

Intelligent security
for a safer world

An eventful year

Securitas is in a period of accelerated transformation, from the leader in guarding services and protective services towards leadership in intelligent services. We have an attractive offering of protective services, including on-site, mobile and remote guarding, electronic security, fire and safety, and corporate risk management. With operations in 56 countries in Europe, North America, Latin America, Africa, the Middle East and Asia, we have the power of presence, and our 370 000 skilled and engaged employees make a difference for our clients every day.

Securitas clients' are found in all different industries and they are of all sizes. We adapt our security solutions based on the risks and needs of each client through increased client engagement and continuously enhanced knowledge. To enhance efficiency and productivity we are modernizing and digitizing our operations. We are also investing in intelligent products and services, both by improving existing services and by developing new ones.

370 000

EMPLOYEES

56

NUMBER OF COUNTRIES
WITH OPERATIONS

110 899

TOTAL SALES, MSEK

150 000

NUMBER OF CLIENTS (EXCLUDING
MONITORING-ONLY CLIENTS)

150

NUMBER OF GLOBAL CLIENTS

89%

CLIENT RETENTION RATE

9.20

EARNINGS PER SHARE, SEK

4.80

PROPOSED DIVIDEND, SEK

0.19

FREE CASH FLOW
TO NET DEBT

2.2

NET DEBT TO
EBITDA RATIO





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This is a translation of the original Swedish Annual Report. In the event of differences between the English translation and the Swedish original, the Swedish Annual Report shall prevail.

2019 in two minutes

2019 was a good year for Securitas. Organic sales growth was 4 percent (6) and the operating margin was stable at 5.2 percent (5.2).

HIGHLIGHTS DURING THE YEAR

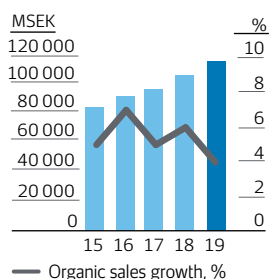
- A strategic transformation ambition was set - to double our security solutions and electronic security sales by 2023, compared with 2018
- Sales of security solutions and electronic security represented 21 percent of total sales in 2019, a growth with 10 percent compared with 2018
- The two major transformation programs in the further digitization of the company are progressing according to plan
- Major acquisitions included Global Elite Group, a security services provider to the aviation industry in the US, the electronic security company Allcooper Group in the UK and Staysafe, an alarm monitoring company in Australia

KEY RATIOS

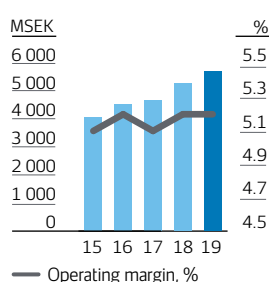
MSEK	2017	2018	2019
Sales	92 197	101 467	110 899
Organic sales growth, %	5	6	4
Operating income before amortization	4 697	5 304	5 738
Operating margin, %	5.1	5.2	5.2
Income before taxes	4 018	4 028	4 618
Net income for the year	2 751	3 021	3 362
Earnings per share, SEK	7.53	8.26	9.20
Free cash flow	2 290	1 884	3 268
Free cash flow to net debt ratio	0.19	0.13	0.19
Net debt to EBITDA ratio	2.0	2.3	2.2
Dividend per share, SEK	4.00	4.40	4.80*
Sales of security solutions and electronic security, % of total sales	18	20	21
Sales of security solutions and electronic security, growth %	19	21	10

* Proposed dividend

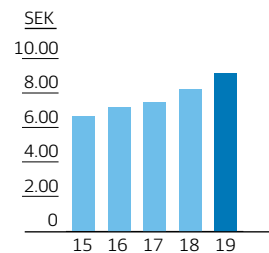
TOTAL SALES AND ORGANIC SALES GROWTH



OPERATING INCOME BEFORE AMORTIZATION AND OPERATING MARGIN



EARNINGS PER SHARE



LEADING GLOBAL AND LOCAL PRESENCE

Securitas meets the clients' needs with a high-quality protective services offering, a leading global and local presence, skilled employees and strong values.



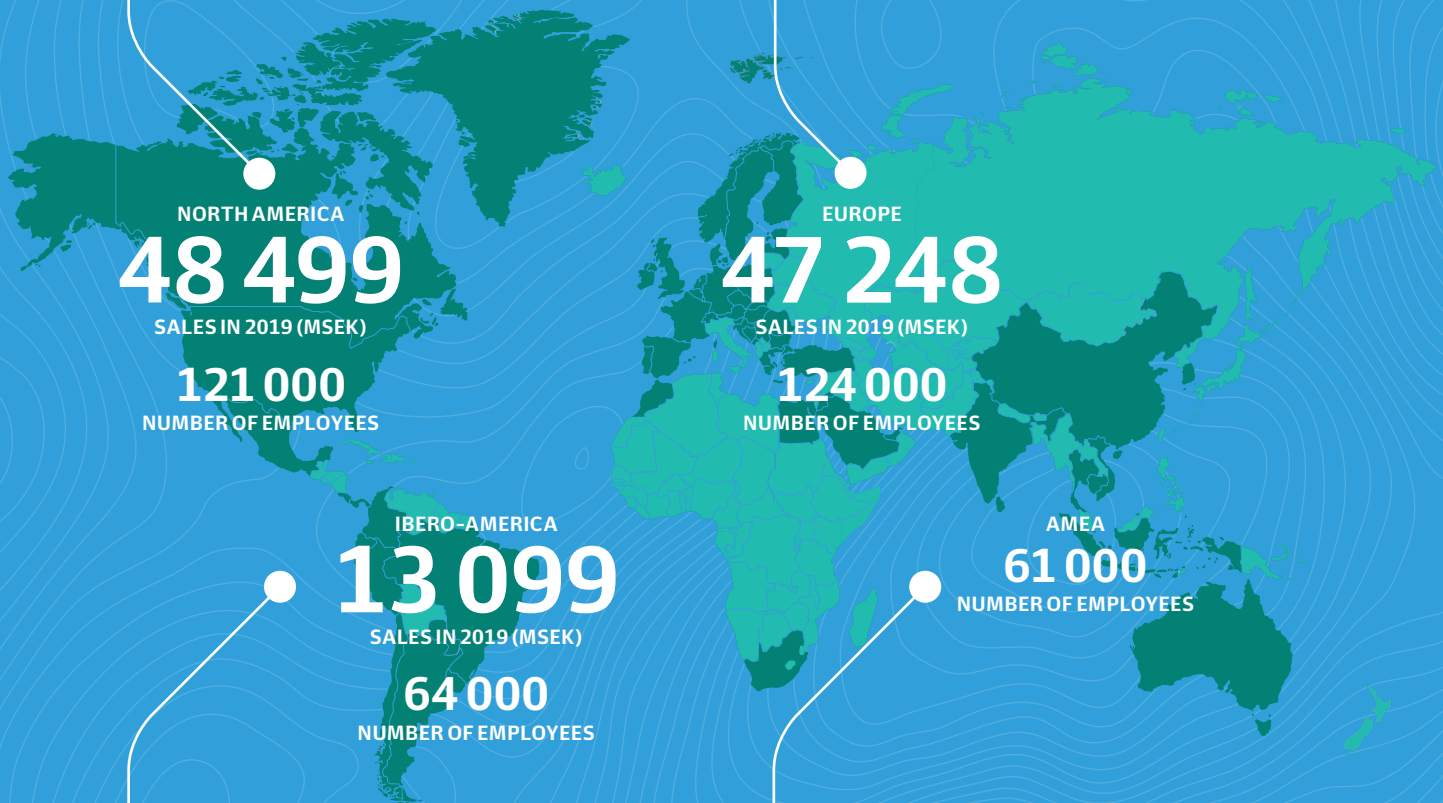
NORTH AMERICA

Organic sales growth was 4 percent (6)
 Security solutions and electronic security sales represented 18 percent (17) of total sales
 The operating margin improved to 6.2 percent (6.1)
 The client retention rate was 90 percent (91)



EUROPE

Organic sales growth was 2 percent (4)
 Security solutions and electronic security sales represented 22 percent (21) of total sales
 The operating margin was 5.5 percent (5.6)
 The client retention rate was 90 percent (93)



IBERO-AMERICA

Organic sales growth was 14 percent (12)
 Security solutions and electronic security sales represented 27 percent of total sales (27)
 The operating margin increased to 4.7 percent (4.5)
 The client retention rate was 92 percent (92)



AMEA

The organic sales growth was favorable and margins improved in 2019
 Two strategic acquisitions were completed in Australia, in electronic security and alarm monitoring
 A large consolidated security contract across the AMEA region, with focus on Asia was won

Transforming from a position of strength

2019 was an important year for Securitas. We grew faster than the market and we generated the highest cash flow in the history of the company. We started implementing our strategy to be the leader in intelligent security and presented our ambition to double our security solutions and electronic security business by 2023. We also defined our purpose as a company and introduced the leadership team that will drive the transformation during the next phase. We are undertaking these changes from a position of strength – with a leading global and local presence, and the best offering and employees in the industry.

GROWTH AND INVESTMENTS

We are continuously working to deliver high quality and added value to our clients. In 2019, we had 4 percent organic sales growth. Security solutions and electronic security sales grew with 10 percent and now represent 21 percent of our total sales. The operating margin was 5.2 percent. We are making significant investments in our strategic transformation and in creating the most attractive client offering. These investments will reinforce our leading position and help drive growth and profitability improvements in the long term.

The positive momentum continued across all business units in Security Services North America, with solid growth and improved operating margins. In Security Services Europe, most countries performed well but growth and profitability were negatively impacted by contract losses and price and wage imbalances in a few countries. We had a strong finish to the year in Security Services Ibero-America and continued favorable growth and development in our Africa, Middle East and Asia (AMEA) division.

Earnings per share improved by 4 percent, after adjustments for changes in exchange rates, items affecting comparability, IFRS 16 and the impact from the US tax reform.

With a record-breaking operating cash flow of MSEK 4 902, we strengthened our balance sheet and our net debt to EBITDA ratio decreased to 2.2.

Acquisitions play an important role in strengthening our protective services offering and accelerating our strategic transformation. During 2019, we completed acquisitions in Australia, the UK and the US, together with some smaller acquisitions in other key markets. We are very pleased to welcome all new employees to the Securitas team.

BUILDING STRENGTH FOR THE FUTURE

The strategy that we defined and communicated five years ago, Vision 2020, has been successful. We are now launching the next phase. This phase does not represent a change in the direction of the strategy, but rather an evolution, including investments to further strengthen our protective services leadership and accelerate data-driven innovations for enhanced services for our clients.

Our desired position is to become the intelligent protective services partner for our clients. We are focusing on three areas to

achieve this desired position: 1) client engagement 2) sharpening our protective services leadership and innovation, and 3) efficiency.

CLIENT ENGAGEMENT

Our strategy is geared towards creating added value for our clients. Our decentralized operating model allows us to remain close to our local clients, which in turn enables close engagement and the ability to continuously develop the service offering to address each client's specific needs and risks.

We have 150 000 clients and a client retention rate that is steadily around 90 percent. This is proof that our clients value the quality of our services and our relationship, but we can always do better. One measure is to invest in an improved client engagement model. This will help us leverage best practices and bring consistently better quality and value to our clients. During the year, we also created a global client organization to further strengthen our offering to clients who require consistent protective services of high quality across different countries and geographies.

PROTECTIVE SERVICES LEADERSHIP AND INNOVATION

We focus on security services and creating long-term value. This is what we do best, and we generate the highest value for our clients by combining different protective services into solutions that are based on a risk assessment and the client's needs. We are growing faster than the market thanks to our global presence, leading offering and the high-quality services that our competent employees deliver to our clients every day.

For the next development phase, we have identified a number of focus areas that will improve our offering to our clients and drive innovation. The first involves strengthening our core operations. Guarding represents 77 percent of our business, and we are now sharpening the efficiency of our guarding operations in order to continue to deliver the best-quality services. Electronic security is another significant focus area, and we are well positioned to compete in this market with increasingly strong capabilities and an outstanding team.

We see a future which is increasingly knowledge focused, and this will require a vast local presence and access to large quantities of data. Our global and local presence gives us a unique capability to generate data. We can use this information



“
We help make your
world a safer place.”

to improve our knowledge, and the understanding of what might happen. Combined with our ability to respond quickly, this puts us in a unique position in the industry.

We are accelerating our strategy through innovation in intelligent services, which will be an exciting part of our development during the coming years.

EFFICIENCY

In 2019, we launched two major transformation programs that will bring increased efficiency, modernization and innovation. One is a global IT transformation program and the other a business transformation program in North America. Both will span over several years, and we are progressing according to plan. Driving efficiency is important to free up resources that we can invest in the business or to improve margins.

To implement the strategy for the next phase, we created global functions with an enhanced focus on client engagement, guarding and electronic security. We also made a number of leadership changes and are entering 2020 with a very strong team.

WE PLAY AN IMPORTANT ROLE IN SOCIETY

Securitas plays an important role in society, providing security and safety in a sustainable way. We provide many people with work opportunities, some as a first step into the labor market. As a responsible and reliable employer, we offer fair wages and good working conditions, which also helps us to attract and retain people who share our values and can provide excellent client service.

We are taking the situation with the COVID-19 (Corona virus) outbreak very seriously and we are working closely with our clients to help them in these challenging times. The health and well-being of our employees is of course also a top priority.

We have zero tolerance for misconduct of any type. We investigate all alleged wrong-doings, if necessary with external help. We are currently also reinforcing our compliance program.

Securitas continues to support the UN Global Compact through a commitment to its ten principles. We also contribute to the fulfillment of the UN Sustainable Development Goals. Sustainability is integrated into our daily business and I believe it adds value for our clients.

A CLEAR PURPOSE

During the strategy process, thousands of employees took part in workshops to define our purpose as a company. Based on their input, we defined our purpose: We help make your world a safer place.

It is my conviction that a strong and clear purpose will make us more successful as a business in the long term, which will benefit not only our clients, employees and investors, but also society as a whole.

Our purpose will provide us with guidance in the decisions that all 370 000 of Securitas' employees make every day, from strategic decisions to daily operational decisions. A person who feels proud of what they do and part of a bigger whole is always more engaged and will consequently create greater value for us all. Attracting and retaining the right people and motivating them to stay with us is a critical factor behind our success. Contributing to making the world a safer place is a very strong motivator.

Securitas' people make a difference for our clients and society every day. We have a strong offering and clear targets to drive value creation. In short, we are in a very good position to lead the industry, now and in the future.

Stockholm, March 18, 2020

Magnus Ahlqvist
President and CEO
Securitas AB



Good growth opportunities

The global security services market is projected to continue to grow even though the world economy is showing signs of a downturn. In developed markets, such as the US and western Europe, the growth potential lies in offering a full range of security services, including technology, that can be combined into tailored security solutions. The security systems integration market is expected to be BUSD 70 by 2021.

The strongest overall growth is forecast in developing markets, with China and India as the main drivers. This growth will come mainly from guarding services, which are still expected to account for the largest share of sales growth in the coming years. Well-reputed multi-national security companies will also have good opportunities to grow in the guarding segment as regulations to increase professionalism in developing markets are expected to improve clients' and the public's trust in these services.

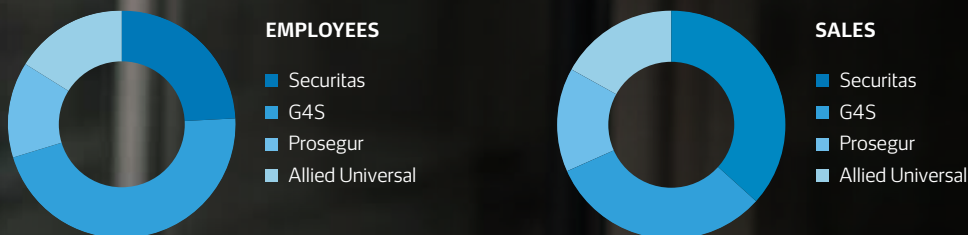
MARKET SIZE FOR SECURITY SERVICES 2019*



*Outsourced guarding: includes markets where Securitas is not present. Asia excluding Japan.

FEW GLOBAL PLAYERS

In many of our markets, our main competitors are small or medium-sized local players. Our main global competitors are G4S, Allied Universal and Prosegur.



Source: Securitas, Freedonia and IHS Markit Report.



