platform in the United States by strengthening field operation capabilities and adding local branch infrastructure with highly skilled employees. It supports Securitas' strategy of providing protective services across the entire Securitas North American customer base, and brings increased value to our customers. The acquisition was approved by regulatory authorities on June 11, 2018, from which point it was consolidated in Securitas.

Pronet Security and Sernet Services, Turkey

Securitas has acquired the security company Pronet Security (Pronet Güvenlik ve Dan.Hiz. A.Ş) and Sernet Services in Turkey, to expand its operations in the country. Pronet Security is a top 5 security company in Turkey with more than 5 000 employees. The company is specialized in guarding services mainly in the Istanbul area. Pronet has a strong focus in the retail, high-rise and office customer segments, with many multinational companies in the customer portfolio.The company Pronet Alarm (Pronet Güvenlik Hizmetleri A.Ş.), which operates mainly in the field of residential alarm security, is not a part of this transaction. This company continues to operate under its existing partnership structure.

Securitas is the market leader in Turkey with more than 13 000 employees and is also the leading systems integrator. Securitas entered the Turkish security market in 2006 by acquiring two guarding companies. A consulting company was acquired in 2010 followed by the systems integrator Sensormatic in 2011. The Turkish security services market is estimated to be worth close to BSEK 24 (BTRY 11) and the demand for protective services is growing. The acquisition was approved by regulatory authorities on July 25, 2018, from which point it was consolidated in Securitas.

ACQUISITIONS AFTER THE FOURTH QUARTER

Global Elite Group, the US

Securitas Transport Aviation Services USA has acquired Global Elite Group, a leading security services provider to the aviation industry in the US. The purchase price is approximately MUSD 22 (MSEK 200), contingent upon reaching certain targets. Global Elite Group is based in Garden City, New York, and specializes in providing high level security services to various airlines, airports and airport related customers. The customer base consists of more than 60 commercial airlines and numerous general aviation clients. The growth pattern in the company has been solid over the years with total sales expected to be MUSD 32 (MSEK 290) for 2018. The number of employees is approximately 1 050.

Securitas runs a twofold strategy in the US aviation market, addressing both the federal government with passenger and baggage screening for the Transportation Security Administration, as well as security services for the commercial market such as airlines, airports and airport related customers (e.g. cargo). The estimated market volume for the latter, i.e. the commercial market related to 450 airports, is between BUSD 1.3-1.8. The acquisition is consistent with Securitas strategy of expanding in the aviation industry. Global Elite Group is considered a premier aviation security service provider in the US. The company will strengthen and complement Securitas current aviation organization, and the combined network, footprint, licenses and know-how will increase the value we bring to existing and new customers. The acquisition was consolidated in Securitas as of January 10, 2019.

Other significant events

For critical estimates and judgments, provisions and contingent liabilities refer to the 2017 Annual Report and to note 12 on page 30. If no significant events have occurred relating to the information in the Annual Report, no further comments are made in the Interim Report for the respective case.

Two major transformation programs initiated

The Board of Directors has approved two major programs with approximately MSEK -650 as future items affecting comparability and future capital expenditure of approximately MSEK 550 to be recognized 2019-2020. The first program is expected to reduce IT costs in the Group by MSEK 300 upon completion in 2022. The second program is expected to support the operating margin in Security Services North America up to 0.5 percentage points by 2022, everything else equal.

Changes in Group Management

Peter Karlströmer has been appointed Divisional President Security Services Europe and a member of Securitas Group Management. He will start latest on March 4, 2019. Peter comes from Cisco Systems where he led the business with telecom operators in Europe, Middle East, Africa and Russia. Before that Peter led the geographic business in the Nordics, Benelux and Baltics. Prior to joining Cisco in 2012, Peter worked with McKinsey & Company for 15 years as a partner in business leadership roles across Europe, Middle East and Africa. Peter Karlströmer is 47 years old and holds a Master of Science in Business Administration and Economics, and a Master of Science in Electrical Engineering from Lund University. He will be based at Securitas head office in Stockholm.

Risks and uncertainties

Risk management is necessary for Securitas to be able to fulfill its strategies and achieve its corporate objectives. Securitas' risks fall into three main categories; contract risk, operational assignment risk and financial risks. Securitas' approach to enterprise risk management is described in more detail in the Annual Report for 2017.

In the preparation of financial reports, the Board of Directors and Group Management are required to make estimates and judgments. These estimates and judgments impact the statement of income and balance sheet as well as disclosures such as contingent liabilities. The actual outcome may differ from these estimates and judgments under different circumstances and conditions.

For the forthcoming 12-month period, the financial impact of certain items affecting comparability, provisions and contingent liabilities, as described in the Annual Report for 2017 and, where applicable, under the heading "Other significant events" above, may vary from the current financial estimates and provisions made by management. This could affect the Group's profitability and financial position.

Parent Company operations

The Group's Parent Company, Securitas AB, is not involved in any operating activities. Securitas AB consists of Group Management and support functions for the Group.

January-December 2018

The Parent Company's income amounted to MSEK 1 196 (1 089) and mainly relates to license fees and other income from subsidiaries.

Financial income and expenses amounted to MSEK 2 269 (1 549). Income before taxes amounted to MSEK 2 558 (2 365).

As of December 31, 2018

The Parent Company's non-current assets amounted to MSEK 43 506 (43 037) and mainly comprise shares in subsidiaries of MSEK 41 332 (41 296). Current assets amounted to MSEK 7 329 (6 823) of which liquid funds accounted for MSEK 1 326 (1 943).

Shareholders' equity amounted to MSEK 28 499 (27 664). A dividend of MSEK 1 460 (1 369) was paid to the shareholders in May 2018.

The Parent Company's liabilities and untaxed reserves amounted to MSEK 22 336 (22 196) and mainly consist of interest-bearing debt.

For further information, refer to the Parent Company's condensed financial statements on page 31.

Stockholm, February 7, 2019

Magnus Ahlqvist
President and Chief Executive Officer

Review report

(Translation of Swedish Original)

Report of Review of Interim Financial Information prepared in accordance with IAS 34 and chapter 9 of the Annual Accounts Act.

Introduction

We have reviewed this report for the period January 1, 2018 to December 31, 2018 for Securitas AB. The Board of Directors and the President and CEO are responsible for the preparation and presentation of this full year report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this full year report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the full year report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, February 7, 2019 PricewaterhouseCoopers AB

Patrik Adolfson Authorised Public Accountant Auditor in charge Madeleine Endre Authorised Public Accountant