SENSITIVE INFRASTRUCTURE

TREND AND MARKET DRIVERS

There is a growing awareness within both the public and private sector of the need to secure sensitive infrastructure from various disruptions. Manufacturing industries, airports, data centers, ports and public transportation all rely on having a well-functioning infrastructure. Disruptions can result in high costs and increased vulnerability. Innovative and integrated security services and solutions are required to address these issues, along with specialized staff.

OUR RESPONSE

At Securitas, we possess in-depth knowledge about specific client segments, such as public transportation, manufacturing or logistics. We have the expertise to create complex cross-border security solutions. Securitas has, for example, a strong aviation presence, providing advanced security services and solutions to airports and aviation companies around the world. In January 2019, we acquired Global Elite Group, a leading security services provider to the US aviation industry. This acquisition is in line with our strategy to expand in vertical markets.



DIGITAL TRANSFORMATION

TREND AND MARKET DRIVERS

Technology is transforming the security service market by enabling more remote monitoring, intelligent services and even predictive security. In mature markets, systems integration is seeing particularly fast growth as the complexity of electronic security systems grows. Demand for value-added services and opportunities in the area of intelligent services is growing, fueled by continuous improvements in video monitoring technology. Smart home products are providing consumers with the ability to monitor their security systems via a smartphone or tablet, driving further growth in the security market.

OUR RESPONSE

Securitas is expanding its electronic security capabilities as a response to a smarter, more digital society. We offer a complete range of security services, including electronic security, and are at the forefront of industry efforts to capture, analyze and respond to data that is gathered electronically. The Securitas Operation Centers have a central part in this work. We ensure that data that we process on behalf of our clients, or regarding our employees or others, is protected.

Global trends impacting security

The factors driving growth depend on the maturity of the market, but we have identified five main trends that are having the greatest impact on our global business. Our strategy and our services and solutions are aligned to address these trends.



GLOBALIZATION OF THE ECONOMY

TREND AND MARKET DRIVERS

Economic prosperity is fueling demand for security services, with more assets to protect and more end users with the means to buy security services. Many companies have expanded across national borders and modern technology enables complex and interoperable security systems to be connected from anywhere in the world. China and India are expected to be the fastest growing national markets for security services through 2022, while the US will remain the world's single largest market for security services.

OUR RESPONSE

Securitas can offer both the technology needed to change the face of security, and the manpower. In addition to offering complex security systems that can be controlled across borders, we have an unmatched presence. With our approximately 1 450 branch offices, we can meet the needs of our clients both globally and locally. In 2019, we created three new functional units to develop a global business approach and better address the global market.



SOCIETAL TENSIONS

TREND AND MARKET DRIVERS

Real or perceived threats of criminal activity continue to drive demand for more security. The perception of crime remains high even though conventional crime has not actually increased in most countries and the number of terrorist and militant incidents has fluctuated from year to year over the past decade. The public sector continues to outsource many security services to the private sector in the face of downsizing and cost-cutting programs as well as new and more complex threats that are challenging to handle.

OUR RESPONSE

Securitas can offer security solutions and, if needed, extra services on short notice to the public sector. For example, we can provide on-site guarding in public areas to support the work of the police force or for infrastructure such as public transportation. Through its presence, Securitas can contribute to peace of mind in tense situations. We also provide professional risk analysis and risk management services to help tackle complex security issues.



URBANIZATION

TREND AND MARKET DRIVERS

Urbanization is a continuing trend around the world and as more people move into cities, the inequality gap is widening, leading to both real and perceived criminal activity. An expanding middle class and increased activity in building construction, particularly in the emerging economies, are increasing the demand for security services. The residential market is expected to show the fastest growth as electronic monitoring equipment becomes more common. In the commercial sector, multinational firms are adopting technologically advanced security solutions and services, particularly in the emerging urban areas of China and India.

OUR RESPONSE

Securitas continues to expand its presence in urban areas around the world to ensure close proximity to clients. We have a strong presence in both mature markets and developing countries, and can provide advanced security systems and consulting services. We can also offer highly trained security officers who are specialized in handling the increasing technological complexity of these new security systems.

SECURITAS

Securitas is a global company that offers the best protective services solutions in the industry. Drawing on our long experience and in-depth knowledge about security, we can create tailored solutions that meet our clients' complex security needs. With operations in 56 countries in North America, Europe, Latin America, Asia, the Middle East and Africa and 370 000 employees, we serve over 150 000 clients of all sizes and from all industries with the aim to be their intelligent protective services partner.

OUR WAY OF WORKING

CLIENT CENTRIC

We always start from the client's perspective, focusing on interaction to develop deep client relationships. By supplying the right technology in combination with our employees' knowledge and experience, a common way of working and a consistent service delivery, security becomes more efficient and cost effective. The ongoing digitization of Securitas' operations also enables us to offer our clients better analyses, risk assessments and solutions for the preventive security work.

PEOPLE FOCUSED

Securitas aims to be a responsible employer and we have the best and the most engaged employees in the industry. Our corporate culture is built on strong values and a flat organization that encourages an entrepreneurial mindset. People will always be the core of the security solution and we strive to develop our employees so that they can be at the right place with the right skills.

DATA DRIVEN

We leverage our scale and the large amount of operational data collected by our security officers and other sources to deliver results and value to our clients and employees. We take advantage of this data to develop better and more intelligent products and modern and efficient tools for our security officers. Controls and processes are in place so that the data that we collect is handled responsibly.

OUR VALUE CREATION

We help make your world a safer place

Staying safe is one of the most fundamental human needs. In a world where the threats to our safety is ever increasing and becoming more complex, our commitment at Securitas to help our clients make their world a safer place is more relevant than ever.

We set the highest professional standards, constantly looking for new technologies and we have an uncompromising attention to work ethics. Our strong values - Integrity, Vigilance and Helpfulness - form the basic principles for everything we do -

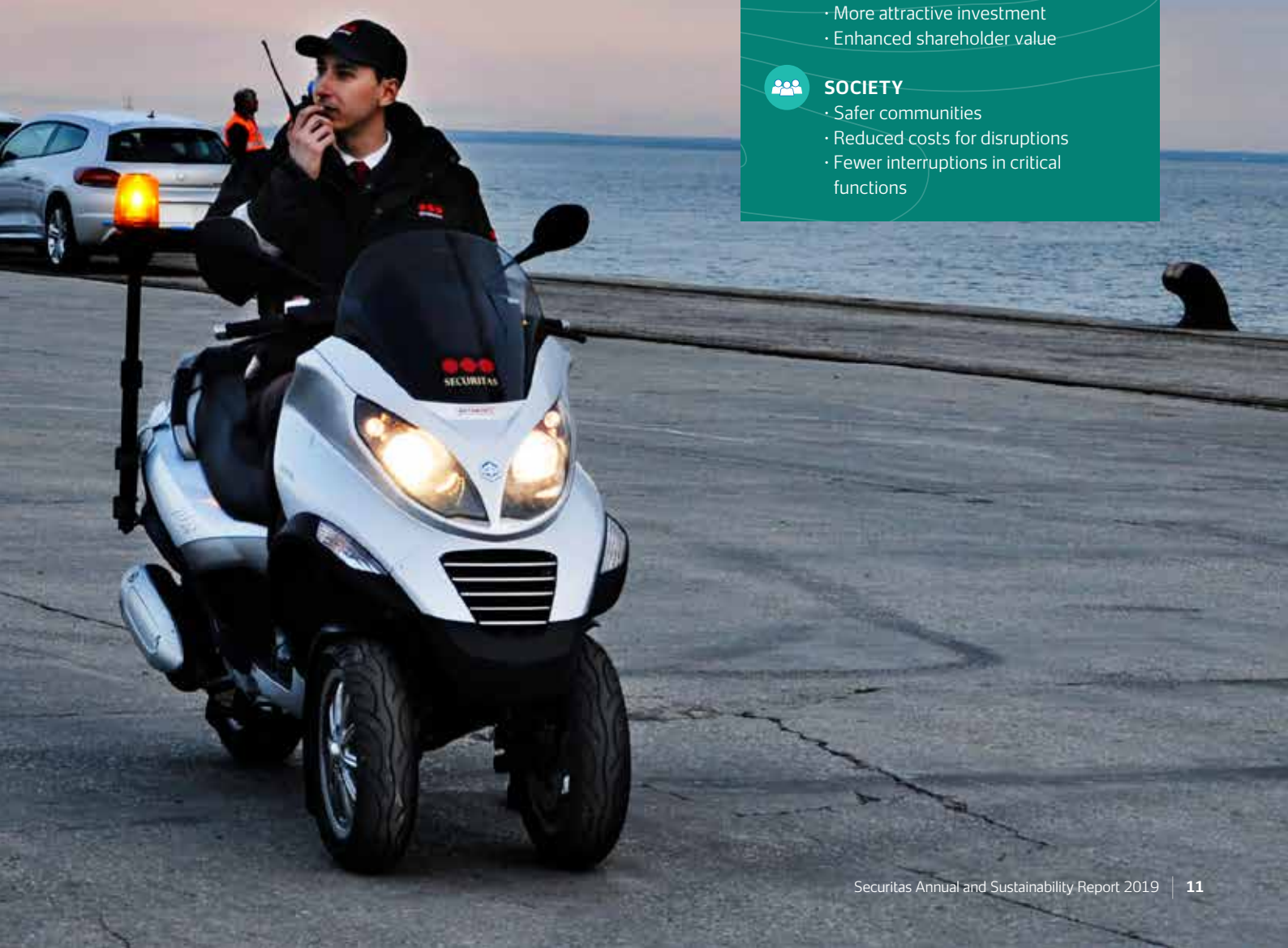
and we wear them with pride every day, symbolized by the three red dots in our logo.

Securitas is a modern, global company with highly skilled people and high-tech security systems. But our basic beliefs remains unchanged. Everything we do is based on our strong values, which have helped ensure global success for decades. And our purpose is in essence why we put on our uniform every day with great pride: We help make your world a safer place.



THE VALUES WE CREATE

- 
CLIENTS
 - In-depth knowledge and specialization to meet clients' security requirements
 - Efficient and tailored security solutions to minimize interruptions in our clients' businesses
 - Innovation and data-driven approach to enhance our offering
- 
EMPLOYEES
 - Stable employer with long-term focus
 - Fair wages and good working conditions
 - Employee development through training and talent management
- 
SHAREHOLDERS
 - Long-term stable company
 - More attractive investment
 - Enhanced shareholder value
- 
SOCIETY
 - Safer communities
 - Reduced costs for disruptions
 - Fewer interruptions in critical functions



Targets and targets fulfillment

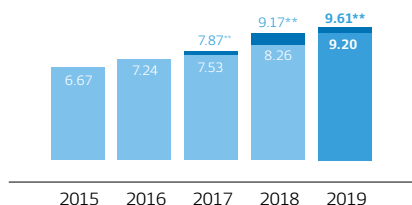
FINANCIAL TARGETS

4%*

EARNINGS PER SHARE IMPROVEMENT
(2018: 12 percent*)

TARGET

An annual average increase of 10 percent

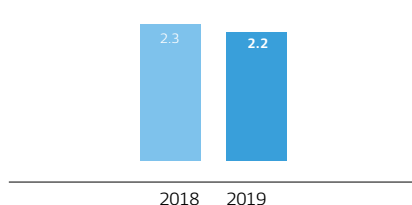


2.2

NET DEBT TO EBITDA RATIO
(2018: 2.3)

TARGET

A net debt to EBITDA ratio of on average 2.5

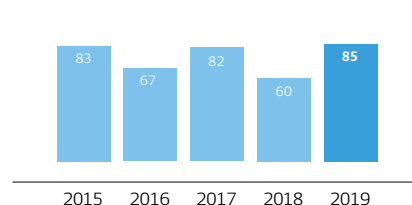


85%

OPERATING CASH FLOW
(2018: 60 percent)

TARGET

An operating cash flow of 70 to 80% of operating income



* Real change, adjusted for changes in exchange rates, items affecting comparability, IFRS 16 and the impact from the US tax reform

** Adjusted for items affecting comparability

SUSTAINABILITY TARGETS

24%

SHARE OF FEMALE MANAGERS

TARGET

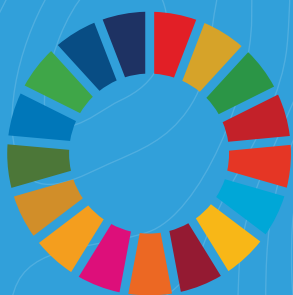
By 2021, the share of female managers at all levels should be at least the same as the share of women in the total workforce, which was 22 percent in 2019.

8%

CHANGE IN INJURY RATE

TARGET

5 percent annual decrease of the Group injury rate (2019: increase with 8 percent).



THE GLOBAL GOALS

For Sustainable Development

WE CONTRIBUTE TO UN'S SUSTAINABLE DEVELOPMENT GOALS

Securitas supports the United Nation's Sustainable Development Goals (SDGs) and we take the goals into consideration into our strategy work and in our daily operations.

Securitas is also a signatory of the UN Global Compact. Our primary focus is on the following targets where we believe we have good possibilities for positive impact. We also believe that we can have an impact through a number of other goals.

5 GENDER EQUALITY

TARGET 5.1 AND 5.5: Securitas is an equal opportunity employer and all employees are to be treated fairly and equally. Discrimination of women and discrimination based on other characteristics in hiring, compensation, training, promotion, termination or retirement is never acceptable. We believe that diverse work groups contribute to better business and we aim to increase the number of women in management positions at all levels in the company.

8 DECENT WORK AND ECONOMIC GROWTH

TARGET 8.8: Securitas is a large employer with operations in many countries around the world. We strive to be a stable and responsible employer that offers good working conditions and opportunities to grow. Decent labor practices, the right to organize and human rights are all vital to Securitas, our employees and our clients. We work actively with health and safety issues and our security officers receive training, instruction and equipment in line with the assignment, to minimize the health and safety risks. We do not accept any form of child labor or forced labor.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

GOAL 16 AND TARGET 16.5: Safety and stability is key in a well-functioning society. In an increasingly unpredictable world, Securitas' role is to help companies, infrastructure and government authorities to operate the way they are intended, without interruptions. The protection of workplaces, public areas and properties, carried out in a responsible way, plays an important part in how we contribute to a safer and more sustainable and productive society. Securitas also has a zero-tolerance policy against all forms of bribery and corruption.

3 GOOD HEALTH AND WELL-BEING **4 QUALITY EDUCATION**

13 CLIMATE ACTION **17 PARTNERSHIPS FOR THE GOALS**

Securitas can also have a positive direct or indirect impact through the following goals:

3: GOOD HEALTH AND WELL-BEING We work actively with health and safety issues for our employees, and also help others while on assignment.

4: QUALITY EDUCATION: Securitas has its own training centers in most countries where we operate, and we offer our employees a large number of different courses and programs.

13: CLIMATE ACTION We work to continuously reduce our climate impact, for example through reduced emissions from our vehicle fleet.

17: PARTNERSHIP FOR THE GOALS: Securitas supports the achievement of the SDGs.

Read more in the Sustainability Notes on pages 144-154.

Taking Securitas into the future

Securitas is well positioned for the future. The services we offer are more in demand than ever before, and the security market is growing globally. From this strong position, we have set new ambitious targets as well as a strategy and a new purpose to help us achieve those targets. Our aim is to be the intelligent protective services partner for our clients.



During 2019, we fine-tuned our strategy and updated our targets (see page 12). Our strategic direction is designed to reinforce our leadership role and generate long-term value creation. The strategy will take us into the future with more intelligent security services and security solutions. At the same time, we appreciate how crucial guarding services are for the company's continued success.

To achieve our desired position as the intelligent protective services partner, we are continuing to strengthen our core guarding business, while also extending it through the addition of further protective services and solutions, including data-driven innovation in both existing and new products.

LEADER IN GUARDING SERVICES

We have been a leader in guarding services for a long time - currently they account for 77 percent of Group sales - and we have grown to expand our presence to support our clients where they need us across the world. We are proud of our large and competent workforce and continuously work to offer competitive wages and an attractive workplace. We will maintain our focus on guarding services by increasing specialization, training and efficiency, which will free up time for our branch managers to spend directly with our clients.

LEADER IN PROTECTIVE SERVICES

Over the last ten years, we have gradually enhanced our offering by adding more protective services, and we are now able to offer a comprehensive portfolio of services including on-site, mobile and remote guarding, electronic security, fire and safety, and corporate risk management. These services enable our security officers to deliver comprehensive security solutions and add value for the

clients, at the same time as they strengthen our leading position and profitability. In 2019, we continued to build on our protective services offering through the acquisitions of the Australian companies Staysafe, an alarm monitoring company, and Fredon Security, specialized in high-end electronic security solutions. Security solutions and electronic security accounted for 21 percent of our Group sales in 2019, compared with 20 percent in 2018.

LEADER IN INTELLIGENT SERVICES

Data-driven innovations are now also changing the services that Securitas can offer, giving us the competitive edge. No other security provider can offer our combination of electronic security services and guarding expertise. Investments in our technology infrastructure and in new competencies are helping us capture, analyze and respond to data. This increases client value and operational efficiency.

At our Securitas Operation Centers, we have the ability to gather large amounts of data from camera feeds, sensors, incident reports and access controls that can help us with real-time detection and better prediction of security incidents. We recently piloted the Securitas Risk Prediction application, which helps us assess risk at client sites. We have also launched MySecuritas, a digital channel to our clients, which makes communication between the client, the branch manager and the security officers seamless. These types of services are unique to Securitas, and we are continuing to work towards also becoming a leader in intelligent services.

Together, these building blocks ensure that we will have the best offering, the best people and the highest client engagement, becoming our clients' natural intelligent protective services partner.

Our focus areas

To execute on our strategy to become the intelligent protective services partner, we are focusing on four areas: empowering our people, client engagement, protective services leadership and innovation, and efficiency.

EMPOWERED PEOPLE

Our employees' engagement, pride and passion for their role are vital for our continued market leadership.

CLIENT ENGAGEMENT

Client engagement is about finding ways to deepen our client partnerships through an expanded value proposition, shared values and ethics.

PROTECTIVE SERVICES AND INNOVATION

Securitas has the most comprehensive protective services portfolio in the industry today and we are further strengthening our offering.

EFFICIENCY

We are investing in our IT and business platforms to drive efficiency across the company.



Our officers go the extra mile

Service-minded, knowledgeable and vigilant are just some of the characteristics that describe our 370 000 employees working in 56 countries around the globe. We recognize that their engagement, pride and passion for their role are crucial for our continued market leadership.

Our employees represent the company on a daily basis, and our company's reputation is determined largely by their actions. Early on, we recognized the need to have a management model, Securitas Toolbox, to provide guidance on our corporate culture and values. This helps ensure that our work methods, management philosophy and client perspective are shared throughout the organization. It also helps ensure that our clients receive consistent service, regardless of who they are or where they are located.

Our strong company culture has been built by emphasizing our core values of Integrity, Vigilance and Helpfulness, and by continuously stressing the importance of sound ethics and compliance. In 2019, we also added a purpose to articulate what we do and to further guide our employees in their daily work: We help make your world a safer place.

FAIR WAGES AND GOOD WORK ENVIRONMENT

Securitas supports the United Nation's (UN's) Sustainable Development Goals, focusing particularly on goals that directly affect our employees, such as good working conditions and gender equality.

Our market leadership is dependent upon attracting and retaining the best employees in a highly competitive industry. We aim to be the employer of choice by, among other things, providing a good work environment and paying fair wages. In the UK, for example, we are working closely with the Living Wage Foundation to end low pay in the lowest paid service sectors. Securitas UK offers a "Living Wage" option to all prospective and current clients.

In the US, we are involved in industry associations such as the National Association of Security Companies (NASCO), an important stakeholder in ensuring good working conditions. We also maintain a dialogue with unions around the world and are have a global framework agreement with UNI Global Union, who represents more than 20 million workers from over 900 trade

unions in the skills and services sectors.

We prioritize good working conditions for all of our employees, and prior to accepting a contract with a client we evaluate the working conditions at the client site to ensure decent practices and a healthy work environment.

HEALTH AND SAFETY

Poor health and safety procedures put our employees at risk and can damage our brand reputation, and we work actively with occupational health and safety issues in all countries. We continuously train our employees to ensure they can perform their tasks safely and have adequate equipment. Our security officers are trained not only to help themselves, but also to help others while on assignment, for example by performing first aid and CPR and ensuring fire safety. Our security officers receive training at least annually, and in many cases even quarterly.

Formal health and safety committees meet regularly, and client sites are assessed from a health and safety perspective. 22 countries of operation have received OHSAS 18001/ISO 45001 certification, and most of our operations have a "near-miss" reporting system to help us identify safety hazards. Our health and safety approach and knowledge have also become part of the services we offer our clients.

DIVERSITY AND INCLUSION

One of our challenges is to increase gender diversity, which is one of our main focus areas when it comes to achieving the UN's Sustainable Development Goals. Our target is to have at least the same percentage of women in management positions at all levels as we have in the total workforce. Securitas aims to achieve better diversity on all fronts, and is firmly committed to equal opportunity and non-discriminatory practices for everyone. We conduct our business in accordance with international conventions such as the UN Universal Declaration of Human Rights.



Closer to clients

Our clients' security needs are changing and shifting from manned guarding to security solutions featuring a combination of manned services and technology, supported by modern, data-powered tools. With the right team and assets, Securitas is in a strong position to meet these needs. Client engagement and deeper partnerships will help us lead the industry into the future.

With our vast global presence we are never that far from our clients and prospective clients. Today we have 150 000 clients (excluding monitoring only clients) and 150 global clients, including some of the largest companies in the world.

Securitas has a loyal customer base, with a retention rate of close to 90 percent and approximately 80 percent recurring sales base. We are proud of this high retention rate, but do not take our success for granted. We plan to strengthen our position even further by focusing more on client engagement.

STRONG CLIENT RELATIONS

Client engagement is about finding ways to deepen the relationship with our clients. It requires a long-term perspective, intelligent data-driven solutions, global consistency in service delivery and the capability to scale from local to global solutions. We have a market-leading position in several countries and took additional measures in 2019 to ensure that Securitas' culture, values and way of working are the same no matter where in the world our clients are active.

We are combining our strong local empowerment and delivery model with increased global consistency, which includes initiatives such as a global clients platform. We are also implementing a number of initiatives to establish best practices and develop more digital, easy-to-use interfaces with clients.

NEW GLOBAL FUNCTIONAL UNITS

In 2019, we created three global functional units to support our strategy and work with our global partners. The Global Clients

and Vertical Markets functional unit is responsible for our largest global clients and for developing specialization in new vertical markets. The Global Electronic Security Business Center is responsible for developing a global business approach, with common tools, processes, products and services within electronic security. The Global Guarding Center of Excellence will continue to strengthen our guarding core by developing global expertise, common tools and processes.

Our global clients currently account for 13 percent of Securitas' total sales and the number is growing due to increased globalization. There are few other security providers who can compete with us when it comes to global security knowledge.

VERTICAL MARKET SPECIALIZATION

We are strengthening our solutions offering and working towards solving problems based on global best practices. At the same time, we are able to adapt to the different needs of each client through tailored solutions and vertical market specialization. One example of this is our aviation industry expertise. In 2019, we increased our aviation knowledge and capacity further through the acquisition of Global Elite Group, a security services provider to the US aviation industry with approximately 1 050 employees. The customer base includes more than 60 commercial airlines, among other aviation clients.

With our in-depth understanding of each client's business, values and goals, we can develop security solutions and services tailored to their individual needs.



Protective services for every security need

The demand for security services continues to grow, and delivering high-quality solutions to our clients is the essence of what we do. We are therefore further strengthening our protective services through deeper specialization in each protective service combined with an even greater emphasis on selling and delivering solutions as well as adding data-driven innovation.

RANGE OF PROTECTIVE SERVICES

Securitas has the most comprehensive protective services portfolio in the industry today. Together with our large presence, this gives us a strong competitive advantage, and we see significant potential to grow further in each protective service as well as in solution sales.

One of the biggest growth opportunities is in electronic security. All sectors, from data centers and transportation to healthcare and retail, utilize electronic security. This market is growing and is expected to be valued at USD 70 billion in 2021. The market for electronic security includes both systems integration and alarm monitoring, and few other providers can compete with Securitas' ability to offer both services. Today, we have electronic security capabilities in more than 30 countries and a global market presence.

With its broad portfolio and independent technology expertise, Securitas is a trusted advisor to our clients, offering them a one-stop-solution shop for all their security needs. By partnering with leading industry manufacturers and acquiring companies with additional competencies, we are able to provide the full value chain, from sales, design and installation to maintenance, monitoring and response. Through acquisitions, we are also expanding our global footprint to leverage growth opportunities in line with our strategy.

INNOVATION

Securitas is leading the transformation of the security industry from low-tech to high-tech. We are employing people with competence in artificial intelligence, big data and digitized products, and together with our experienced security experts, they are developing new products and services as well as enhancing existing ser-

vices. Securitas' size, presence and market position are all important factors that are enabling us to become data-driven, deliver intelligent services and provide quick and adequate response to our clients.

We are digitizing the client experience, often by co-developing new solutions together with them. For example, we have created a digitized client channel, MySecuritas, that delivers dynamic incident reporting and business intelligence to our clients in digital form. It is also a digital distribution channel for our own and partner services (see more on page 23).

The security officer work methods are also being digitized to improve the quality and efficiency of our work. For our clients, this means that they will be able to see clearly, and even in real-time, how we deliver value to them. For our employees, it improves their work experience as they can get better support from other connected security officers in the field or in the SOC, Securitas Operation Center.

The digital interface makes it possible for Securitas to deploy new services in a quick, easy and consistent way. In parallel, we are constantly working to ensure that the data gathered is anonymized, structured and utilized in line with data protection regulations and our own policies.

ACQUIRING GLOBAL EXPERTISE

In 2019, we acquired two companies that will help us become the intelligent protective services partner in Australia. The purchase of the alarm monitoring company Staysafe is helping us to establish service delivery and innovative solutions, while the acquisition of Fredon Security adds to our capabilities in the area of high-end electronic security solutions.

We also acquired the electronic security company Allcooper Group in the UK, a company specialized in the installation, maintenance and monitoring of security and fire systems.



Efficiency a key priority

Multiple programs are underway to drive efficiency within Securitas including the establishment of a new global IT platform and a business transformation program. These programs are helping us lead the transformation of the security industry.

We are investing in our IT and business platforms to drive efficiency across the company. Transforming the organization by modernizing our technology and engaging in more collaboration and sharing of business practices will improve our capabilities and increase our profitability.

IS/IT PLATFORM

Securitas is investing in a modern, scalable IS/IT platform. This is one of two major transformation programs that will increase efficiency and support the execution of our strategy. Our target is to reduce our current IT costs with MSEK 300 year-on-year by 2022 through this major investment in a data-driven technology platform.

The multi-year transformation is well under way, and we have already completed the merger of our IT operations in 56 countries into a leaner, global IT structure. The new structure comprises two delivery hubs – one for the EMEA and APAC regions and the other in the Americas. We have also established 11 IT clusters that are spread around the globe. This restructuring ensures that our IT operations can support both global and local efforts in an optimal way.

FURTHER MEASURES

We are also driving change through our business platforms to improve our ways of working, best practice sharing and collaboration. In 2019 we started a business transformation program in North America with the target of improving our operating margin by up to 0.5 percentage points by 2022.

Additional projects are under way to improve our service delivery and focus on providing support to both our salespeople and our clients. We are digitizing tools for our security officers and have a customer excellence program that includes a global client relationship management (CRM) system.

To achieve a more efficient back office, we are integrating systems, reducing manual processes and improving our tools for finance, HR and administrative work. Digital tools for the “officer of tomorrow” offer another step in the right direction. Our transformation towards further efficiency is an ongoing process that will continue in the years to come.

Solving today's and tomorrow's security challenges

Securitas is a global company that offers the best protective services solutions in the industry. Drawing on our long experience and in-depth knowledge about security, we can create tailored solutions that meet our clients' complex security needs. With operations in 56 countries in North America, Europe, Latin America, Asia, the Middle East and Africa and 370 000 employees, we serve over 150 000 clients of all sizes and from all industries with the aim to be their intelligent protective services partner.



CLIENT CENTRIC

We always start from the client's perspective, focusing on interaction to develop deep client relationships. By supplying the right technology in combination with our employees' knowledge and experience, a common way of working and a consistent service delivery, security becomes more efficient and cost effective. The ongoing digitization of Securitas' operations also enables us to offer our clients better analyses, risk assessments and solutions for the preventive security work.

PEOPLE FOCUSED

Securitas aims to be a responsible employer and we have the best and the most engaged employees in the industry. Our corporate culture is built on strong values and a flat organization that encourages an entrepreneurial mindset. People will always be the core of the security solution and we strive to develop our employees so that they can be at the right place with the right skills.

DATA DRIVEN

We leverage our scale and the large amount of operational data collected by our security officers and other sources to deliver results and value to our clients and employees. We take advantage of this data to develop better and more intelligent products and modern and efficient tools for our security officers. Controls and processes are in place so that the data that we collect is handled responsibly.



We have a valuable relationship with our Securitas partner that covers multiple levels of security needs.

Rob Gray, Vice President
Cox Enterprise Security

CASE: CLIENT CENTRIC STRONG SECURITY PARTNER FOR COX AUTOMOTIVE

Securitas has developed a customized security solution for Cox Automotive that includes a wide range of protective services. The company is currently Securitas' largest remote guarding client in North America.

The relationship between Cox Automotive and Securitas began just a few years ago, with Securitas providing guarding services for Cox Automotive's core business of automobile auctions. Cox Automotive is a division of Cox Enterprises based in Atlanta, Georgia, and is one of the largest auto auction companies in the world. Cox Automotive is driven by a passion for mobility, innovation, client success and community outreach, and the company aims to make selling, owning and using cars easier for everyone.

Cox's internal security team oversees physical security, investigations, business continuity, crisis management, data governance, identity theft and loss prevention. The team works closely with the senior leadership at Cox companies when it comes to recommending and advising on security policies and procedures.

Securitas and Cox Automotive have a shared mission: to protect a very large number of vehicles housed outdoors at wholesale auto auction sites in the US. Cox Automotive processes over half of all used cars in the US and the company needed to improve its security without adding significant labor costs. With responsibility for the customer experience, site safety and the physical security of auction vehicles, they face significant security threats. Managing the logistics of receiving and releasing vehicles requires a unique and detailed process and Securitas collaborated with Cox Automotive to implement the Securitas protective service solutions that meet the Cox's specific needs.

Securitas currently serves a large number of sites across the US and Puerto Rico, and Cox Automotive has become Securitas' largest remote guarding client in North America. Together with the client, Securitas has developed a customized security solution that includes electronic security, on-site, mobile and remote guarding as well as corporate risk management. This includes a perimeter protection solution with high-definition outdoor IP cameras, a video management system and audio recording capabilities installed at Cox Automotive's facilities.

The cameras send alerts to the Securitas Operation Center, where specially trained remote guarding officers investigate and respond as required for example, by dispatching mobile patrol officers. The ability to integrate video analytics with guarding as well as physical perimeter barriers, provides a valuable solution for Cox.

Securitas, in partnership with the security team at Cox, has provided a comprehensive security solution resulting in both program efficiencies and cost savings. "We have a valuable relationship with our Securitas partner that covers multiple levels of security needs. We look forward to a continued and successful partnership in the future", says Rob Gray, Vice President Cox Enterprise Security. The partnership has improved Cox's overall loss prevention program and client experience, and data provided by Securitas is aiding Cox in the strategic planning of their overall security program.



We benefit from the fact that Securitas always is up to date with the latest technology development.

Paul Gray,
Chief Operating Officer,
National Gallery

CASE: PEOPLE FOCUSED THE ART OF ENGAGING EMPLOYEES

Securitas has not only enhanced security at the National Gallery in London, but also helped provide a better visitor experience, leading to higher membership sales.

The National Gallery in London, UK, is one of the world's best-known art galleries, with a history dating back to the 1820s. The gallery welcomes up to six million visitors per year and is committed to education, with an extensive program including free public lectures, guided tours and seminars. The valuable collections, in combination with the gallery's ambition to be as accessible as possible to the general public, present quite a challenge from a security perspective.

Securitas has been providing security and visitor engagement services to the National Gallery since 2015. The contract included taking over 350 employees who, up until then, had worked directly for the museum. The transition was not entirely smooth, and job satisfaction went down after the change. At the beginning of 2018, Securitas appointed a new key account manager. Some time later, new sales and operations managers started at the National Gallery. Both the client and Securitas agreed that new solutions were necessary to make the contract successful and to increase employee satisfaction. It was also important to establish good relations with the union representing the employees.