STATEMENT OF INCOME

MSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Sales	26 132.7	23 911.5	99 706.9	91 479.1
Sales, acquired business	691.3	112.7	1 759.8	717.7
Total sales ⁴⁾	26 824.0	24 024.2	101 466.7	92 196.8
Organic sales growth, % ⁵⁾	5	6	6	5
Production expenses	-22 085.1	-19 707.8	-83 569.5	-75 951.6
Gross income	4738.9	4 316.4	17 897.2	16 245.2
Selling and administrative expenses*	-3 283.3	-3 058.7	-12 654.5	-11 593.8
Other operating income ⁴⁾	7.5	5.9	29.6	23.8
Share in income of associated companies	12.0	5.8	31.3	22.0
Operating income before amortization*	1 475.1	1 269.4	5 303.6	4 697.2
Operating margin, %*	5.5	5.3	5.2	5.1
Amortization of acquisition related intangible assets	-65.4	-72.2	-259.9	-255.1
Acquisition related costs ⁷⁾	-78.7	-28.7	-119.9	-48.4
Items affecting comparability ⁸⁾	-186.9	-	-454.8	-
Operating income after amortization*	1144.1	1 168.5	4 469.0	4 393.7
Financial income and expenses ^{3,9)}	-153.3	-93.4	-440.6	-375.6
Income before taxes*	990.8	1 075.1	4 028.4	4018.1
Net margin, %*	3.7	4.5	4.0	4.4
Current taxes	-248.4	-209.7	-962.2	-944.4
Deferred taxes*	0.6	-217.7	-45.0	-322.2
Net income for the period*	743.0	647.7	3 021.2	2 751.5
Whereof attributable to:				
Equity holders of the Parent Company*	738.2	646.4	3 015.9	2 749.7
Non-controlling interests	4.8	1.3	5.3	1.8
	2.02	1.77	0.36	7.53
Earnings per share before and after dilution (SEK)*			8.26	
Earnings per share before and after dilution and before items affecting comparability (SEK)*	2.39	2.11	9.17	7.87

STATEMENT OF COMPREHENSIVE INCOME

MSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net income for the period*	743.0	647.7	3 021.2	2 751.5
Other comprehensive income for the period				
Items that will not be reclassified to the statement of income				
Remeasurements of defined benefit pension plans net of tax	-133.3	-26.2	-71.9	45.4
Total items that will not be reclassified to the statement of income 10)	-133.3	-26.2	-71.9	45.4
Items that subsequently may be reclassified to the statement of income				
Remeasurement for hyperinflation net of tax ^{1,3)}	15.1	-	314.2	-
Cash flow hedges net of tax	24.4	-5.4	62.5	-21.9
Cost of hedging net of tax	-78.4	-	-44.1	-
Net investment hedges net of tax	11.4	-105.9	-381.3	91.3
Other comprehensive income from associated companies, translation differences	10.3	7.9	19.0	-25.3
Translation differences	122.7	405.9	668.0	-696.5
Total items that subsequently may be reclassified to the statement of income ¹⁰⁾	105.5	302.5	638.3	-652.4
Other comprehensive income for the period 10)	-27.8	276.3	566.4	-607.0
Total comprehensive income for the period*	715.2	924.0	3 587.6	2 144.5
Whereof attributable to:				
Equity holders of the Parent Company*	710.5	920.9	3 582.8	2 142.5
Non-controlling interests	4.7	3.1	4.8	2.0

^{*} Comparatives have been restated as an effect of a change in accounting principle IFRS 15. Refer to notes 1 and 2 for further information. Notes 1-10 refer to pages 23-30.

STATEMENT OF CASH FLOW

Operating cash flow MSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Operating income before amortization*	1 475.1	1 269.4	5 303.6	4 697.2
Investments in non-current tangible and intangible assets*	-569.1	-540.8	-2 187.8	-1 808.4
Reversal of depreciation*	449.4	376.9	1 693.5	1 445.5
Change in accounts receivable	-387.4	56.9	-1 575.0	-448.9
Change in other operating capital employed	914.4	650.2	-62.3	-48.1
Cash flow from operating activities	1882.4	1812.6	3 172.0	3 837.3
Cash flow from operating activities, %	128	143	60	82
Financial income and expenses paid	-99.1	-40.2	-431.4	-425.6
Current taxes paid	-216.7	-266.3	-856.3	-1 122.2
Free cash flow	1 566.6	1506.1	1884.3	2 289.5
Free cash flow, %*	146	156	48	68
Cash flow from investing activities, acquisitions	-133.4	-18.5	-1 755.2	-303.6
Cash flow from items affecting comparability 8)	-93.8	-	-117.4	-
Cash flow from financing activities	-490.7	-434.0	-375.4	-742.7
Cash flow for the period	848.7	1053.6	-363.7	1 243.2

Cash flow MSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Cash flow from operations*	2 001.5	2 036.7	3 857.4	4 039.3
Cash flow from investing activities*	-662.1	-549.1	-3 845.7	-2 053.4
Cash flow from financing activities	-490.7	-434.0	-375.4	-742.7
Cash flow for the period	848.7	1053.6	-363.7	1 243.2

Change in net debt MSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Opening balance	-15 749.1	-13 606.0	-12 332.5	-13 431.3
Cash flow for the period	848.7	1 053.6	-363.7	1 243.2
Change in loans	490.7	434.0	-1 084.8	-626.3
Change in net debt before revaluation and translation differences	1 339.4	1 487.6	-1448.5	616.9
Revaluation of financial instruments ⁹⁾	-68.6	-7.5	26.0	-28.8
Translation differences	-35.2	-206.6	-758.5	510.7
Change in net debt	1 235.6	1 273.5	-2 181.0	1098.8
Closing balance	-14 513.5	-12 332.5	-14 513.5	-12 332.5

^{*} Comparatives have been restated as an effect of a change in accounting principle IFRS 15. Refer to notes 1 and 2 for further information. Notes 8-9 refer to page 29-30.

CAPITAL EMPLOYED AND FINANCING

MSEK	Dec 31, 2018	Dec 31, 2017
Operating capital employed*	9 198.6	7 559.8
Operating capital employed as % of sales*	9	8
Return on operating capital employed, %*	58	64
Goodwill	21 061.3	18 719.1
Acquisition related intangible assets	1 458.2	1 172.8
Shares in associated companies	452.0	419.8
Capital employed*	32 170.1	27 871.5
Return on capital employed, %	15	17
Net debt	-14 513.5	-12 332.5
Shareholders' equity*	17 656.6	15 539.0
Net debt equity ratio, multiple*	0.82	0.79

BALANCE SHEET

MSEK	Dec 31, 2018	Dec 31, 2017
ASSETS		
Non-current assets		
Goodwill	21 061.3	18 719.1
Acquisition related intangible assets	1 458.2	1 172.8
Other intangible assets*	1 449.9	1 079.0
Tangible non-current assets	3 753.9	3 489.1
Shares in associated companies	452.0	419.8
Non-interest-bearing financial non-current assets	1 744.1	1 819.6
Interest-bearing financial non-current assets	499.0	499.7
Total non-current assets*	30 418.4	27 199.1
Current assets		
Non-interest-bearing current assets	21 700.6	18 569.0
Other interest-bearing current assets	121.1	164.7
Liquid funds	3 228.8	3 610.6
Total current assets	25 050.5	22 344.3
TOTAL ASSETS*	55 468.9	49 543.4

MSEK	Dec 31, 2018	Dec 31, 2017
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Attributable to equity holders of the Parent Company*	17 631.4	15 517.8
Non-controlling interests	25.2	21.2
Total shareholders' equity*	17 656.6	15 539.0
Equity ratio, %	32	31
Long-term liabilities		
Non-interest-bearing long-term liabilities	336.3	237.7
Interest-bearing long-term liabilities	15 973.8	13 024.6
Non-interest-bearing provisions*	2 527.3	3 206.8
Total long-term liabilities*	18 837.4	16 469.1
Current liabilities		
Non-interest-bearing current liabilities and provisions	16 586.3	13 952.4
Interest-bearing current liabilities	2 388.6	3 582.9
Total current liabilities	18 974.9	17 535.3
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES*	55 468.9	49 543.4