In June 2019, the National Gallery signed a five-year extension of its contract with Securitas, marking the start of a new way of working at the gallery based on an integrated approach to technology and people. The common goal was enhanced security, a better visitor experience and increased efficiency. Securitas engaged with the gallery's different stakeholders, including external parties such as the Metropolitan Police, to explain the benefits of the proposed changes and get their support.

As a start, the 300 Securitas employees working with security at the National Gallery received further training and equipment to allow for full communication between all security departments. The different teams responsible for security in the gallery, in perimeter security and in alarm response now have efficient work routines and processes so that they can solve any issues that arise in the best way possible. Incident response times are down to approximately 45 seconds, compared to a minute and a half under the former system.

Securitas not only provides security to the National Gallery, but also runs all visitor engagement activities, which includes selling tickets and membership packages. Being a public museum, the National Gallery must raise a large part of its funding from commercial activities in order to meet its public sector financial obligations.

A special training program, focusing on behavioral training and sales training, was created for the visitor engagement team members. The result has exceeded everyone's expectations as sales of memberships have gone up since Securitas took over, from around 1 000 per year to nearly 10 000 in 2019. There have been a number of challenges and obstacles along the way, but together with the client, Securitas has created an efficient security solution with skilled and engaged employees.

As its biggest supplier and with a direct impact on the gallery's day-to-day commercial revenues, Securitas is now seen as a vital partner in the National Gallery's wider ambitions. We are also very pleased that the National Gallery is a Living Wage client, which means that they are committed to paying wages that meet the cost of living.



With MySecuritas' user-friendly interface clients can see what we are doing by providing a clear and immediate overview of what Securitas delivers to them, even when there are no incidents.

Martin Althén,
Chief Information Officer, Securitas

CASE: DATA DRIVEN HIGHLY ACCURATE RISK PREDICTION

Through machine learning and predictive data models, Securitas is increasing its ability to understand the risk of security incidents, both criminal and otherwise. This knowledge will change the security services we deliver to our clients and give us a competitive edge.

A key element in Securitas' strategy is to promote innovation of new services – a journey we have started with the aim of becoming the intelligent protective services partner globally, leading the transformation of the security industry. We are involving employees across Securitas as well as our clients in this transformation. Our focus is to both enhance and augment existing services and to bring new services to the market that address the specific needs of our clients. To achieve this, it is fundamental that we extend our digital channels.

In 2019, based on client interviews and in close collaboration with clients across various segments, Securitas launched MySecuritas, a channel focused on small and medium-sized clients. Now in its first version, MySecuritas delivers dynamic incident reporting and business intelligence to our clients in digital form. In addition, it serves as a digital distribution channel for our services as well as those of our partners. Based on early data and feedback from clients, MySecuritas has been shown to enable increased client retention and fuel demand for additional service offerings. Altogether, the results are very encouraging.

The second digital service distributed and launched through MySecuritas was a risk prediction module. Based on multiple datasets, statistical models and machine learning algorithms, this service can predict where and when security incidents are most likely to occur – in real time. By analyzing data from our own operations combined with open data sources, the service

offers highly accurate, site-specific risk assessments. In a user-friendly interface, clients get a clear and immediate overview of the risk level across their operations, data that can be used to improve efficiency. The service also provides information and statistics about general risk levels across various areas and comparative indicators at the geographical level. The development of new services always considers individuals' integrity.

In combination with sophisticated machine learning algorithms, the collection of data from our more than 340 000 security officers enables Securitas to better understand risk across the security spectrum. These industry-specific insights enable our clients to manage their security more effectively as well as optimizing Securitas' service delivery and enabling us to proactively deploy security officers and better advise our clients. As a security partner, this gives us a unique opportunity to differentiate ourselves from the competitors by demonstrating that Securitas is the knowledge leader in the security industry.



The power of presence

Securitas has a leading global and local market presence with operations in 56 countries.

Our operations are organized in three business segments: Security Services North America, Security Services Europe and Security Services Ibero-America. We also have operations in Africa, the Middle East and Asia, which form the AMEA division. This division is reported as "Other" in our segment reporting.

We believe that we add value to our clients by combining our global presence with local expertise in close to 1 450 branch offices. Securitas has a leading protective services offering including on-site, mobile and remote guarding, electronic security, fire and safety services and corporate risk management. Our security services are managed and coordinated through 44 Securitas Operation Centers (SOC), where operators can quickly address our clients' security issues. The information gathered by our SOCs provides our clients with high-quality security around the clock, along with analytics, analysis and client reports.

SECURITY SERVICES NORTH AMERICA

Security Services North America provides protective services in the US, Canada and Mexico. The operations in the US are organized in four specialized units - Guarding, Electronic Security, Pinkerton Corporate Risk Management and Critical Infrastructure Services. Guarding includes on-site, mobile and remote guarding and the unit for global and national accounts, as well as Canada and Mexico. There are also specialized client segment units, such as aviation, healthcare, manufacturing and oil and gas.

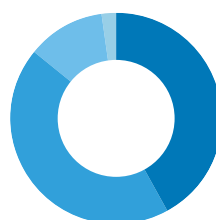
SECURITY SERVICES EUROPE

Security Services Europe provides protective services across Europe with operations in 27 countries, whereof 15 countries provide airport security. The full range of protective services includes on-site, mobile and remote guarding, electronic security, fire and safety services and corporate risk management. In addition there is a specialized unit for global client contracts.

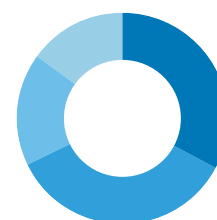
SECURITY SERVICES IBERO-AMERICA

Security Services Ibero-America provides protective services in nine Latin American countries as well as in Portugal and Spain in Europe. Airport security is offered in seven countries. The offered services include on-site, mobile and remote guarding, electronic security, fire and safety services and corporate risk management.

SALES PER SEGMENT of Group total



EMPLOYEES PER SEGMENT of Group total



- Security Services North America 44%
- Security Services Europe 43%
- Security Services Ibero-America 12%
- Other (incl. AMEA) 1%

- Security Services North America 33%
- Security Services Europe 34%
- Security Services Ibero-America 17%
- Other (incl. AMEA) 16%

SECURITAS' MARKETS

North America

- › Canada
- › Mexico
- › USA

Europe

- › Austria
- › Belgium
- › Bosnia and Herzegovina
- › Croatia
- › Czech Republic
- › Denmark
- › Estonia
- › Finland
- › France
- › Germany
- › Greece
- › Hungary
- › Ireland
- › Latvia
- › Luxembourg
- › Montenegro
- › The Netherlands
- › Norway
- › Poland

Ibero-America

- › Romania
- › Serbia
- › Slovakia
- › Slovenia
- › Sweden
- › Switzerland
- › Turkey
- › The United Kingdom

Ibero-America

- › Argentina
- › Chile
- › Colombia
- › Costa Rica
- › Ecuador
- › Panama
- › Paraguay
- › Peru
- › Portugal
- › Spain
- › Uruguay

Africa, Middle East and Asia (AMEA)

- › Australia
- › China
- › Egypt
- › Hong Kong
- › India
- › Indonesia
- › Jordan
- › Morocco
- › Saudi Arabia
- › Singapore
- › South Africa
- › South Korea
- › Sri Lanka
- › Thailand
- › The United Arab Emirates
- › Vietnam



NORTH AMERICA

TRANSFORMATION AND SPECIALIZATION

Organic sales growth remained favorable in 2019, despite the strong comparatives. Our IT and business transformation initiatives progressed according to plan. These activities will be the foundation for our continued growth and value creation, with productivity improvements and efficiency gains in all operations.

Specialization is also a focus area. In 2019, we restructured the operations into client segments and solution-specific business units that create synergy effects and allow us to deliver tailored security solutions and expertise to our clients. At the same time, we increased the number of branch managers. With smaller client portfolios, the branch managers can not only spend more time with each client to better understand their specific needs, but also be closer to the security officers.

THE MARKET

The North American security market is continuing to experience aggressive con-

solidation, something that requires us to engage in disciplined strategic planning and execution.

Unemployment rates in North America remain very low, making the labor market challenging as employers compete to attract top talent. To strengthen our employer brand, we have introduced the SecuritasCommitment program, which supports employee development and well-being.

A SUSTAINABLE BUSINESS

In addition to SecuritasCommitment, we offer our employees development opportunities that help them carry out their assignments in the best possible way and also support the pursuit of other professional and personal goals. In the US, we have an exclusive partnership with a university to offer several security certificate programs as well as financial benefits to help our security officers earn associate and bachelor's degrees.

Securitas has a large vehicle fleet and to reduce our climate footprint we have

set a goal of converting more than 25 percent of our North American fleet to electric vehicles by the end of 2020. We are also actively seeking diverse suppliers.

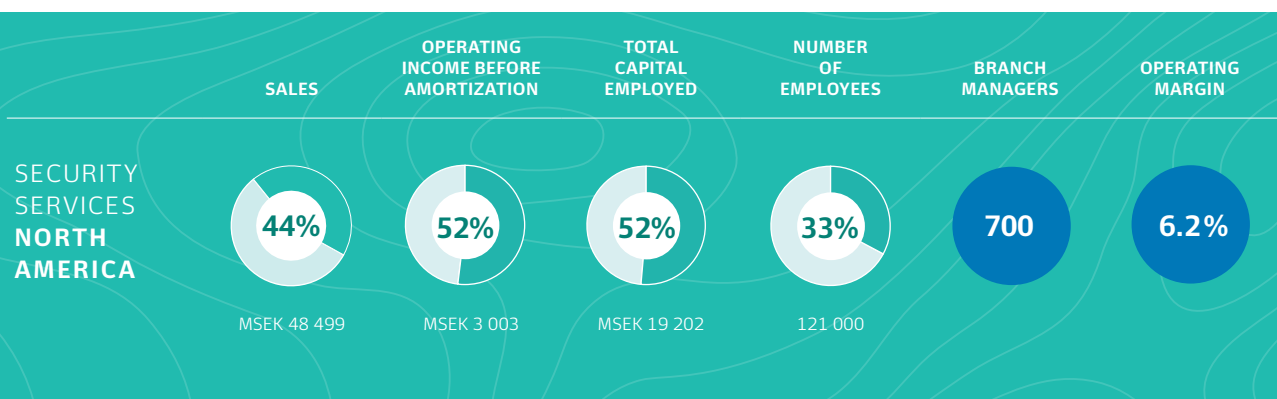
GOALS AND PRIORITIES IN 2020

In line with our strategy, we will fully leverage our vast data assets and advanced analytics to increase productivity and strengthen our service offering. We believe this will confirm our position as the leader in intelligent protective services. Given our size in the security industry, we will continue to drive the implementation of fair wages and benefits for our security officers. Diversity is also a prioritized area to remain an employer of choice.

Santiago Galaz

Divisional President
Security Services North America

Santiago Galaz was Divisional President Security Services North America until December 31, 2019. From January 1, 2020, Santiago Galaz is Executive Chairman Security Services North America.





EUROPE

INCREASED FOCUS ON MULTI-NATIONAL CLIENTS

Securitas has a strong footprint in Europe, with operations in 27 countries. This is unmatched in the European security industry. The underlying momentum for the business is good, even though organic sales growth in 2019 decreased compared with the previous year. This is due to the loss of certain client contracts in France and the UK. Growth was favorable in Belgium, Germany, Turkey and the Nordic countries. Sales of security solutions and electronic security progressed well and increased from 21 percent to 22 percent of total sales. Our clients value our strong brand and the quality services we provide. This is exemplified in the steady growth of cross-border contracts with multinational clients. A cost-savings program that will increase efficiency was implemented in 2018 and is progressing according to plan.

THE MARKET

The European market for security services grew approximately 2 percent in 2019. Economic growth in Europe began to slow during the year, while wage inflation continued. Securitas has a broad offering of protective services, which provides us with opportunities to create cost-efficient and value-added security solutions for our clients. This gives us a strong position as the leading company in the security industry, even in times of economic slowdown.

A SUSTAINABLE BUSINESS

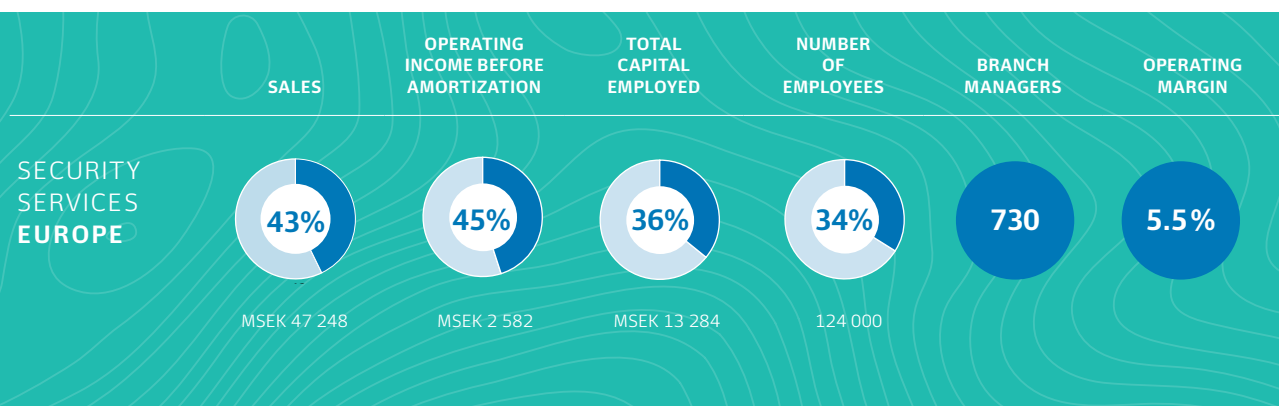
We continue to focus on further improving our talent management, training and hiring processes. Securitas aims to be a preferred employer, and we continuously work to improve our brand, position and attractiveness for current and potential employees. Other priorities include increasing diversity and focusing on occupational health and safety work to ensure that our employees can carry out their

assignments in a safe way. We also value a proactive relationship with the European Works Council.

GOALS AND PRIORITIES IN 2020

To support Securitas' strategy in 2020, we are accelerating the growth of security solutions and electronic security through further investments, training and strengthening of capabilities throughout the organization. We will also enhance our program for working with global clients, primarily through our Client Excellence program. Efficiency gains will be made by strengthening our system support and by further automating key operational processes.

Peter Karlströmer
Divisional President
Security Services Europe





IBERO-AMERICA

FAVORABLE GROWTH DESPITE POLITICAL CHALLENGES

2019 was a year of change in Security Services Ibero-America. I assumed the role as Divisional President on July 1, after many years as Country President in Portugal. We also welcomed new leaders in certain countries in Latin America and in Portugal as a means of gearing up for the future.

The political, economic and social situation in the division, especially in Latin America, was challenging in 2019, but organic sales growth remained strong. We have a very good client portfolio with great potential, particularly in the private sector, where we have experienced favorable development. Our 64 000 employees are making sure that we can deliver high-quality security solutions every day. The Securitas Operation Centers continue to add value to our protective services, and thereby to our clients.

THE MARKET

The market for private security services was affected by political and social chal-

lenges in certain Latin American countries during 2019. Economic and budgetary pressures in those countries are increasing the need for security and safety and for more efficient and innovative security solutions. This represents an excellent opportunity to implement Securitas' strategy more effectively.

In Spain and Portugal, on the other hand, we are seeing growing regulation of the private security services sector, and there is currently a demand for security service providers that can contribute to stable operations and provide added value.

A SUSTAINABLE BUSINESS

Securitas has its own training centers in all countries, and offers courses ranging from basic to very advanced. Talent management, activities to promote diversity, and continuous improvements to our occupational health and safety work are important areas that we believe will increase employee satisfaction and help us remain an attractive employer.

Following internal whistleblowing Securitas has conducted an investigation

into potentially improper conduct in Argentina. During the investigation we have taken decisive actions, including terminations, and worked to improve our internal controls in Argentina and the other countries in the division.

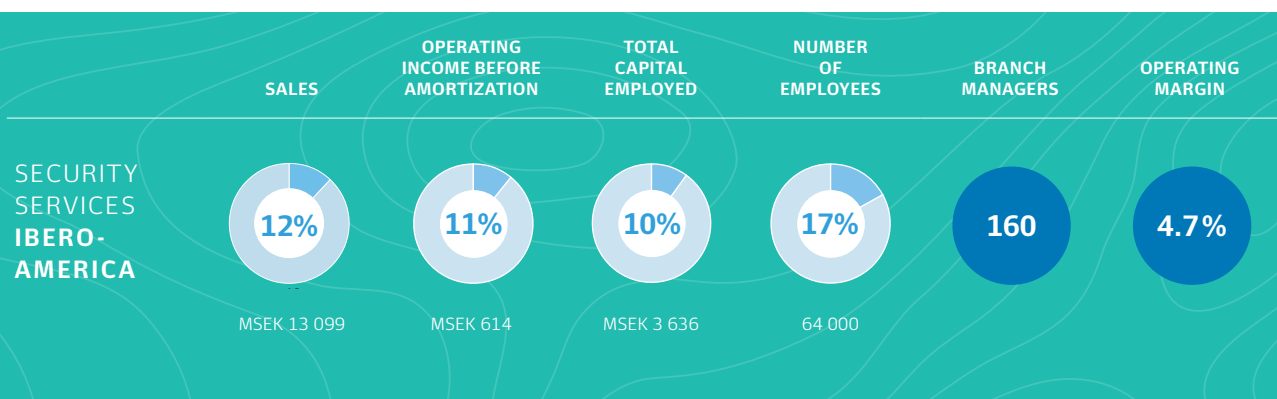
GOALS AND PRIORITIES IN 2020

In line with Securitas' strategy we are enhancing our technical platforms and production tools. We are also increasing focus on client centricity, for example by further developing the branch manager model and a flat organization. Promoting leader development is key to supporting all operational and commercial processes related to client engagement.

Security solutions and electronic security sales accounted for 27 percent of total sales in the business segment at the end of 2019, and we fully support the strategic transformation ambition to double these sales by 2023. By strengthening our existing footprint, we anticipate favorable growth opportunities in 2020 and beyond.

Jorge Couto

Divisional President
Security Services Ibero-America





AFRICA, MIDDLE EAST AND ASIA

EXPANDING IN THE REGION

Securitas continued to grow well in the Africa, Middle East and Asia (AMEA) division in 2019, with favorable margin improvements. We are especially proud of being awarded our first nationwide contract in Australia as well as winning a contract with a major technology company focusing heavily on Asia – the largest consolidated security contract across the AMEA region. We continued investing in our protective services in key markets to strengthen our client value proposition, for example by further developing our Securitas Operation Centers in Singapore and Hong Kong. Two strategic acquisitions in Australia put us in a unique position to deliver security solutions and electronic security in the country, and at the end of the year we received a license allowing us to start operations in Beijing, China.

THE MARKET

The guarding market in the AMEA region is the fastest growing in the world. It is expected to have an annual growth rate of close to 10 percent, reaching a 45-percent

share of the global guarding market by 2023. This growth is mainly being driven by India and China. There are major differences in terms of market maturity, from some of the most developed and digitized markets in the world to some of the least developed. We see major growth opportunities for our protective services and security solutions in the developed markets, while there is strong potential to build up high-quality guarding services in all our markets.

A SUSTAINABLE BUSINESS

Ethical business behavior, a strong culture and living by our values are prerequisites for our leaders and employees across the AMEA region, regardless of the challenges faced in the local market. These practices are integrated into our daily work and into our processes for recruiting, training and developing our employees. We also actively engage in sustainability and compliance topics with our clients, working together to make a difference, for example regarding diversity. One example is the implementation of a workforce benefits program in cooperation with one of our

key global clients in Singapore, a groundbreaking project that has improved both service quality and employee satisfaction.

GOALS AND PRIORITIES IN 2020

We will continue to work closely with our clients and execute our commercial growth strategy in 2020, focusing on client centricity. This includes accelerated investments in prioritized markets, both organically and through acquisitions, to build up our protective services and security solutions offering. Digitizing our security officers' tasks will improve the standardization and consistency of the services we deliver. The data retrieved from our operations will also be used to improve efficiency and innovation. Leadership, succession planning, talent management and the development of our employees are critical to building a long-term sustainable business model in the AMEA region.

Andreas Lindback

Divisional President
Africa, Middle East and Asia (AMEA)

A shared sense of responsibility

Securitas has always emphasized the importance of having a strong culture and core values in order to offer our clients the best team in the security services industry. These efforts have made our company the success it is today.

In 2019, we articulated a purpose in order to further strengthen our culture and guide our employees in their daily work. That purpose - We help make your world a safer place - is about sharing strong values and providing peace of mind and business continuity.

ETHICAL PRACTICES

At Securitas, we always aim to do what is right when it comes to our clients, our employees and society. Securitas' Values and Ethics Code provides guidance in this area. All of our employees and business partners are expected to follow the Code and other key policies to ensure compliance with applicable local and extraterritorial laws. All of our employees receive training in the Code and other key policies. We also include compliance with the Code in our supplier contracts, with specific guidelines and standards for suppliers, and we conduct supplier risk assessments when required.

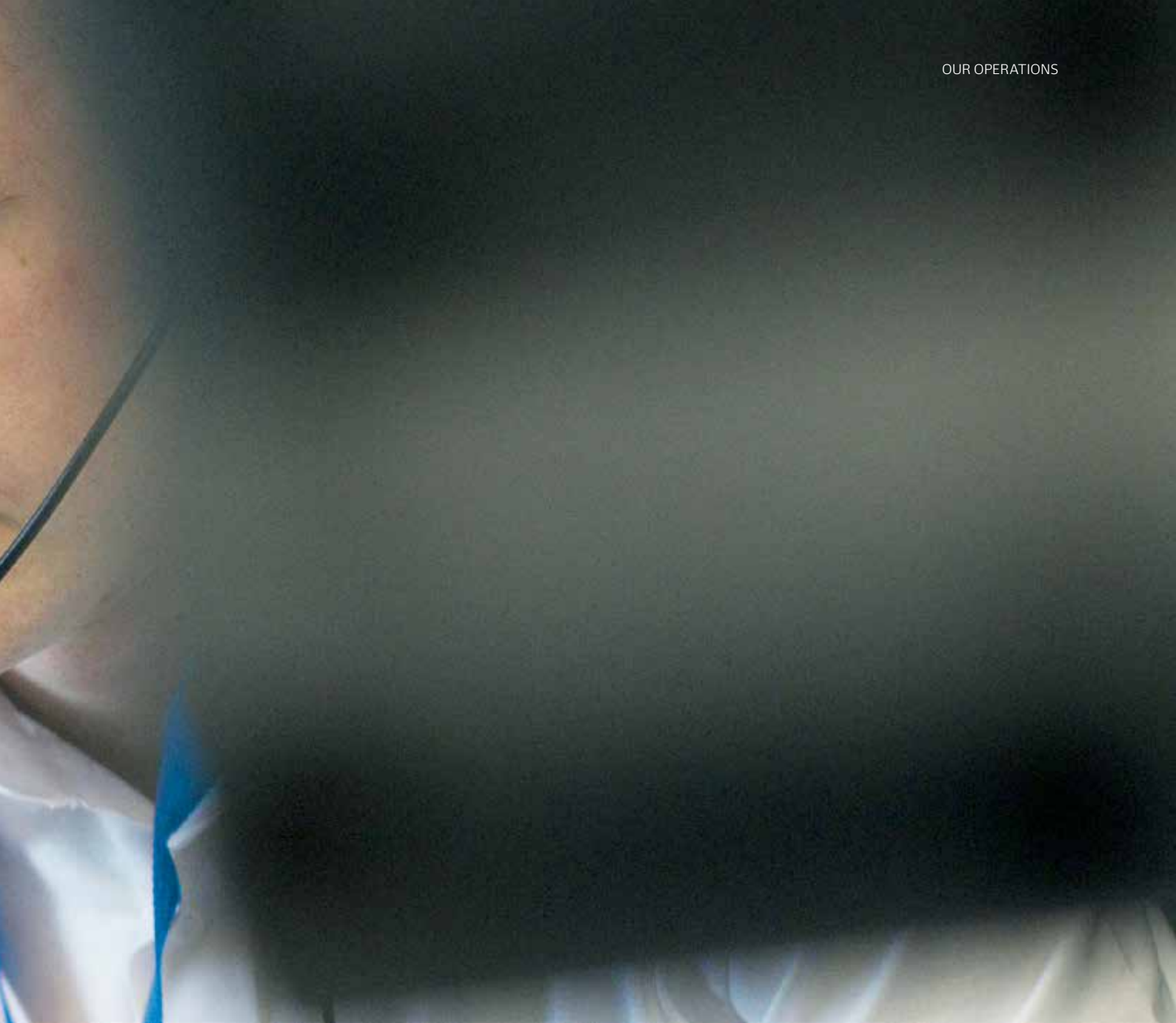
Securitas has a zero-tolerance policy against all forms of bribery and corruption. We encourage all employees to report incidents of non-compliance with Securitas' Values and Ethics

Code as well as any irregularities they may encounter in their work. This can be done through various channels, including the Group's reporting system, Securitas Integrity Line, which is known as Securitas Hotline in the US and Canada, and Linea de Alerta in Mexico.

Our business is conducted within the framework of the laws and regulations of the countries where we operate and in accordance with international conventions, such as the United Nations Universal Declaration of Human Rights, the OECD's Guidelines for Multinational Enterprises and the ILO's Declaration on Fundamental Principles and Rights at Work. We have also signed the United Nations Global Compact and follow the GRI standards for sustainability reporting.

CORE VALUES

Our core values form the foundation for the entire company when it comes to our high ethical standards and responsibilities. Integrity, Vigilance and Helpfulness are the shared values that guide our way of working and how we manage and conduct ourselves in our client relationships. These values date back to the 1950s but remain equally valid today.



We encourage an environment of openness, accessibility, pride and empowerment. Having a flat, non-hierarchical organization helps foster this type of environment. Our management model, the Securitas Toolbox, provides guidance on our corporate culture and values to ensure that our work methods, management philosophy and client perspective are shared throughout the organization.

LONG-TERM PROFITABLE GROWTH

Securitas was founded in Sweden in 1934, initially with just three employees. Our numbers have grown significantly since then to 370 000 employees, and today we are located in 56 countries. Our client numbers have also grown enormously. One thing that has not changed, however, is our sense of responsibility towards our employees and clients and our commitment to delivering high-quality services. This has helped and will continue to help us secure long-term profitable growth, especially as ethics and compliance issues become increasingly important in many parts of the world.

Sustainability is well integrated into our operations and this will help us retain our strong market foothold. At the same time, there are certain risks that could affect our growth, such as restrictions on private security companies operating in a particular market, increased insourcing of security services and diminished confidence in private security companies. Non-compliance with Securitas' Values and Ethics Code could result in reputational damage, lost revenues, penalties, fines or difficulties in recruiting.

Our process for enterprise risk management (ERM) is well integrated into the business, and all countries within the Group perform an annual self-assessment, which is part of the process of managing enterprise-wide risks and maintaining a sound business well into the future.

Corporate governance report

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COMPLIANCE WITH THE SWEDISH CORPORATE GOVERNANCE CODE (THE CODE)

The corporate governance report, which has been prepared in accordance with Chapter 6, Section 6 and 8 of the Swedish Annual Accounts Act, provides key information concerning compliance with the Swedish Corporate Governance Code (the Code), shareholders, the Annual General Meeting, Nomination Committee, Board of Directors and their work, including committees, remuneration and the division of responsibilities throughout the governance structure. This section also covers Securitas' system of internal control and risk management, which is the responsibility of the Board of Directors according to the Swedish Companies Act and the Swedish Corporate Governance Code. This description does not form part of the Annual Report.

In the Internal control section pertaining to risk, we have opted to widen the scope of our description and explain how enterprise risk management works in the broader perspective regardless of the type of risk, which means that our focus is not confined to risk related to internal controls over financial reporting. Fulfilling our strategies and objectives while maintaining an appropriate risk level is imperative, which is why risk management procedures span all levels of the organization.

Read more at www.securitas.com/corporate-governance

Securitas has published its principles for corporate governance in previous Annual Reports. A separate section on the Group website contains the Articles of Association and other key company documents.

Securitas complies with the Code principle of "comply or explain" and has two deviations to explain for 2019.

Code rule 2.4 Neither the company chair nor any other member of the Board may chair the Nomination Committee.

Comment: Investment AB Latour has appointed Carl Douglas as Chairman of the Nomination Committee. The Committee considers it important to have a representative from the major shareholders as Chairman of the Committee.

Code Rule 9.7 For share-based incentive programs, the vesting period, or the period from the commencement of an agreement to the date on which the shares are acquired, is to be no less than three years.

Comment: Securitas' share-based incentive scheme was implemented in 2010 and has been renewed annually since then. It was based on the then-existing bonus structure of the Securitas Group. In simple terms, the bonus potential was increased in exchange for a one-time salary freeze and one-third of the cash bonus outcome was to be received in shares in March of the year following the year in which the cash bonus would have been paid out, provided that the person remained employed by Securitas at such time.

Since the program replaces an immediate cash bonus payout and is not granted in addition to already existing bonus rights, the Board deems that the two-year period from the commencement of the program until the release of the shares is well motivated and reasonable in order to achieve the purpose of the program.



Securitas plays an important role in ensuring the security and safety of the society at large.

COMMENTS BY THE CHAIRMAN

On behalf of the Board of Directors, I would like to begin by expressing our appreciation to all Securitas employees across the world for their commitment and engagement during 2019.

Securitas has a long and proud history. It started in 1934 as a small guarding company in Sweden, and our core values of Integrity, Vigilance and Helpfulness, which were established back in the 1950s, are equally valid today. These strong values have played a key role in Securitas' successful journey, and we have now formulated a purpose that, together with our values, truly reflects Securitas' important role in society: We help make your world a safer place.

We are here to provide security and safety in a sustainable way, now and in the future. We are a compliant company with a high level of integrity, focused on building strong relationships with our clients, employees, owners, societies and other stakeholders. Securitas works for long-term sustainable growth and is very protective of its strong brand and reputation.

Just like other industries and many parts of society, the security industry is currently undergoing a transformation. The development of technology is creating new opportunities and Securitas is at the forefront when it comes to incorporating technology into our security solutions and using data-driven innovation to develop our service offering. As we enter 2020, we are continuing the implementation of significant long-term transformation programs designed to modernize, digitize and build platforms to leverage our vast footprint and make better use of data. This is important work when it comes to ensuring that we will continue to lead the industry through knowledge and innovation over the years to come. At their core, however, our operations are still based on our numerous skilled employees and competent leaders. This winning combination of people and technology will ensure that we reach our desired position as an intelligent protective services partner to our clients.

INTERNAL CONTROL AND RISK MANAGEMENT

To keep updated and remain close to the business, the Board performs site visits in at least one country every year in addition to maintaining continuous interaction with the management team. This way, we stay informed of and engaged in Securitas' operations outside our formal Board meetings and committee work.

The Board has adopted a long-term perspective when it comes to the development of the business, which is supported by stable ownership, strong value-driven leadership and a high level of integrity. We place a great deal of emphasis on the importance of all employees understanding and complying with key policies, such as Securitas' Values and Ethics. We have increased our focus on compliance training and have shown that we will take prompt action if we get knowledge of any alleged wrongdoing. The Board members' diverse backgrounds and expertise also ensure that all topics are viewed from a variety of angles and that all decisions are well founded.

To stay on top of any potential risks that may emerge when developing security services that include technology and data-driven innovation, the Board is working closely with Group Management and relevant functions to further develop Securitas' internal control and risk management. This work will continue in 2020.

The Board of Directors would like to thank the shareholders for their support. We are looking forward to the years ahead, during which Securitas will continuously do its utmost to live up to its purpose and play an important role in society.

Stockholm, March 18, 2020

Marie Ehrling
Chairman of the Board
Securitas AB

Solid system for governance and management

Securitas' structure for governance serves to protect the long-term interests of our stakeholders, ensure value creation and encourage an entrepreneurial corporate culture. A sound corporate governance model also creates the foundation for responsible and sustainable business.

Securitas has a decentralized organizational model that promotes entrepreneurship and focuses on the approximately 1 700 branch managers who run the company's daily operations in 56 countries. The company's offerings improve when decisions are made in close proximity to clients and the employees who perform the services. Local decisions are therefore encouraged but require a solid governance and management system. To facilitate this work, Securitas has systems, routines and procedures in place for monitoring targets, internal control and risk management.