 $^{{}^{\}star}\text{Comparatives have been restated as an effect of a change in accounting principle IFRS 15}. Refer to notes 1 and 2 for further information. \\$

CHANGES IN SHAREHOLDERS' EQUITY

	Dec 31, 2018		Dec 31, 2017			
MSEK	Attributable to equity holders of the Parent Company	Non- controlling interests	Total	Attributable to equity holders of the Parent Company	Non- controlling interests	Total
Opening balance January 1, 2018/2017	15 517.8	21.2	15 539.0	14 487.2	20.7	14 507.9
Effect of change in accounting principle IFRS 15 ¹⁾	-	-	-	274.7	-	274.7
Opening balance adjusted in accordance with new accounting principle	15 517.8	21.2	15 539.0	14 761.9	20.7	14 782.6
Total comprehensive income for the period*	3 582.8	4.8	3 587.6	2 142.5	2.0	2 144.5
Transactions with non-controlling interests	-1.6	-0.8	-2.4	-1.2	-1.5	-2.7
Share based incentive scheme	-7.4	-	-7.4 ²⁾	-16.4	-	-16.4
Dividend paid to the shareholders of the Parent Company	-1 460.2	_	-1 460.2	-1 369.0	-	-1 369.0
Closing balance December 31, 2018/2017*	17 631.4	25.2	17656.6	15 517.8	21.2	15 539.0

 $^{^{\}star}$ Comparatives have been restated as an effect of a change in accounting principle IFRS 15. Refer to notes 1 and 2 for further information.

DATA PER SHARE

SEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Share price, end of period	142.25	143.20	142.25	143.20
Earnings per share before and after dilution ^{1, 2, 3)}	2.02	1.77	8.26	7.53
Earnings per share before and after dilution and before items affecting comparability 1, 2, 3)	2.39	2.11	9.17	7.87
Dividend	-	-	4.404)	4.00
P/E-ratio after dilution and before items affecting comparability	-	-	16	18
Share capital (SEK)	365 058 897	365 058 897	365 058 897	365 058 897
Number of shares outstanding 1)	365 058 897	365 058 897	365 058 897	365 058 897
Average number of shares outstanding 1)	365 058 897	365 058 897	365 058 897	365 058 897

Refers to net impact after taxes of adoption of IFRS 15.
 Refers to share based remuneration for the Group's participants in the share based incentive scheme 2018 of MSEK 133.1, a swap agreement in Securitas AB shares of MSEK -140.6, hedging the share portion of Securitas share based incentive scheme 2017, and adjustment to grant date value of non-vested shares of MSEK 0.1, related to Securitas share based incentive scheme 2016.

There are no convertible debenture loans. Consequently there is no difference before and after dilution regarding earnings per share and number of shares.
 Number of shares used for calculation of earnings per share includes shares related to the Group's share based incentive schemes that have been hedged through swap agreements.
 Comparatives have been restated as an effect of a change in accounting principle IFRS 15. Refer to notes 1 and 2 for further information.
 Proposed dividend.

Segment overview October-December 2018 and 2017

OCTOBER-DECEMBER 2018

	Security Services	Security Services	Security Services			
MSEK	North America	Europe	Ibero-America	Other	Eliminations	Group
Sales, external	11 518	11 725	3 111	470	-	26 824
Sales, intra-group	5	-	0	1	-6	-
Total sales	11 523	11 725	3 111	471	-6	26 824
Organic sales growth, %	5	3	14	=	-	5
Operating income before amortization	722	739	125	-111	-	1 475
of which share in income of associated companies	-1	0	-	13	-	12
Operating margin, %	6.3	6.3	4.0	-	-	5.5
Amortization of acquisition related intangible assets	-15	-40	-6	-4	-	-65
Acquisition related costs	-58	-21	-	0	-	-79
Items affecting comparability	-155	0	-	-32	-	-187
Operating income after amortization	494	678	119	-147	-	1144
Financial income and expenses	=	-	-	-	-	-154
Income before taxes	=	-	-	=	-	990

OCTOBER-DECEMBER 2017

	Security Services	Security Services	Security Services			
MSEK	North America	Europe	Ibero-America	Other1)	Eliminations	Group ¹⁾
Sales, external	9840	10 714	3 085	385	-	24 024
Sales, intra-group	0	0	1	1	-2	-
Total sales	9 840	10 714	3 086	386	-2	24 024
Organic sales growth, %	6	4	11	-	-	6
Operating income before amortization	596	655	139	-121	-	1 269
of which share in income of associated companies	-2	1	-	7	-	6
Operating margin, %	6.1	6.1	4.5	_	-	5.3
Amortization of acquisition related intangible assets	-12	-41	-13	-6	-	-72
Acquisition related costs	-11	-16	1	-2	-	-28
Items affecting comparability	-	-	-	-	-	-
Operating income after amortization	573	598	127	-129	-	1169
Financial income and expenses	-	-	-	=	-	-94
Income before taxes	-	-	-	-	-	1075

 $^{^{1)} \ \} Comparatives \ have \ been \ restated \ as \ an \ effect \ of \ a \ change \ in \ accounting \ principle \ IFRS \ 15. \ Refer \ to \ notes \ 1 \ and \ 2 \ for \ further \ information.$

Segment overview January-December 2018 and 2017

JANUARY-DECEMBER 2018

	Security Services	Security Services	Security Services			
MSEK	North America	Europe	Ibero-America	Other	Eliminations	Group
Sales, external	42 360	45 040	12 313	1 754	-	101 467
Sales, intra-group	6	_	2	1	-9	-
Total sales	42 366	45 040	12 315	1 755	-9	101 467
Organic sales growth, %	6	4	12	_	-	6
Operating income before amortization	2 589	2 5 1 1	550	-346	-	5 304
of which share in income of associated companies	-9	0	-	40	-	31
Operating margin, %	6.1	5.6	4.5	-	-	5.2
Amortization of acquisition related intangible assets	-54	-158	-30	-18	-	-260
Acquisition related costs	-84	-35	-	-1	-	-120
Items affecting comparability	-155	-268	-	-32		-455
Operating income after amortization	2 296	2 0 5 0	520	-397	-	4 4 6 9
Financial income and expenses	=	_	-	_	-	-441
Income before taxes	=	-	-	=	-	4 0 2 8

JANUARY-DECEMBER 2017

	Security Services	Security Services	Security Services			
MSEK	North America	Europe	Ibero-America	Other ¹⁾	Eliminations	Group ¹⁾
Sales, external	38 107	40 703	11 969	1 418	-	92 197
Sales, intra-group	1	0	2	2	-5	-
Total sales	38 108	40 703	11 971	1 420	-5	92 197
Organic sales growth, %	5	2	13	-	-	5
Operating income before amortization	2 254	2 275	506	-338	-	4 697
of which share in income of associated companies	-8	3	-	27	-	22
Operating margin, %	5.9	5.6	4.2	-	-	5.1
Amortization of acquisition related intangible assets	-50	-145	-41	-19	-	-255
Acquisition related costs	-17	-27	0	-4	-	-48
Items affecting comparability	-	-	-	-	-	-
Operating income after amortization	2187	2103	465	-361	-	4 3 9 4
Financial income and expenses	-	-	-	-	-	-376
Income before taxes	-	-	-	-	-	4018

 $^{^{1)} \ \} Comparatives \ have \ been \ restated \ as \ an \ effect \ of \ a \ change \ in \ accounting \ principle \ IFRS \ 15. \ Refer \ to \ notes \ 1 \ and \ 2 \ for \ further \ information.$

NOTE 1 ACCOUNTING PRINCIPLES

This full year report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The full year report comprises pages 1–32 and pages 1-16 are thus an integrated part of this financial report.

Securitas' consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 1 Supplementary Accounting Rules for Groups. The most important accounting principles under IFRS, which is the basis for the preparation of this full year report, can be found in note 2 on pages 65 to 71 in the Annual Report for 2017. The accounting principles are also available on the Group's website www.securitas.com under the section Investors - Financial data - Accounting Principles.

The Parent Company's financial statements are prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 2 Accounting for Legal Entities. The most important accounting principles used by the Parent Company can be found in note 39 on page 119 in the Annual Report for 2017.

Adoption and impact of new and revised IFRS that have been applied as from January 1, 2018

Two new accounting standards, IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customers, have been applied by Securitas as of January 1, 2018. The effects of the transition to these standards are described briefly below. For further information, refer to note 2 on page 65 in Securitas' Annual Report 2017 as well as to notes 2 and 4 in this full year report.

Regarding IFRS 9 Financial instruments, Securitas' transition to IFRS 9 has not entailed any restatement of the comparative figures. The impact on the financial statements from hedge accounting under IFRS 9 compared with the previous hedge accounting under IAS 39 has been minimal. The application of the expected credit loss model for impairment testing of financial assets has had only a limited impact on the financial statements.

Regarding IFRS 15 Revenue from Contracts with Customers, Securitas' transition to IFRS 15 has been based on a full retrospective application without use of any practical expedients. The revenue recognition under IFRS 15 has not been materially impacted compared to revenue recognition under previous standards. A disaggregation of Securitas' revenue on type of revenue as well as a description of these can be found in note 4 in this full year report. Revenue split by segment is accounted for in the segment overviews as well as in note 4.

The main impact on Securitas due to the transition to IFRS 15 is that certain costs to obtain contracts have been capitalized in accordance with IFRS 15. The effects of restating the comparative year 2017 due to this change in accounting principle is accounted for in note 2 in this full year report. The restatement has had no effect on the Group's segments, as they have continued with the principle of expensing costs to obtain contracts as they are incurred. The effects of the restatement are thus accounted for under Other in the Group's segment overviews.

Adoption and impact of IFRS that have been applied as from July 1, 2018

As of July 1, 2018, Securitas has adopted IAS 29 Financial reporting in hyperinflationary economies for our operations in Argentina. This includes the subsidiaries with functional currency in ARS as well as consolidated goodwill that is translated into SEK from ARS. IAS 29 has been adopted without restatement of any of the consolidated financial statements in the Group's presentation currency SEK. This is based on IAS 21 § 42 (b).

The balance sheet items not already expressed in terms of the measuring unit current as of July 1, 2018 have been remeasured by applying a general price index. Due to the lack of one index covering the whole period for which remeasurement is needed, Securitas has used the consumer price index, National congress price index or the Internal Price Index related with Commercial/Production of Products. Securitas believes that this gives a reasonable level of accuracy. As of July 1, 2018, the index was 9.17 with the base period being January 2003. As of December 31, 2018, the index was 11.15 with the same base period. The financial statements subject to remeasurement are based on the historical cost approach

The initial remeasurement of all relevant balance sheet items has been recognized as part of other comprehensive income on the line Remeasurement for hyperinflation net of tax. Where relevant, deferred tax has been considered. Subsequent measurement of the consolidated goodwill balance as of December 31, 2018 is also recognized as part of other comprehensive income. This is based on the fact that goodwill would be offset in equity if pushed down to subsidiary level. Also, it does not contribute to any changes in the net monetary position of the subsidiary. Subsequent remeasurement of the balances on subsidiary level is part of the net monetary gain or loss recognized in the statement of income as part of financial income and expenses.

After remeasurement of the financial statements, including both the statement of income and the balance sheet for the operations in Argentina, they have been translated at the closing rate as of the most recent balance sheet date each quarter. For the income statement this applies to the period July 1 to December 31, 2018, and all subsequent

None of the other published standards and interpretations that are mandatory for the Group's financial year 2018 have had any impact on the Group's financial statements.

Introduction and effect of new and revised IFRS that are effective as from 2019

IFRS 16 Leases came into force on January 1, 2019 and has been adopted by Securitas as of that date. Securitas has adopted IFRS 16 by recognizing the cumulative effect of the application on January 1, 2019 without restatement of the comparative periods.

Securitas' lease agreements are mainly attributable to buildings and vehicles. As from the transition to IFRS 16, they are accounted for as right of use assets (included in tangible non-current assets) and long-term and short-term lease liabilities (included in interest-bearing liabilities) in the consolidated balance sheet. The lease liabilities on January 1, 2019 have been measured at the present value of remaining lease payments, discounted by using the incremental borrowing rate for each country. These rates are based on the interbank offered rate (IBOR) of the relevant currency to achieve an all-in cost of IBOR plus the intra-group margin applied for internal funding purposes. The rates are further adjusted to consider the contract duration of each lease agreement. The Group's average incremental borrowing rate on lease liabilities recognized in the balance sheet on January 1, 2019 is approximately 3.9%. A specification of the range for the discount rates within each segment is disclosed below.

Segment	% per annum
Security Services North America	4.4-5.1 1)
Security Services Europe	1.3-6.12)
Security Services Ibero-America	1.7-14.03)
Other	1.7-9.84)

¹⁾ Excluding Mexico 10.1%

The right of use assets on January 1, 2019 have been measured at an amount equal to the lease liabilities. Extension clauses are evaluated for each lease agreement and are applied based on our best estimate at each closing. Leases for which the lease term ends within 12 months of the date of initial application have been accounted for as short-term leases and are thus excluded from the lease liabilities accounted for under IFRS 16.

In the consolidated statement of income, depreciation of the right of use assets is accounted for on the lines production expenses and selling and administrative expenses. Interest expenses are accounted for on the line financial income and expenses. The Group's operating income in 2019 is expected to improve due to lower leasing costs in operating income compared with the accounting for lease contracts under IAS 17. Financial expenses in 2019 are expected to increase compared with the accounting for lease contracts under IAS 17, due to the financial element in the lease calculations. In the Group's segment overviews, the effects of the adoption of IFRS 16 are accounted for under each segment.