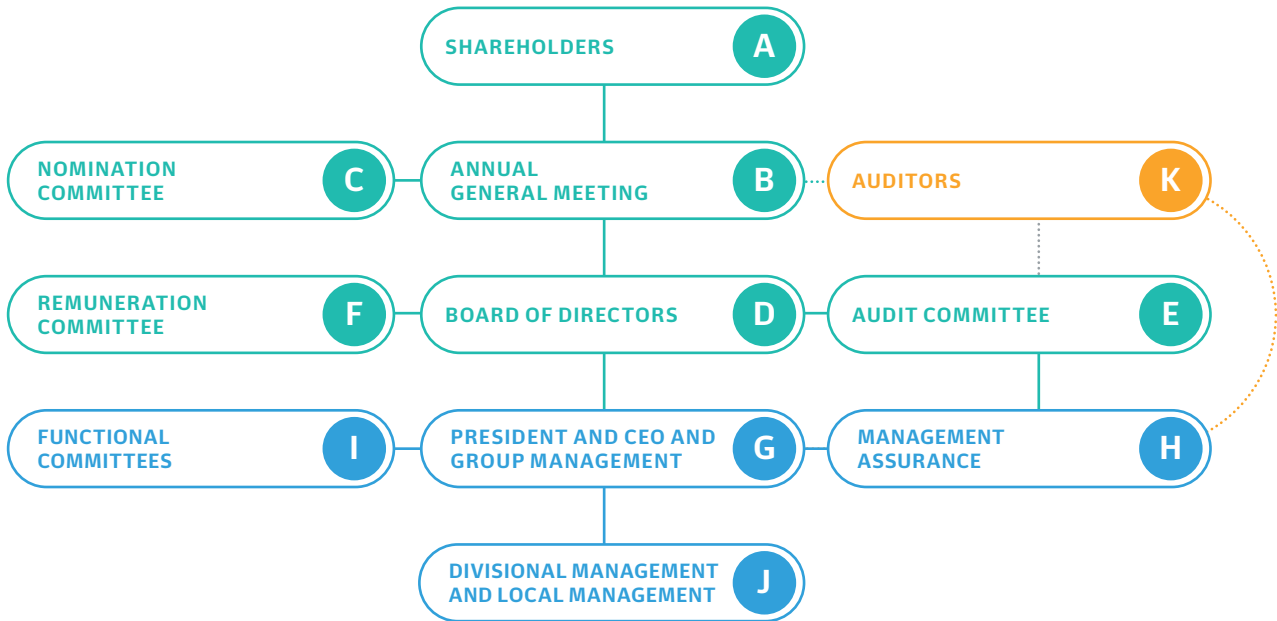
As a global company, Securitas operates in many different markets where laws, regulations, environmental requirements and social conditions may differ. Therefore, it is vital that we always act transparently and ethically. Sustainability is well integrated into Securitas' everyday work. Securitas' sustainability work is based on our fundamental values - Integrity, Vigilance and Helpfulness - and guided by our key corporate policies and principles, such as Securitas' Values and Ethics Code.

SECURITAS VALUES ARE STRONGLY LINKED to its management model - The Securitas Toolbox. A key function of the Toolbox is to convey our corporate culture and create a shared platform through our values. Securitas' Toolbox management model has a methodical structure that includes several well-defined areas or "tools" that serve as a framework at all levels, and is maintained through continuous training and discussion forums. The different areas of the model describe how Securitas' managers are to conduct themselves in various aspects and stages of the company's operations. The model also describes the approach we are expected to take with regard to the market,

our clients and employees. All Securitas employees are expected to assume responsibility for the clients and operations and for our shared values. Responsibility is clarified through the measurement and systematic evaluation of results.

As part of our decentralized management approach, we are required to set and follow up on strict financial targets by continuously measuring and monitoring the Group's performance. Financial control is not simply about implementing controls, it also functions as an incentive for those employees who are in a position to personally influence Securitas' financial results.

THE FINANCIAL FRAMEWORK AND MODEL continuously measure the Group's performance, from the branch offices through to Group level. The aim of the Group's financial reporting is to produce the most timely and accurate information possible to enable managers and employees to make the decisions necessary for achieving profitable growth in line with Securitas' strategies, and to control risks to ensure that the company's objectives are achieved. Financial reporting also forms the basis for sound internal control. The financial model makes it possible to monitor a number of key figures that can be understood by all managers. Each branch has its own statement of income, for which it is fully responsible. It also helps managers to understand the connection between risks and opportunities, and how various factors impact their areas of responsibility as well as how we can monitor and control these factors. It visualizes the direct link between income and expenses in the statement of income, capital employed in the balance sheet and the generation of free cash flow. Refer to pages 54-55 for more information.



A SHAREHOLDERS
Securitas is listed on Nasdaq Stockholm in the Large Cap segment since 1991. The shareholders influence the overall direction of the company at the top of the governance structure. Strong principal shareholders provide considerable attention and interest in our business and establish commitment to the success of the business.

On December 31, 2019, the principal shareholders in Securitas were Carl and Eric Douglas who, through family and Investment AB Latour, held 10.9 percent (10.9) of the capital and 29.6 percent (29.6) of the votes, and Märta and Sofia Schörling who, through family and Melker Schörling AB, held 4.1 percent (4.5) of the capital and 10.7 percent (11.0) of the votes. For more detailed information about shareholders, see the table on page 163.

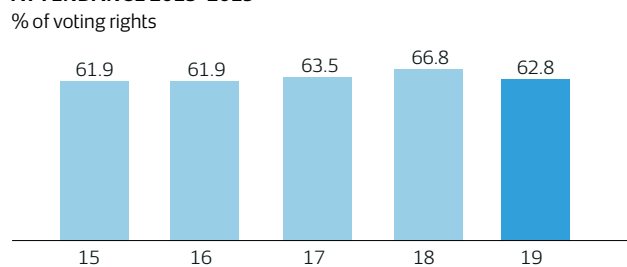
B ANNUAL GENERAL MEETING
All shareholders are able to exercise their influence at the Annual General Meeting, which is the company's highest decision-making body. The Annual General Meeting decides on changes to the Articles of Association. The Articles of Association contain no limitation on the number of votes that each shareholder may exercise at a shareholders' meeting. Each shareholder may thus vote for all shares held at the shareholders' meeting.

The Annual General Meeting of Securitas AB was held on May 6, 2019, and the minutes are available on www.securitas.com, where all resolutions passed can be found. One of the resolutions passed in 2019 was the authorization for the Board to resolve upon acquisition of the company's own shares. Shareholders representing 62.8 percent (66.8) of the votes attended either personally or by proxy. For information about election and remuneration of Board members, see the Board of Directors section (D).

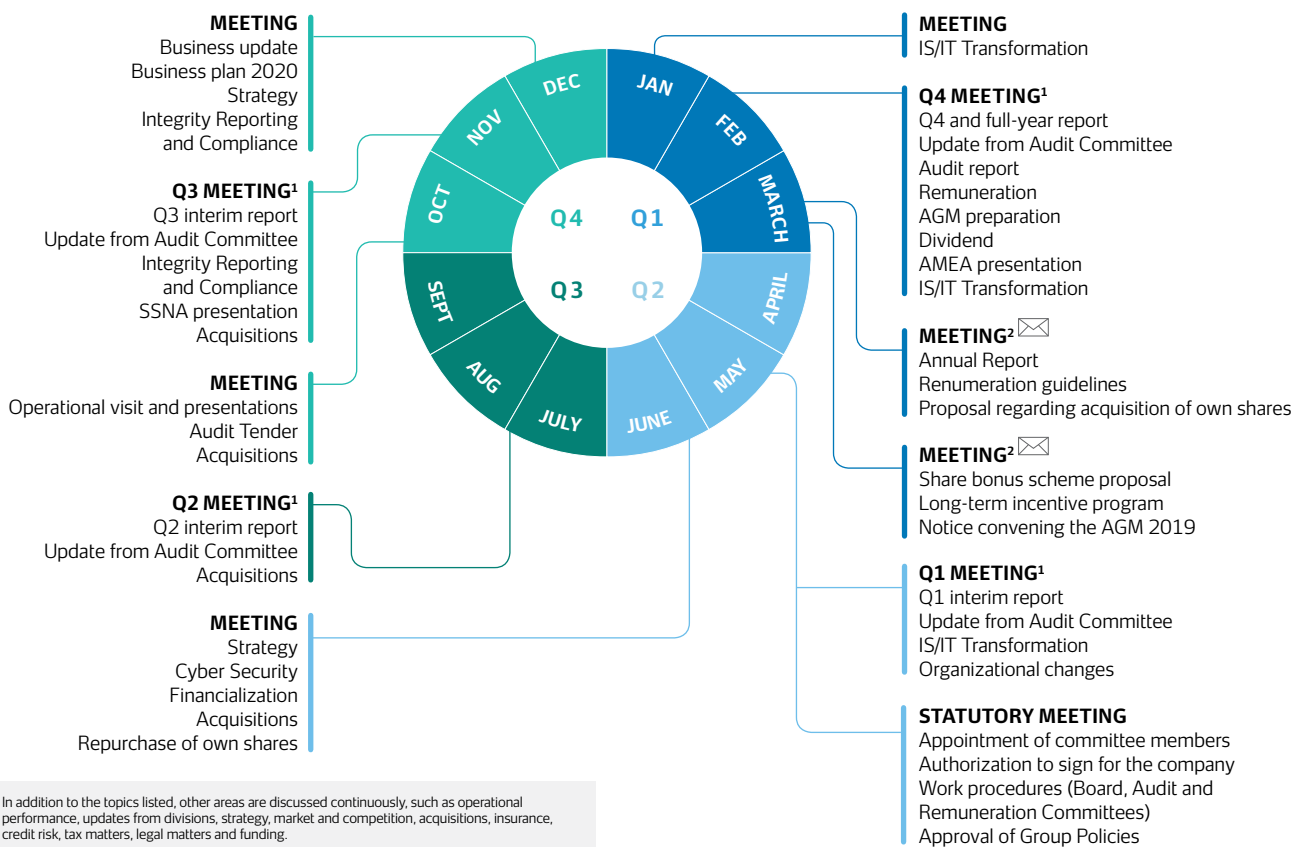
NUMBER OF SHAREHOLDERS 2015-2019

Year	No. of shareholders
2015	25 734
2016	31 221
2017	33 913
2018	32 197
2019	41 892

ATTENDANCE 2015-2019



THE WORK OF THE BOARD OF DIRECTORS



C NOMINATION COMMITTEE

The Nomination Committee is a body established by the Annual General Meeting with the task of preparing motions regarding the election of Board members, the Chairman of the Board and remuneration to Board members and Board committees.

As a basis for its motions, the Nomination Committee takes into account the complete outcome of the evaluation of the Board and its work as well as the competence needed in the future. The Nomination Committee applies rule 4.1 of the Swedish Corporate Governance Code as its diversity policy and the committee has endeavored to establish a Board composition with an equal gender distribution, characterized by diversity and breadth regarding the qualifications, experience and background of the Board members. The 2019 Annual General Meeting resolved to appoint Board members in accordance with the Nomination Committee's proposal.

At the moment, the Board of Directors consists of three women and five men, meaning that the percentage of women on the Board is 37.5 percent, which is in line with the target level stipulated by the Swedish Corporate Governance Board. It is the ambition of the Nomination Committee to continue working to create an equal gender distribution on the Board. The Committee has adopted working instructions that govern its work.

Before each Annual General Meeting, during which the election of auditors takes place, the Nomination Committee also prepares motions regarding the election of auditors and decisions about fees to auditors and other related matters, in consultation with the Board of Directors and the Audit Committee.

The Annual General Meeting has adopted an instruction for the Nomination Committee, which includes a procedure for appointing

the Nomination Committee, valid until a General Meeting resolves in a change. In accordance to this instruction the Nomination Committee shall be composed of representatives of the five largest shareholders in terms of voting rights registered in the shareholders' register as of August 31 in the year prior to the Annual General Meeting. Refer to the AGM minutes for more information on the procedure for replacing members of the Nomination Committee who leave before its work is concluded or due to changes in the shareholder structure. The Chairman of the Board, Marie Ehrling, shall convene the first meeting of the Nomination Committee and shall also be co-opted to the Nomination Committee. Based on these principles, the Nomination Committee consists of the following members.

NOMINATION COMMITTEE PRIOR TO 2020 AGM

	Share of votes as of August 31, 2019
Elected members	
Carl Douglas, Investment AB Latour, Chairman	29.58%
Mikael Ekdahl, Melker Schörling AB	10.67%
Maria Nordqvist, Lannebo Fonder	2.91%
Adam Gerge, Didner & Gerge Fonder	2.22%
Jan Andersson, Swedbank Robur Fonder	1.78%
Share of votes not represented in the Nomination Committee	52.84%

The Nomination Committee is to hold meetings as often as necessary to fulfill its duties. However, the Nomination Committee is to hold at least one meeting annually. The Nomination Committee held two meetings during 2019.

D BOARD OF DIRECTORS

According to the Articles of Association, the Board of Directors should have between five and ten Board members elected by the Annual General Meeting, with no more than two Deputy Directors. The Directors and Deputy Directors are elected by the Annual General Meeting for the period up to and including the first Annual General Meeting to be held in the year after the Director or Deputy Director was elected. Securitas' Board of Directors has eight members elected by the Annual General Meeting, three employee representatives and one deputy employee representative.

The Annual General Meeting re-elected Marie Ehrling as Chairman of the Board and Carl Douglas as Vice Chairman. For further information about the members of the Board of Directors including remuneration, see pages 39-41.

Responsibilities of the Board of Directors

The Board of Directors is responsible for the organization and administration of the company and the Group in accordance with the Swedish Companies Act and also appoints the President and CEO, the Audit Committee and the Remuneration Committee.

In addition, the Board of Directors determines the President and CEO's salary and other remuneration. The Board meets a minimum of six times annually.

The Board of Directors of Securitas AB has approved a number of policies that apply to governance. Examples of such policies are found on page 49.

The Board ensures the quality of financial reporting through Group policies, procedures and frameworks, clear structures with defined responsibilities and through documented delegation of

authority, which is further described in the enterprise risk management and internal control report, beginning on page 45. The Board has formed an Audit Committee (see section E) and a Remuneration Committee (see section F).

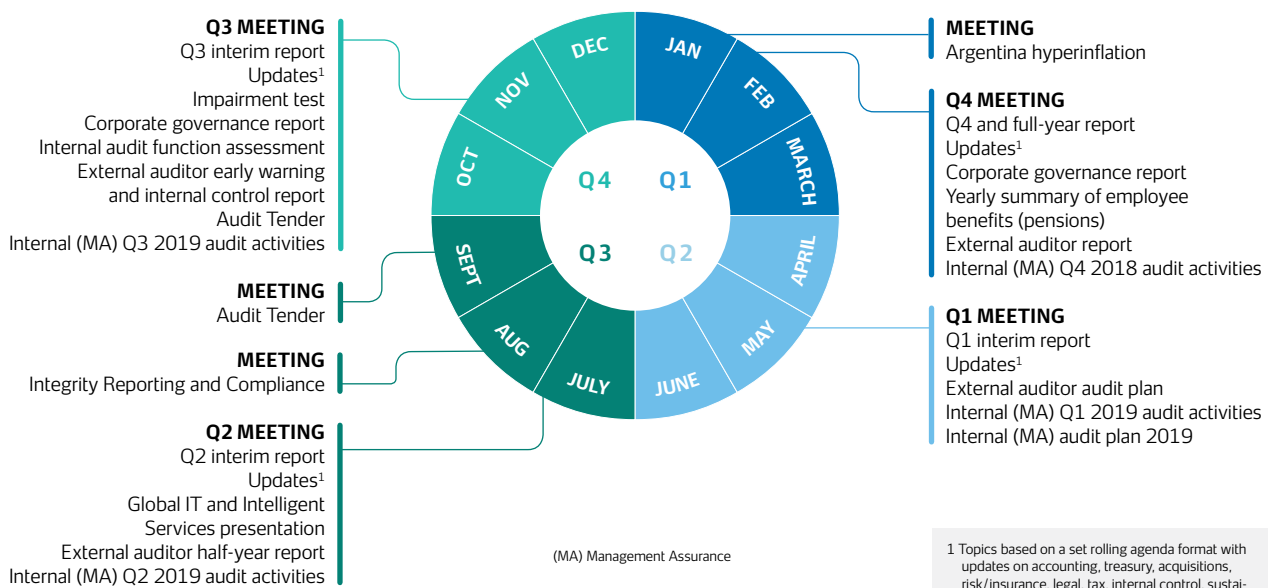
The work of the Board of Directors

The activities of the Board of Directors and the division of responsibility between the Board and Group Management are governed by formal procedures documented in a written instruction, which is adopted by the Board each year after the Annual General Meeting. According to these procedures, the Board should determine, among other things, the Group's overall strategy, corporate acquisitions and property investments above a certain level, and establish a framework for the Group's operations through the Group's business plan. The Board also plays an important role in the ongoing process of identifying and evaluating significant risks faced by the Group.