The estimated effects on the consolidated balance sheet and the consolidated statement of income from the adoption of IERS 16 are specified in the tables below:

Consolidated balance sheet, BSEK	Jan 1, 2019
Tangible non-current assets	3.4
Total assets	3.4
Lease liabilities, long-term and short-term	3.4
Total liabilities	3.4

²⁾ Excluding Turkey 34.0%

Excluding Argentina 57.0%

⁴⁾ The operations in Africa, the Middle East and Asia are included in Other

Consolidated statement of income, BSEK	Jan-Dec 2019
Operating income before amortization	0.1
Financial income and expenses	-0.1
Income before taxes	0.0

As a consequence of adopting IFRS 16 on the level of reportable segments, the Group will change the level of impairment testing for goodwill from the country level to the reportable segment level in 2020.

Amendments to IAS 19 Employee Benefits came into force on January 1, 2019 and has been adopted by Securitas as of that date. The amendments clarify the accounting for defined benefit plan amendments, curtailments and settlements. They are not expected to have any material impact on the Group's financial statements.

None of the other published standards and interpretations that are mandatory for the Group's financial year 2019 are assessed to have any impact on the Group's financial statements

Introduction and effect of new and revised IFRS that are effective as from 2020 and onwards

The effect on the Group's financial statements from standards and interpretations that are mandatory for the Group's financial year 2020 or later remain to be assessed.

Usage of key ratios not defined in IFRS

For definitions and calculations of key ratios not defined in IFRS, refer to notes 5 and 6 in this full year report as well as to note 3 in the Annual Report 2017.

NOTE 2 RESTATED COMPARATIVES DUE TO CHANGES IN ACCOUNTING PRINCIPLES

The tables below show restated comparative figures for the Group. The restatement is done to reflect that the Group has adopted IFRS 15 as of January 1, 2018. This change has had effect only on total Group level and thus had no effect on segment level. The effects of the restatement are thus accounted for under Other in the Group's segment overviews. For further information, refer to note 1 in this report as well as to note 2 on page 65 in Securitas Annual Report 2017.

The tables below show the lines in the consolidated financial statements that have been affected by the transition to IFRS 15. Lines that have not been affected by IFRS 15 are not included. The lines in the tables below consequently do not add up to the total amounts. Refer to Securitas' published interim reports 2017 as well as Securitas' Annual Report 2017 for the numbers before restatement for IFRS 15.

CONSOLIDATED STATEMENT OF INCOME

The restatement impact on the consolidated statement of income is recognized on the line selling and administrative expenses and constitutes the net of the period's capitalized and amortized costs to obtain a contract. The tax effect is recognized on the line deferred taxes.

Restatement, MSEK	Q1 2017	Q2 2017	H1 2017	Q3 2017	9M 2017	Q4 2017	FY 2017
Selling and administrative expenses	5.1	5.1	10.2	5.1	15.3	5.1	20.4
Operating income before amortization	5.1	5.1	10.2	5.1	15.3	5.1	20.4
Operating margin, %	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Operating income after amortization	5.1	5.1	10.2	5.1	15.3	5.1	20.4
Income before taxes	5.1	5.1	10.2	5.1	15.3	5.1	20.4
Net margin, %	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Deferred taxes	-1.6	-1.6	-3.2	-1.6	-4.8	-1.5	-6.3
Net income for the period	3.5	3.5	7.0	3.5	10.5	3.6	14.1
Whereof attributable to:							
Equity holders of the Parent Company	3.5	3.5	7.0	3.5	10.5	3.6	14.1
Earnings per share before and after dilution (SEK)	0.01	0.00	0.02	0.01	0.03	0.01	0.04
Earnings per share before and after dilution and before items affecting comparability (SEK)	0.01	0.00	0.02	0.01	0.03	0.01	0.04
After restatement, MSEK	Q1 2017	Q2 2017	H1 2017	Q3 2017	9M 2017	Q4 2017	FY 2017
Selling and administrative expenses	-2832.2	-2 929.2	-5 761.4	-2 773.7	-8 535.1	-3 058.7	-11 593.8
Operating income before amortization	1056.2	1136.7	2 192.9	1 234.9	3 427.8	1 269.4	4 697.2
Operating margin, %	4.7	4.9	4.8	5.5	5.0	5.3	5.1
Operating income after amortization	989.4	1 067.1	2056.5	1168.7	3 225.2	1168.5	4 393.7
Income before taxes	887.1	973.4	1860.5	1082.5	2 943.0	1075.1	4 018.1
Net margin, %	3.9	4.2	4.1	4.8	4.3	4.5	4.4
Deferred taxes	-48.4	-23.3	-71.7	-32.8	-104.5	-217.7	-322.2
Net income for the period	627.0	693.7	1 320.7	783.1	2103.8	647.7	2 751.5
Whereof attributable to:							
Equity holders of the Parent Company	628.2	691.7	1 319.9	783.4	2 103.3	646.4	2 749.7
Earnings per share before and after dilution (SEK)	1.72	1.89	3.62	2.15	5.76	1.77	7.53
Earnings per share before and after dilution and before items affecting comparability (SEK)	1.72	1.89	3.62	2.15	5.76	2.11	7.87

CONSOLIDATED CAPITAL EMPLOYED AND FINANCING

The restatement impact on consolidated capital employed and financing constitutes the net amount of capitalized and amortized costs to obtain a contract, classified as an intangible asset, and recognized as an increase of operating capital employed. This increase is partly offset by the related deferred tax liability, which reduces operating capital employed. The net impact after taxes of adoption of IFRS 15 is recognized in retained earnings as an increase of shareholders' equity.

Restatement, MSEK	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017
Operating capital employed	278.2	281.7	285.2	288.8
Operating capital employed as % of sales	1	0	0	0
Return on operating capital employed, %	-2	-3	-2	-3
Capital employed	278.2	281.7	285.2	288.8
Shareholders' equity	278.2	281.7	285.2	288.8
Net debt equity ratio, multiple	-0.02	-0.02	-0.02	-0.02

After restatement, MSEK	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017
Operating capital employed	7 848.9	8 117.3	8 106.0	7 559.8
Operating capital employed as % of sales	9	9	9	8
Return on operating capital employed, %	62	61	62	64
Capital employed	28 865.8	28 742.5	28 087.7	27 871.5
Shareholders' equity	15 183.1	14 203.2	14 481.7	15 539.0
Net debt equity ratio, multiple	0.90	1.02	0.94	0.79

CONSOLIDATED BALANCE SHEET

The restatement impact on the consolidated balance sheet constitutes the net amount of capitalized and amortized costs to obtain a contract, classified as an intangible asset, and the related deferred tax liability, recognized on the line non-interest-bearing provisions. The net impact after taxes of adoption of IFRS 15 is recognized in retained earnings as an increase of shareholders' equity.

Restatement, MSEK	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017
ASSETS				
Non-current assets				
Other intangible assets	395.7	400.8	405.9	411.1
Total non-current assets	395.7	400.8	405.9	411.1
TOTAL ASSETS	395.7	400.8	405.9	411.1
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Attributable to equity holders of the Parent Company	278.2	281.7	285.2	288.8
Total shareholders' equity	278.2	281.7	285.2	288.8
Long-term liabilities				
Non-interest-bearing provisions	117.5	119.1	120.7	122.3
Total long-term liabilities	117.5	119.1	120.7	122.3
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	395.7	400.8	405.9	411.1
After restatement, MSEK	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017
ASSETS			· ·	·
Non-current assets				
Other intangible assets	922.0	971.6	1 013.5	1 079.0
Total non-current assets	27 792.9	27 394.5	26 744.9	27 199.1
TOTAL ASSETS	48 903.7	48 917.8	47 832.9	49 543.4
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Attributable to equity holders of the Parent Company	15 163.9	14 184.1	14 463.9	15 517.8
Total shareholders' equity	15 183.1	14 203.2	14 481.7	15 539.0
Long-term liabilities				
Non-interest-bearing provisions	3 263.5	3 172.2	3 127.1	3 206.8
Total long-term liabilities	16 649.9	16 671.5	16 415.9	16 469.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	48 903.7	48 917.8	47 832.9	49 543.4

NOTE 3 REMEASUREMENT FOR HYPERINFLATION

The impact on the Group's financial position from the adoption and application of IAS 29 Financial reporting in Hyperinflationary economies, as described in note 1 Accounting principles, is illustrated below. The tables show the lines in the consolidated financial statements that have been affected by the adoption and application of IAS 29. The SEK/ARS rate as of July 1, 2018 was 0.33 and per December 31, 2018 it was 0.23.

Remeasurement impact in the Group's balance sheet as of July 1, 2018 $\,$

MSEK	July 1, 2018
ASSETS	
Non-current assets	
Goodwill	235.7
Acquisition related intangible assets	4.8
Other intangible assets	4.4
Tangible non-current assets	39.9
Total non-current assets	284.8
Current assets	
Non-interest-bearing current assets	5.5
Total current assets	5.5
TOTAL ASSETS	290.3

MSEK	July 1, 2018
SHAREHOLDERS' EQUITY AND LIABILITIES	
Shareholders' equity	
Attributable to equity holders of the Parent Company	274.9
Total shareholders' equity	274.9
Current liabilities	
Non-interest-bearing current liabilities and provisions	15.4
Total current liabilities	15.4
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	290.3

Remeasurement impact in the Group's capital employed and financing as of July 1, 2018 $\,$

MSEK	July 1, 2018
Operating capital employed	34.4
Goodwill	235.7
Acquisition related intangible assets	4.8
Capital employed	274.9
Shareholders' equity	274.9

$Remeasurement\ impact\ recognized\ in\ other\ comprehensive\ income\ for\ the\ period\ July-December\ 2018$

MSEK	Jul-Dec 2018
Remeasurement July 1, 2018	274.9
Remeasurement July 1 to December 31, 2018	39.3
Total remeasurement for hyperinflation, net of taxes	314.2

$Net \ monetary \ gain \ recognized \ in \ the \ Group \ 's \ statement \ of \ income \ July-December \ 2018$

MSEK	Jul-Dec 2018
Financial income and expenses	22.9
Total net monetary gain	22.9

NOTE 4 REVENUE

MSEK	Oct-Dec 2018	%	Oct-Dec 2017	%	Jan-Dec 2018	%	Jan-Dec 2017	%
Guarding services	20 749.4	77	18 914.1	78	79 567.1	79	74 238.6	81
Security solutions and electronic security	5 636.8	21	4 702.7	20	20 439.8	20	16 697.3	18
Other	437.8	2	407.4	2	1 459.8	1	1 260.9	1
Total sales	26 824.0	100	24 024.2	100	101 466.7	100	92 196.8	100
Other operating income	7.5	0	5.9	0	29.6	0	23.8	0
Total revenue	26 831.5	100	24 030.1	100	101 496.3	100	92 220.6	100

Guarding services

This comprises on-site and mobile guarding, which is services with the same revenue recognition pattern. Revenue is recognized over time, as the services are rendered by Securitas and simultaneously consumed by the customers. Such services cannot be reperformed

Security solutions and electronic security

This comprises two broad categories regarding security solutions and electronic security.

Security solutions are a combination of services such as on-site and/or mobile guarding and/or remote guarding. These services are combined with a technology component in terms of equipment owned and managed by Securitas and used in the provision of services. The equipment is installed at the customer site. The revenue recognition pattern is over time, as the services are rendered by Securitas and simultaneously consumed by the customers. A security solution normally constitutes one performance obligation

Electronic security consists of the sale of alarm installations comprising design and installation (time, material and related expenses). Revenue is recognized as per the contract, either upon completion of the conditions in the contract, or over time based on the percentage of completion. Remote guarding (in the form of alarm monitoring services), that is sold separately and not as part of a security solution, is also included in this category. Revenue recognition is over time as this is also a service that is rendered by Securitas and simultaneously consumed by the customers. The category further includes maintenance services, that are either performed upon request (time and material) with revenue recognition at a point in time (when the work has been performed), or over time if part of a service level contract with a subscription fee. Finally there is also a to a limited extent product sales (alarms and components) without any design or installation. The revenue recognition is at a point in time (upon delivery).

Other comprises mainly corporate risk management services that are either recognized over time or at a point in time as well as other ancillary business.

Other operating income

Other operating income consists in its entirety of trade mark fees for the use of the Securitas brand name.

Revenue per segment

The Group's business segments follow the same accounting principles for revenue recognition as the Group. The disaggregation of revenue by segment is shown in the table below. Total sales agree to total sales in the segment overviews.

		Services America	-	Services ope		Services America	Ot	her	Elimin	ations	Gro	oup
MSEK	Oct-Dec 2018	Oct-Dec 2017	Oct-Dec 2018	Oct-Dec 2017	Oct-Dec 2018	Oct-Dec 2017	Oct-Dec 2018	Oct-Dec 2017	Oct-Dec 2018	Oct-Dec 2017	Oct-Dec 2018	Oct-Dec 2017
Guarding services	9 037	7 881	9 039	8 366	2 254	2 3 1 9	425	350	-6	-2	20 749	18 914
Security solutions and electronic security	2 048	1 551	2 686	2348	857	767	46	36	-	-	5 637	4 702
Other	438	408	-	-	-	-	-	-	-	-	438	408
Total sales	11 523	9840	11 725	10 714	3 111	3 086	471	386	-6	-2	26 824	24 024
Other operating income	-	-	-	-	-	-	7	6	-	-	7	6
Total revenue	11 523	9840	11 725	10 714	3 111	3 086	478	392	-6	-2	26 831	24 030

	•	Services America	-	Services ope	Security Ibero-A	Services Imerica	Ot	her	Elimin	ations	Gro	oup
MSEK	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Guarding services	33 541	31 182	35 402	32 632	9 0 4 5	9 138	1 588	1 292	-9	-5	79 567	74 239
Security solutions and electronic security	7 3 6 5	5 665	9 638	8 0 7 1	3 270	2 833	167	128	-	-	20 440	16 697
Other	1 460	1 261	-	-	-	-	-	-	-	-	1 460	1 261
Total sales	42 366	38 108	45 040	40 703	12 315	11 971	1 755	1 420	-9	-5	101 467	92 197
Other operating income	-	-	-	-	-	-	29	24	-	-	29	24
Total revenue	42 366	38 108	45 040	40 703	12 315	11 971	1 784	1444	-9	-5	101 496	92 221

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NOTE 5 ORGANIC SALES GROWTH AND CURRENCY CHANGES

The calculation of real and organic sales growth and the specification of currency changes on operating income before and after amortization, income before taxes, net income and earnings per share are specified below. The impact from remeasurement for hyperinflation due to the adoption and application of IAS 29 is included in currency change.