The procedures include a work instruction for the President and CEO, as well as instructions for financial reporting. The procedures also prescribe that an annual evaluation of the work of the Board of Directors should be carried out. On a yearly basis, all Board members submit their answers to a questionnaire issued by the Nomination Committee about the quality of the work in the Board. Based on this report, an evaluation is made in the Board and in the Nomination Committee.

The Board held 11 meetings in 2019, of which two were held per capsulam. The auditors participated in the Board meeting that was held in conjunction with the yearly closing of the books, in February 2019, where they presented the audit.

THE WORK OF THE AUDIT COMMITTEE



¹ Topics based on a set rolling agenda format with updates on accounting, treasury, acquisitions, risk/insurance, legal, tax, internal control, sustainability, enterprise risk management, follow-up of on site visits, audit/consultancy costs and auditor independence.

E AUDIT COMMITTEE

The Board of Directors has established and appointed an Audit Committee, which operates under the instructions for the Audit Committee and meets with Securitas' auditors at least four times per year. The Committee supports the Board's quality-control work in terms of financial reports, and its internal control over financial reporting.

Specifically, the Committee monitors the financial reporting, the effectiveness of internal control, internal audit activities and the risk management system. The Committee also stays informed about annual statutory audits. It assesses the external auditor's independence and receives information of, and approves the performance of, significant non-audit services.

The Committee presents its findings and proposals to the Board, prior to the Board's decision. The Committee met seven times during 2019. The major topics discussed are listed on the previous page.

F REMUNERATION COMMITTEE

The Board has formed a Remuneration Committee to prepare decisions related to salaries, bonuses, share-based incentive schemes and other forms of compensation for Group Management, as well as other management levels if the Board of Directors so decides. The Committee presents its proposals to the Board, for the Board's decision. The Committee held two meetings during 2019.

A share-based incentive scheme was adopted at the Annual General Meeting 2019, enabling the Group to gradually have approximately 2 600 of Securitas' top managers as shareholders. The scheme strengthens employee commitment to Securitas' future success and development for the benefit of all shareholders. In principal, the adopted incentive scheme entails that one-third of any annual bonus, earned under the performance-based cash bonus schemes, is converted into a right to receive shares, with delayed allotment and subject to continued employment in Securitas. The scope and content of the incentive scheme is unchanged compared to the share-based incentive scheme that was adopted at the Annual General Meetings in 2010 and forward.

For more information on the actual outcome of the share-based incentive scheme in 2019, see note 12.

Long-term Incentive Program (LTI 2019/2021)

The Annual General Meeting 2019 resolved to implement a new long-term incentive program for the CEO, other members of Group Management and certain other key employees within the Securitas Group ("LTI 2019/2021"). LTI 2019/2021 are based on different principles than the current and previous incentive schemes for the Group and participants of LTI 2019/2021 will not be entitled to participate in Incentive Scheme 2019. LTI 2019/2021 includes approximately 80 employees including the CEO, other members of Group management and certain other key employees within the Securitas Group. The vesting period for LTI 2019/2021 is three years after allotment.

The purpose of LTI 2019/2021 is to create a strong long-term incentive for top executives of the Group, strengthen the Group's ability to retain and recruit top executives, provide competitive remuneration, and to align the interests of the shareholders with

the interests of the executives concerned by enabling the participants to become substantial shareholders in the company. Refer to the AGM minutes for more information on the LTI 2019/2021 program.

The guidelines for remuneration to senior management that were adopted at the Annual General Meeting 2019 primarily entailed that remuneration to senior management and their terms of employment should be competitive and comply with market conditions, to ensure that Securitas is able to attract and keep competent senior management employees. The total remuneration to Group Management should consist of a fixed basic salary, variable remuneration, pensions and other benefits.

Thus, in addition to a fixed annual salary, Group Management may also receive variable remuneration, which shall be based on the outcome in relation to financial goals within the individual area of responsibility (Group or division) and which shall be aligned with the interest of the shareholders.

The variable remuneration should amount to a maximum of 60 percent of the fixed annual salary for the President and CEO, and a maximum of 42 to 200 percent of the fixed annual salary for other members of Group Management. The cost of the company for 2019 in terms of its obligations to pay variable remuneration to the Group Management is established to not exceed a total of MSEK 99 at maximum outcome (not including potential costs for the LTI 2019/2021). The complete guidelines for remuneration can be found on www.securitas.com.

Additional information on remuneration to the Board of Directors and Group Management, including the outcome, is disclosed in the Notes and comments to the consolidated financial statements 2019. See note 9.

G PRESIDENT AND CEO AND GROUP MANAGEMENT

The President and CEO and Group Management are charged with overall responsibility for conducting the business of the Securitas Group in line with the strategy and long-term goals adopted by the Board of Directors of Securitas AB. The primary tool used by the President and CEO and Group Management to measure the execution of strategies and to guide the employees and organization toward achieving its objectives is the financial framework and the financial model.

In 2019, Group Management comprised the President and CEO and 15 executives with representatives from the divisions. For further information on Group Management, see pages 42-43.

H MANAGEMENT ASSURANCE

The Management Assurance staff function operates as the Group's internal audit function and reports to the Senior Vice President Finance with an open line of communication to the Audit Committee.

This function prepares an annual plan for its work, which is approved by the Audit Committee. The results of the function's work, which includes the execution and coordination of internal audit related activities during the year, are presented at the Audit Committee meetings. The Management Assurance Director participated in six Audit Committee meetings during 2019.

For more information on the current responsibilities of the Management Assurance function, refer to www.securitas.com.

I FUNCTIONAL COMMITTEES

The Group has established a number of functional committees and work groups, including the functions for Finance/Tax and Assurance, Corporate Finance/Treasury and Legal/Risk and Insurance. These committees include the CFO, Senior Vice President Finance, Senior Vice President General Counsel and the appropriate functional area experts. The main purpose of these functional committees is to determine appropriate policies, communicate the policies and ensure local understanding (including training) of the policies, as well as monitoring key issues within each area of responsibility. Quarterly meetings are held with the President and CEO, at which topics that will be reported to the Audit Committee are discussed.

J DIVISIONAL AND LOCAL MANAGEMENT

Securitas' philosophy is to work in a decentralized environment where local management is primarily responsible for monitoring and ensuring compliance by local units with the Group Policies, including any division-specific policies and guidelines. Local management is responsible for the establishment and continued operations of a system of procedures and controls that ensures the reliability of the company's management and financial reporting information in the most economical and efficient manner possible. This includes ensuring a minimum of basic and supervisory controls in order to mitigate relevant risks. Local management reports to Group Management through divisional management on operational matters and local controllers report through divisional controllers on financial reporting matters.

K AUDITORS

The Annual General Meeting 2019 elected PricewaterhouseCoopers AB (PwC) as the Group's audit firm, with authorized public accountant Patrik Adolfson as auditor in charge, for a period of one year.

The auditors' work is based on an audit plan, which is agreed upon in consultation with the Audit Committee and the Board of Directors. The auditors participate in all meetings of the Audit Committee and present their findings from the annual audit at the Board meeting held in February. In addition, the auditors should inform the Audit Committee on an annual basis of any services rendered, other than audit assignments, and any auditing fees received for such services or other circumstances that might affect the evaluation of the auditors' independence. The auditors should also participate in the Annual General Meeting to present the audit report and its conclusions.

The audit is performed in compliance with the Swedish Companies Act, generally accepted auditing standards in Sweden and International Standards on Auditing (ISA).

For audit fees and reimbursement to auditors, see note 11 and 46.

AUDITOR IN CHARGE

Patrik Adolfson, born 1973, Authorized Public Accountant, Auditor in charge, PricewaterhouseCoopers AB. Patrik Adolfson has been auditor in charge of Securitas AB since 2015. Other audit assignments: AcadeMedia AB (publ), Attendo AB (publ), Nordstjernen AB, Pandox AB (publ) and Bonava AB (publ). Member of FAR.



Auditor Patrik Adolfson

COMPOSITION OF THE BOARD AND ATTENDANCE IN 2019

Board member	Position			Attendance			Total fee ¹ , SEK	Independent to company (8)	Independent to shareholders (6)
	Board of Directors	Audit Committee	Remuneration Committee	Board meetings (11)	Audit Committee meetings (7)	Remuneration Committee meetings (2)			
Marie Ehrling	Chairman	-	Chairman	11	-	2	2 300 000	Yes	Yes
Carl Douglas	Vice Chairman	-	Member	9	-	2	895 000	Yes	No
Ingrid Bonde	Member	Member	-	11	7	-	835 000	Yes	Yes
John Brandon	Member	-	-	11	-	-	635 000	Yes	Yes
Anders Böös	Member	Member	-	11	7	-	835 000	Yes	No
Fredrik Cappelen	Member	Chairman	-	11	7	-	960 000	Yes	Yes
Sofia Schörling Högberg	Member	Member	-	11	7	-	835 000	Yes	No
Dick Seger	Member	-	-	11	-	-	635 000	Yes	Yes
Susanne Bergman Israelsson ²	Member	-	-	11	-	-	0	-	-
Åse Hjelm ²	Member	-	-	11	-	-	0	-	-
Jan Prang ²	Member	-	-	11	-	-	0	-	-

¹ Total fee includes fees for committee work. In total, SEK 1 075 000 was paid out for committee work, of which SEK 150 000 for Remuneration Committee work and SEK 925 000 for Audit Committee work. For more details, refer to the minutes of the Annual General Meeting 2019 on Securitas' website: www.securitas.com.

² Employee representatives, appointed members of the Board of Directors at the Annual General Meeting. Deputy employee representative is Thomas Fanberg. Thomas Fanberg (b. 1961) has been Deputy Director of Securitas AB since 2008. Employee Representative, Chairman of Salaried Employees' Union local branch, Securitas Norrland.

For comparative information about remuneration to the Board of Directors and senior management, please see note 9.

BOARD OF DIRECTORS

1. MARIE EHRLING

Chairman, b. 1955
Director of Securitas AB since 2006 and
Chairman since 2016
Principal education: BSc in Economics and
Business Administration
Other assignments: Vice Chairman of Axel
Johnson AB and Director of Axel Johnson
International
Previously: President of Telia Sonera Sverige,
Deputy CEO of SAS AB, responsible for SAS
Airlines and other executive positions at SAS
Shares in Securitas: 10 000 Series B shares

2. CARL DOUGLAS

Vice Chairman, b. 1965
Deputy Director of Securitas AB since 1992,
Director since 1999 and Vice Chairman
since 2008
Principal education: Bachelor of Arts, Doctor
of Letters (h.c.)
Other assignments: Vice Chairman of ASSA
ABLOY AB, Director of Investment AB Latour
Shares in Securitas: 12 642 600 Series
A shares and 27 190 000 Series B shares¹

3. INGRID BONDE

Member, b. 1959
Director of Securitas AB since 2017
Principal education: BSc in Business and
Economics
Other assignments: Chairman of Hoist Finance
AB, Alecta, Apoteket AB and Swedish Climate
Policy Council. Director of Loomis AB and
Swedish Corporate Governance Board
Previously: CFO and Deputy CEO Vattenfall AB,
CEO AMF, Director General Swedish Financial
Supervisory Authority
Shares in Securitas: 2 600 Series B shares

4. SOFIA SCHÖRLING HÖGBERG

Member, b. 1978
Director of Securitas AB since 2005
Principal education: BSc in Economics and
Business Administration
Other assignments: Director Hexagon AB and
ASSA ABLOY AB
Shares in Securitas: 4 500 000 Series A
shares and 10 419 039 Series B shares²

5. DICK SEGER

Member, b. 1953
Director of Securitas AB since 2017
Principal education: Master of Science
Other assignments: Director Anticimex Top
Holding AB
Previously: CEO, Chairman of the Board
and Director of Verisure Group (previous
Securitas Direct)
Shares in Securitas: 26 Series B shares

6. JOHN BRANDON

Member, b. 1956
Director of Securitas AB since 2017
Principal education: Bachelor of Arts in History
Other assignments: Director of Hexagon AB
Previously: Vice President of Apple International,
Vice President of Apple Americas and Asia, and
President and CEO of Academic Systems
Shares in Securitas: 10 000 Series B shares

7. ANDERS BÖÖS

Member, b. 1964
Director of Securitas AB since 2016
Principal education: Economic studies Upper
Secondary School
Other assignments: Chairman of Einride AB and
Hantverksdata AB, Director of Investment AB
Latour, Stronghold Invest AB and Newsec
Property Asset Management AB
Previously: CEO of Drott AB and H&Q AB,
Chairman of IFS AB and Cision AB, Director
of Haldex AB and Niscayah AB
Shares in Securitas: 25 000 Series B shares

8. FREDRIK CAPPELEN

Member, b. 1957
Director of Securitas AB since 2008
Principal education: BSc in Business
Administration
Other assignments: Chairman of Dometic Group
AB, Chairman of KonfiDents GmbH and
Transcom AB. Member of the ICC Executive
Board
Previously: President and Group Chief Executive
of Nobia, Chairman of Dustin Group AB,
Byggmax Group AB, Terveystalo Oy and Sanitec
Oy, Vice Chairman of Munksjö AB
Shares in Securitas: 4 000 Series B shares

EMPLOYEE REPRESENTATIVES

9. SUSANNE BERGMAN ISRAELSSON

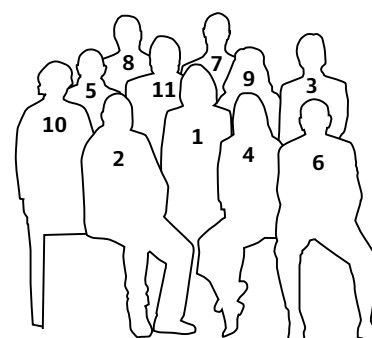
Member, b. 1958
Director of Securitas AB since 2004
Employee Representative, Negotiating Shop
Steward, Swedish Transport Workers' Union local
branch 19, Norra Mälardalen
Shares in Securitas: 0

10. ÅSE HJELM

Member, b. 1962
Director of Securitas AB since 2008
Deputy Director of Securitas AB since 2007
Employee Representative, Vice Chairman
of Salaried Employees' Union local branch,
Norrland, Chairman of the Securitas Council
for Salaried Employees
Shares in Securitas: 120 Series B shares

11. JAN PRANG

Member, b. 1959
Director of Securitas AB since 2008
Employee Representative, Chairman of
Swedish Transport Workers' Union local branch,
Securitas Göteborg
Shares in Securitas: 0



¹ Through family and Investment AB Latour.
² Through family and Melker Schörling AB.
All figures refer to holdings on December 31, 2019.