MSEK	Oct-Dec 2018	Oct-Dec 2017	Oct-Dec %	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec %
Total sales	26 824	24 024	12	101 467	92 197	10
Currency change from 2017	-788	-		-1 826	-	
Currency adjusted sales growth	26 036	24 024	8	99641	92 197	8
Acquisitions/divestitures	-691	0		-1 760	-1	
Organic sales growth	25 345	24 024	5	97 881	92 196	6
Operating income before amortization*	1 475	1 269	16	5 304	4 6 9 7	13
Currency change from 2017	-109	-		-169	_	
Currency adjusted operating income before amortization	1 366	1 269	8	5 135	4 697	9
Operating income after amortization*	1144	1169	-2	4 4 6 9	4 394	2
Currency change from 2017	-97	-		-137	-	
Currency adjusted operating income after amortization	1 047	1 169	-10	4 3 3 2	4 394	-1
Income before taxes*	990	1 075	-8	4 028	4 018	0
Currency change from 2017	-88	-		-186	-	
Currency adjusted income before taxes	902	1 075	-16	3 8 4 2	4 018	-4
Net income for the period*	743	648	15	3 021	2 751	10
Currency change from 2017	-57	-		-127	-	
Currency adjusted net income for the period	686	648	6	2894	2 751	5
Net income attributable to equity holders of the Parent Company*	738	646	14	3 016	2 750	10
Currency change from 2017	-57	-		-127	-	
Currency adjusted net income attributable to equity holders of the Parent Company	681	646	5	2889	2 750	5
Number of shares	365 058 897	365 058 897		365 058 897	365 058 897	
Currency adjusted earnings per share	1.87	1.77	5	7.91	7.53	5

 $^{^*}$ Comparatives have been restated as an effect of a change in accounting principle IFRS 15. Refer to notes 1 and 2 for further information.

NOTE 6 DEFINITIONS AND CALCULATION OF KEY RATIOS

The calculations below relate to the period January-December 2018.

Interest coverage ratio

Operating income before amortization (rolling 12 months) plus interest income (rolling 12 months) in relation to interest expenses (rolling 12 months). Calculation: (5 303.6 + 56.8) / 503.2 = 10.7

Free cash flow as % of adjusted income

Free cash flow as a percentage of adjusted income (operating income before amortization adjusted for financial income and expenses, excluding revaluation of financial instruments, and current taxes).

Calculation: 1 884.3 / (5 303.6 - 440.6 - 2.4 - 962.2) = 48%

Free cash flow in relation to net debt

Free cash flow (rolling 12 months) in relation to closing balance net debt. Calculation: 1 884.3 / 14 513.5 = 0.13

Net debt to EBITDA ratio

Net debt in relation to operating income after amortization (rolling 12 months) plus amortization of acquisition related intangible assets (rolling 12 months) and depreciation (rolling 12 months). Calculation: 14 513.5 / (4 469.0 + 259.9 + 1 693.5) = 2.3

Operating capital employed as % of total sales

Operating capital employed as a percentage of total sales adjusted for the full-year sales of acquired entities. Calculation: $9\,198.6/102\,474.5 = 9\%$

Return on operating capital employedOperating income before amortization (rolling 12 months) plus items affecting comparability (rolling 12 months) as a percentage of the average balance of operating capital employed. Calculation: (5 303.6 - 454.8) / ((9 198.6 + 7 559.8) / 2) = 58%

Return on capital employed

Operating income before amortization (rolling 12 months) plus items affecting comparability (rolling 12 months) as a percentage of closing balance of capital employed. Calculation: (5 303.6 - 454.8) / 32 170.1 = 15%

Net debt equity ratio

Net debt in relation to shareholders' equity. Calculation: 14 513.5/17 656.6 = 0.82

NOTE 7 ACQUISITION RELATED COSTS

MSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Restructuring and integration costs	-70.9	-11.5	-89.5	-13.5
Transaction costs	-6.7	-16.1	-25.4	-29.9
Revaluation of deferred considerations	-1.1	-1.1	-5.0	-5.0
Total acquisition related costs	-78.7	-28.7	-119.9	-48.4

For further information regarding the Group's acquisitions, refer to the section Acquisitions.

NOTE 8 ITEMS AFFECTING COMPARABILITY

MSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Recognized in the statement of income				
IS/IT transformation programs	-186.9	-	-186.9	-
Cost savings program, Security Services Europe	-	-	-267.9	-
Total recognized in the statement of income	-186.9	-	-454.8	-
Cash flow impact				
IS/IT transformation programs	-51.4	-	-51.4	-
Cost savings program, Security Services Europe	-42.4	-	-66.0	-
Total cash flow impact	-93.8	-	-117.4	-

NOTE 9 FINANCIAL INSTRUMENTS AND CREDIT FACILITIES

Revaluation of financial instrumentsRevaluation of financial instruments is recognized in the statement of income on the line financial income and expenses. Revaluation of cash flow hedges (and the subsequent recycling into the statement of income) is recognized in other comprehensive income on the line cash flow hedges. Cost of hedging (and the subsequent recycling into the statement of income) is recognized on the corresponding line in other comprehensive income.

The amount disclosed in the specification of change in net debt is the total revaluation before tax in the table below.

MSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Recognized in the statement of income				
Revaluation of financial instruments	0.6	-0.6	2.4	-0.8
Deferred tax	-	-	-	-
Impact on net income	0.6	-0.6	2.4	-0.8
Recognized in the statement of comprehensive income				
Cash flow hedges	31.4	-6.9	80.2	-28.0
Cost of hedging	-100.6	-	-56.6	-
Deferred tax	15.2	1.5	-5.2	6.1
Total recognized in the statement of comprehensive income	-54.0	-5.4	18.4	-21.9
Total revaluation before tax	-68.6	-7.5	26.0	-28.8
Total deferred tax	15.2	1.5	-5.2	6.1
Total revaluation after tax	-53.4	-6.0	20.8	-22.7

Fair value hierarchy
The methods and assumptions used by the Group in estimating the fair value of the financial instruments are disclosed in note 6 in the Annual Report 2017.
Further information regarding the accounting principles for financial instruments is disclosed in note 2 in the Annual Report 2017.

There have been no transfers between any of the the valuation levels during the period.

MSEK	Quoted market prices	Valuation techniques using observable market data	Valuation techniques using non-observable market data	Total
December 31, 2018				
Financial assets at fair value through profit or loss	-	15.9	-	15.9
Financial liabilities at fair value through profit or loss	=	-10.0	-272.3	-282.3
Derivatives designated for hedging with positive fair value	-	355.7	-	355.7
Derivatives designated for hedging with negative fair value	-	-126.6	-	-126.6
December 31, 2017				
Financial assets at fair value through profit or loss	_	50.6	-	50.6
Financial liabilities at fair value through profit or loss	-	-16.2	-167.6	-183.8
Derivatives designated for hedging with positive fair value	-	438.7	-	438.7
Derivatives designated for hedging with negative fair value	-	-48.0	-	-48.0

Financial instruments by category - carrying and fair values
For financial assets and liabilities other than those disclosed in the table below, fair value is deemed to approximate the carrying value. A full comparison of fair value and carrying value for all financial assets and liabilities is disclosed in note 6 in the Annual Report 2017.

	Dec 31, 20	18	Dec 31, 2017		
MSEK	Carrying value	Fair value	Carrying value	Fair value	
Short-term loan liabilities	-	-	2 961.0	2 969.4	
Long-term loan liabilities	13 939.2	14 064.6	10 463.3	10 721.1	
Total financial instruments by category	13 939.2	14064.6	13 424.3	13 690.5	

Summary of credit facilities as of December 31, 2018

Туре	Currency	Facility amount (million)	Available amount (million)	Maturity
EMTN FRN private placement	USD	85	0	2019
EMTN FRN private placement	USD	40	0	2020
EMTN FRN private placement	USD	40	0	2021
EMTN FRN private placement	USD	60	0	2021
EMTN FRN private placement	USD	40	0	2021
EMTN Eurobond, 2.625% fixed	EUR	350	0	2021
EMTN Eurobond, 1.25% fixed	EUR	350	0	2022
Multi Currency Revolving Credit Facility	USD (or equivalent)	550	500	2022
Multi Currency Revolving Credit Facility	EUR (or equivalent)	440	440	2022
EMTN Eurobond, 1.125% fixed	EUR	350	0	2024
EMTN Eurobond, 1.25% fixed	EUR	300	0	2025
Commercial Paper (uncommitted)	SEK	5 000	4 050	n/a

NOTE 10 DEFERRED TAX ON OTHER COMPREHENSIVE INCOME

MSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Deferred tax on remeasurements of defined benefit pension plans	44.8	-33.2 ¹⁾	25.3	-63.2 ¹⁾
Deferred tax on remeasurement for hyperinflation	0.0	-	-15.4	-
Deferred tax on cash flow hedges	-7.0	1.5	-17.7	6.1
Deferred tax on cost of hedging	22.2	-	12.5	-
Deferred tax on net investment hedges	-3.2	29.8	107.5	-25.8
Total deferred tax on other comprehensive income	56.8	-1.9	112.2	-82.9

 $^{^{1)}}$ Including revaluation of US net deferred tax assets MSEK -24.6 due to the tax reform in the US.

NOTE 11 PLEDGED ASSETS

MSEK	Dec 31, 2018	Dec 31, 2017
Pension balances, defined contribution plans	128.7	124.1
Finance leases	221.7	191.2
Total pledged assets	350.4	315.3

NOTE 12 CONTINGENT LIABILITIES

MSEK	Dec 31, 2018	Dec 31, 2017
Guarantees	0.4	3.9
Guarantees related to discontinued operations	15.4	15.3
Total contingent liabilities	15.8	19.2

For critical estimates and judgments, provisions and contingent liabilities, refer to note 4 and note 37 in the Annual Report 2017 as well as to the section Other significant events in this report.

Parent Company

STATEMENT OF INCOME

MSEK	Jan-Dec 2018	Jan-Dec 2017
License fees and other income	1 195.8	1 088.6
Gross income	1 195.8	1088.6
Administrative expenses	-777.5	-751.3
Operating income	418.3	337.3
Financial income and expenses	2 268.6	1 549.3
Income after financial items	2 686.9	1886.6
Appropriations	-129.2	478.2
Income before taxes	2 557.7	2 364.8
Taxes	-288.7	22.5
Net income for the period	2 269.0	2 387.3

BALANCE SHEET

MSEK	Dec 31, 2018	Dec 31, 2017
ASSETS		
Non-current assets		
Shares in subsidiaries	41 332.1	41 296.2
Shares in associated companies	112.1	112.1
Other non-interest-bearing non-current assets	520.1	315.9
Interest-bearing financial non-current assets	1 541.3	1 312.6
Total non-current assets	43 505.6	43 036.8
Current assets		
Non-interest-bearing current assets	422.2	475.9
Other interest-bearing current assets	5 581.1	4 405.0
Liquid funds	1 325.7	1 942.6
Total current assets	7 3 2 9 . 0	6 823.5
TOTAL ASSETS	50 834.6	49 860.3
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Restricted equity	7797.2	7 784.5
Non-restricted equity	20 701.9	19879.6
Total shareholders' equity	28 499.1	27 664.1
Untaxed reserves	454.8	123.3
Long-term liabilities		
Non-interest-bearing long-term liabilities/provisions	251.5	314.1
Interest-bearing long-term liabilities	15 817.7	12 887.3
Total long-term liabilities	16 069.2	13 201.4
Current liabilities		
Non-interest-bearing current liabilities	743.5	573.5
Interest-bearing current liabilities	5 068.0	8 298.0
Total current liabilities	5 811.5	8 871.5
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	50834.6	49 860.3

Financial information

PRESENTATION OF THE FULL YEAR REPORT

Analysts and media are invited to participate in a telephone conference on February 7, 2019 at **9:30 a.m. (CET)** where President and CEO Magnus Ahlqvist and CFO Bart Adam will present the report and answer questions. The telephone conference will also be audio cast live via Securitas website. To participate in the telephone conference, please dial in five minutes prior to the start of the conference call:

US: +1 855 269 2605 Sweden: +46 8 519 993 55 UK: +44 203 194 0550

To follow the audio cast of the telephone conference via the web, please follow the link www.securitas.com/investors/webcasts. A recorded version of the audio cast will be available at www.securitas.com/investors/webcasts after the telephone conference.

FOR FURTHER INFORMATION. PLEASE CONTACT:

Micaela Sjökvist, Head of Investor Relations. + 46 761167443

FINANCIAL INFORMATION CALENDAR

May 6, 2019, app. 1.00 p.m. (CET)

May 6, 2019, 4.00 p.m. (CET)

July 31, 2019, app. 1.00 p.m. (CET)

November 6, 2019, 08.00 a.m. (CET)

Interim Report January–June 2019

Interim Report January–September 2019

For further information regarding Securitas IR activities, refer to www.securitas.com/investors/financial calendar

ABOUT SECURITAS

Securitas is a knowledge leader in security and offers protective services in North America, Europe, Latin America, Africa, the Middle East, Asia and Australia. The organization is flat and decentralized with three business segments: Security Services North America, Security Services Europe and Security Services lbero-America. Securitas serves a wide range of customers of all sizes in a variety of industries and customer segments. Security solutions based on customer-specific needs are built through different combinations of on-site, mobile and remote guarding, electronic security, fire and safety, and corporate risk management. Securitas can respond to the unique and specific security challenges facing its customers, and tailor its offering according to their specific industry demands. Securitas employs more than 345 000 people in 56 markets. Securitas is listed in the Large Cap segment at Nasdaq Stockholm.

Group strategy

Our strategy is to offer complete security solutions that integrate all our areas of competence. Together with our customers, we develop optimal and cost-efficient solutions that are suited for the customers' needs. This brings added value to the customers and results in stronger, more long-term customer relationships and improved profitability.

Group financial targets

Securitas focuses on two financial targets. The first target relates to the statement of income: average growth of earnings per share of 10 percent annually. The second target relates to the balance sheet: free cash flow in relation to net debt of at least 0.20.

Securitas AB

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Corporate registration number 556302-7241

This is information that Securitas AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 8.00 a.m. (CET) on Thursday, February 7, 2019.