GROUP MANAGEMENT

1. MAGNUS AHLQVIST

President and CEO of Securitas AB*
Born: 1974
Employed: 2015
Shares in Securitas: 111 430 Series B shares¹,
200 000 share options²

2. BART ADAM

Chief Financial Officer
Born: 1965
Employed: 1999
Shares in Securitas: 43 555 Series B shares¹

3. MARTIN ALTHÉN

Chief Information Officer
Born: 1968
Employed: 2016
Shares in Securitas: 3 478 Series B shares¹

4. HELENA ANDREAS

Senior Vice President, Group Brand
and Communications
Born: 1975
Employed: 2019
Shares in Securitas: 2 045 Series B shares¹

5. WILLIAM BARTHELEMY

Chief Operating Officer, Security Services
North America
Born: 1954
Employed: 1999
Shares in Securitas: 70 859 Series B shares¹

6. TONY BYERLY

President, Securitas Electronic Security
Born: 1966
Employed: 2016
Shares in Securitas: 0 Series B shares¹

7. JORGE COUTO

Divisional President, Security Services
Ibero-America
Born: 1970
Employed: 1998
Shares in Securitas: 0 Series B shares¹

8. SANTIAGO GALAZ

Divisional President, Security Services
North America
Born: 1959
Employed: 1995
Shares in Securitas: 91 670 Series B shares¹

9. PETER KARLSTRÖMER

Divisional President, Security Services Europe
Born: 1971
Employed: 2019
Shares in Securitas: 6 196 Series B shares¹

10. ANDREAS LINDBACK

Divisional President, AMEA
(Africa, Middle East and Asia)
Born: 1982
Employed: 2011
Shares in Securitas: 0 Series B shares¹

11. JAN LINDSTRÖM

Senior Vice President, Finance
Born: 1966
Employed: 1999
Shares in Securitas: 13 230 Series B shares¹

12. AIMÉ LYAGRE

Chief Operating Officer and Chief Technology
Officer, Security Services Europe
Born: 1959
Employed: 2004
Shares in Securitas: 19 952 Series B shares¹

13. MARC PISENS

President Aviation
Born: 1950
Employed: 1999
Shares in Securitas: 37 700 Series B shares¹

14. BRIAN RIIS NIELSEN

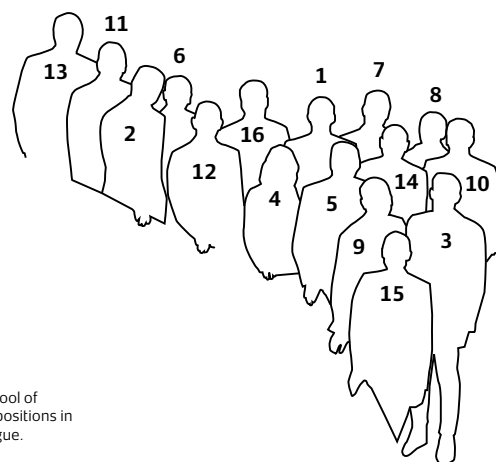
SVP for Global Clients and leader of Global Clients
& Vertical Markets
Born: 1966
Employed: 2002
Shares in Securitas: 0 Series B shares¹

15. FRIDA ROSENHOLM

Senior Vice President, General Counsel
Born: 1974
Employed: 2018
Shares in Securitas: 464 Series B shares¹

16. HENRIK ZETTERBERG

Chief Operating Officer, Security Services Europe
Born: 1976
Employed: 2014
Shares in Securitas: 4 091 Series B shares¹,
45 000 share options²



*Magnus Ahlqvist holds a Master of Science in Economics and Business Administration from the Stockholm School of Economics, and a leadership exam from Harvard Business School. Previously he has held various management positions in Motorola Mobility, Sony and Sony Ericsson Mobile Communications. He is a Director of International Security Ligue.

Luis Posadas retired from his role as Divisional President, Securitas Services Ibero-America on July 1, 2019.

The following changes took effect from January 1, 2020:

- Santiago Galaz was appointed Executive Chairman of Securitas North America and stepped down from Securitas Group Management.
- Bill Barthelemy retired from his role as Chief Operating Officer, North America and stepped down from Securitas Group Management. Bill will assist as an advisor and continue working with select clients through 2021.
- Greg Anderson was appointed President, North American Guarding, and a member of Securitas Group Management.
- José Castejon was appointed Chief Operating Officer, North American Guarding and a member of Securitas Group Management. José will also lead the Global Guarding Center of Excellence unit.

For more information about Group Management, visit www.securitas.com/group-management

¹ The actual allocation of shares to Group Management under the Securitas share-based incentive scheme 2018, and the total potential allocation of shares to Group Management under the Securitas share-based incentive scheme 2019 can be found in note 9.

² Share options regarding acquisition of Securitas Series B shares, issued by Melker Schörfling AB and Investment AB Latour.





Proactive Risk Management and Internal Control

Securitas' internal control system is designed to manage, rather than eliminate, the risk of failing to achieve business objectives. The system provides reasonable, but not absolute, assurance against material misstatement or loss, as well as compliance with the main policies.

Internal control over financial reporting is included as a part of the overall internal control of Securitas and constitutes a central part of the Group's corporate governance. The description below covers a broader perspective on how Securitas' internal control is organized, using a structure based on the COSO model, but also makes specific reference to items pertaining directly to internal control over financial reporting. On pages 48-51 we describe Securitas' enterprise risk management process (ERM), which sets the overall process for Securitas' proactive and continuous work with risk management and internal control. Securitas' insurance and claims strategy is to "act as if uninsured". Refer to page 49 for more information about insurance as a risk management tool.

CONTROL ENVIRONMENT

The key features of the control environment include: clear terms of reference for the Board and each of its committees, a clear organizational structure with documented delegation of authority documented in an approval matrix, from the Board to President and CEO and further to Group Management. It also includes the competence of employees and a series of Group policies, procedures and frameworks.

Emphasis lies on the competence and abilities of the Group's employees, with continuous training and development actively encouraged through a wide variety of training programs.

The Group has three fundamental values - Integrity, Vigilance and Helpfulness - to help its employees exercise good judgment and make decisions on a consistent basis.

Policies that apply to internal control over financial reporting are described in Securitas' Group Policies, which include the company's model for financial control (for more detailed information on the model, refer to pages 54-55), and in the Securitas Reporting Manual, which specifically focuses on reporting matters to ensure compliance with reporting requirements and rules. This creates an environment that supports reliable and accurate reporting.

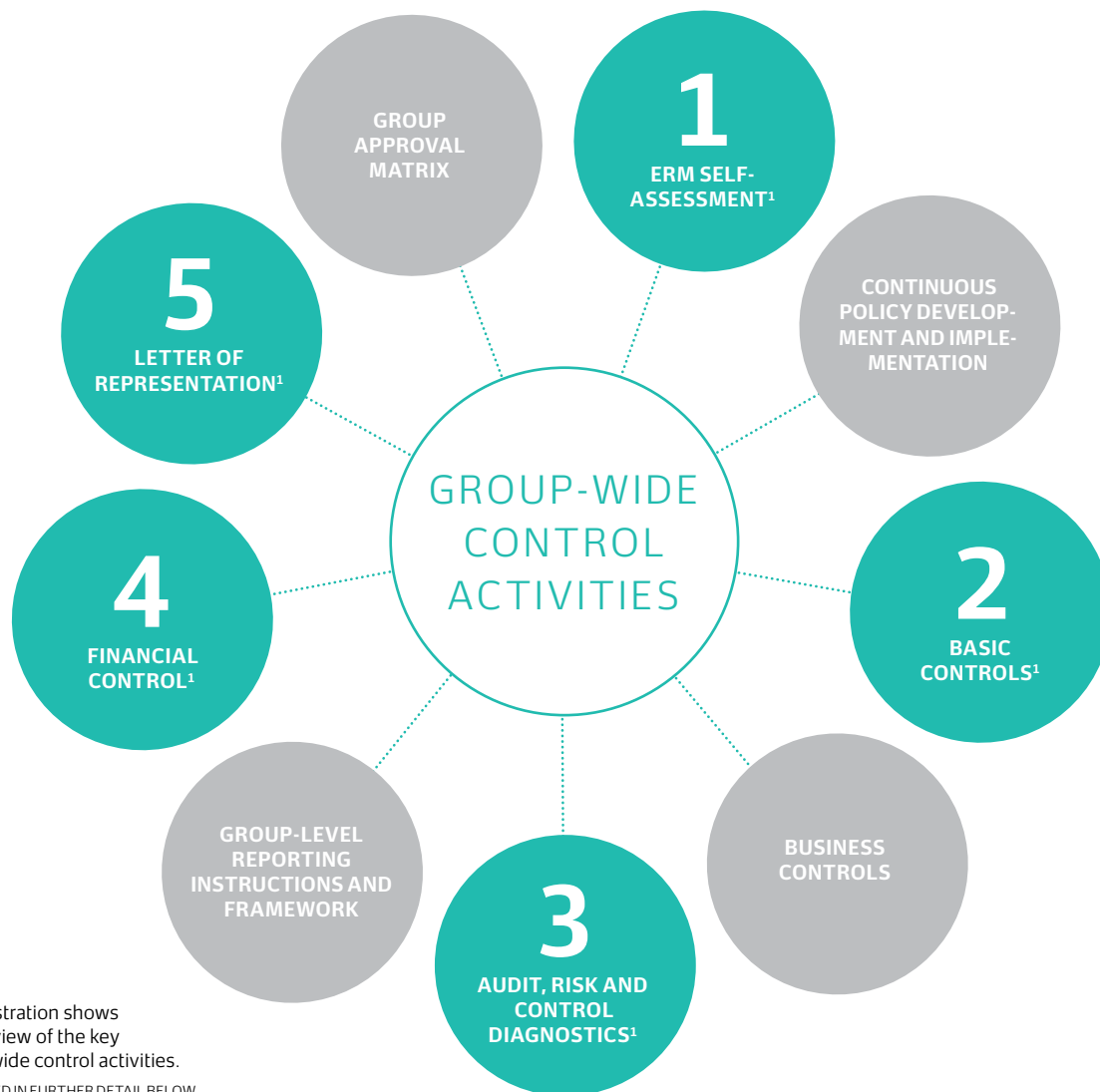
RISK ASSESSMENT

At the highest level, the Board considers where future strategic opportunities and risks lie and helps shape the corporate strategy. Balanced and focused risk management is necessary for the fulfillment of Securitas' strategies and the achievement of its corporate objectives.

Enterprise risk management (ERM) is an integral component of Securitas' operations, and risk awareness is part of the company culture. Risk assessments are conducted within the framework of the Securitas ERM process, further described on page 48-51, regardless whether the assessments pertain to operational risks or financial reporting risks. Securitas does not classify compliance risk as a separate category. Instead, it is included in the operational category. Risk assessment is a dynamic process that aims to identify and analyze risks in relation to Securitas' objectives. It serves as the basis for implementing mitigating actions after considering the controls in place (reduce, transfer/share or accept the risk in question).

GROUP-WIDE CONTROL ACTIVITIES

Internal control covers all divisions and subsidiaries in the Group. Internal control activities are established by policies and processes, which help ensure that all management directives to manage risks are executed. Controls are performed on several levels within the organization and are established based on the process concerned.



1 ERM SELF-ASSESSMENT
Every major country throughout the Group performs an annual self-assessment, which is a part of the process to manage enterprise-wide risks. It covers key risks, including financial reporting risks, measures taken and compliance with Securitas Group Policies and Securitas Reporting Manual. The content is updated on a continuous basis to reflect the risks that Securitas is facing, which includes ensuring that risks related to the strategy and development of the technology offering are incorporated as appropriate.

The self-assessments promote control awareness and accountability and results are signed off by each country president. The answers are compiled at the divisional and Group levels to support benchmarking within and between divisions. The answers are also used as input for further audit or review procedures, or other risk management activities. Group and division create action plans and activities to follow up and support the countries. Each reporting country is responsible for acting on any deviations.

2 BASIC CONTROLS

Detailed controls in financial reporting processes such as revenue, payroll and IT, are included as one component of Securitas' overall Group-wide control framework called "basic controls". Basic controls set the minimum Group requirement regarding what needs to be in place based on risk assessment. Supplementary controls ensure full protection of the company's assets and assure accurate and reliable financial reporting tailored to the entity's company's specific conditions. These controls can include manual, application or general IT controls.

Key areas covered:

- protection of company assets
- completeness and timeliness of client invoicing
- credit collection procedures
- contract management
- HR/payroll
- IT (including information security)
- business continuity planning
- validity of payments to third parties
- accuracy of general ledger
- timeliness and accuracy of Group reporting
- compliance with local requirements

3 AUDIT, RISK AND CONTROL DIAGNOSTICS

One important audit activity is the country diagnostics. The diagnostics comprise a work program covering IFRS compliance, as well as key controls within financial reporting processes, contract management and IT security. These reviews are usually conducted within the first year after an acquisition has been made and a follow-up is performed during the second year, provided that significant areas for improvement have been identified. The Group also performs risk and control diagnostics in functional areas which, by nature, have a high degree of inherent risk. These diagnostics aim to ensure compliance with key policies such as the Client contract policy and the Securitas' Values and Ethics Code. Securitas develops this audit and review process on a continuous basis using both internal and external resources.

4 FINANCIAL CONTROL

Control activities specifically aimed at managing risks related to financial reporting include methods and activities for securing assets, controlling the accuracy and reliability of internal and external financial reports, and ensuring compliance with defined guidelines.

Regular analyses of the financial results at the various levels of the organization using the financial model ensure that financial information maintains a high level of quality. Securitas' financial reporting is based on the following foundations:

- Securitas Group Policies for financial planning and reporting, long-term financing and treasury, risks and insurance, communications, branding, legal issues and IT
- Guidelines in Securitas' financial model, which create the framework for a simple and clear internal reporting method, including timely and accurate follow-up of financial key figures (Securitas Six Fingers)

- Securitas' Reporting Manual, which provides all managers and financial staff with detailed instructions and definitions for financial reporting
- The controller, who is responsible for continuously ensuring that the financial information provided is accurate, transparent, relevant and up to date. The controller receives continuous feedback from the Group regarding reporting quality, which is an effective tool for enhanced reporting. In addition, each division has a divisional controller with corresponding responsibilities at the divisional level.

5 LETTER OF REPRESENTATION

The Group has a representation process in which operating unit presidents and controllers sign a letter of representation in connection with the year-end report, stating their opinion on whether the internal control over financial reporting and the reporting packages give a true and fair view of the financial position.

The letter also covers the broader perspective of internal control, including compliance with Securitas Group Policies related to financial reporting.

INFORMATION AND COMMUNICATION

Securitas' channels for information and communication are constantly developed to ensure that all employees are given clear objectives and are made aware of the parameters that constitute acceptable business practices, as well as the expectations of the Board in managing risks. This provides a clear definition of the Group's purpose and goals, accountabilities and the scope of permitted activities of employees.

Systems and procedures have been implemented that support complete, accurate and timely financial reporting and provide management with the necessary reports on business performance relative to the established objectives. The Group reporting department regularly issues guidance on reporting matters and the reporting manual is available in a Group-wide database. Reporting units regularly prepare financial and management reports that are discussed at review meetings at different levels. These include an analysis of financial performance and risks for the organization to understand its responsibility with regard to internal control and its impact in relation to risks, goals and objectives.

MONITORING

Monitoring is performed at different levels and by different functions within the organization depending on whether it is related to operational or financial reporting matters. Key functions include the Board of Directors, the Audit Committee, Group Management, functional committees, Management Assurance, the Group risk organization, and local and divisional management.

Four-step process for managing enterprise risk

Securitas' process for enterprise risk management (ERM) is well integrated into the business and seeks to identify, prioritize and manage the key risks to our operations at all levels and in all parts of the organization.



Securitas is exposed to various types of risks in its daily business. When providing security services, Securitas manages not only its own risks, but also risks on behalf of its clients. It is important to us to minimize the risk of loss occurring as it also protects our stakeholders. Securitas' risks have been classified into three main categories: **contract and acquisitions risks, operational assignment risks and financial risks**. The categories are based on the natural flow of our business – entering into a contract, execution of the assignment and the financial result. Similar risk categories are also relevant for acquisitions, but are then classified as acquisition risks, operational integration risks and financial integration risks.



CONTRACT AND ACQUISITIONS RISKS

The contract risks (and acquisitions risks) category includes risks related to entering into a client contract and risks related to the acquisition of a new business.



OPERATIONAL ASSIGNMENT RISKS

The operational assignment risks (and operational integration risks) category includes risks that are associated with our daily operations and the services we provide to our clients. This category also covers all risks related to the infrastructure necessary for running the business as well as sustainability risks. Examples are assignment execution risks, Securitas' Values and Ethics compliance risk and health and safety risks and operational risks, such as IT failure, business continuity, information security and data protection, as well as employee attraction and retention.



FINANCIAL RISKS

The financial risks (and financial integration risks) category includes risks related to financial reporting, as well as financial risks related to external financing needs and currency exposure. To allow the divisions, countries and regions to focus fully on their operations, the management of certain risks such as financing and currency is centralized to the Group Treasury Centre. Other examples within this category are fraud and error risk, management estimates assumptions risk, credit and cash flow risk and regulatory reporting risk.

All the risks in these categories can impact the Group's financial performance and position if they are not managed in a structured way. Therefore, Securitas has developed its four-step process approach for managing enterprise risks.

To support the ERM work, Securitas has implemented a web-based governance, risk and compliance (GRC) system that covers all four steps in Securitas' enterprise risk management process and gathers the ERM information in one database. It is used to streamline the ERM work by structuring and automating processes and workflows, such as reports. The aim is to improve the overall quality of the ERM work and have one single point of information.

INPUT AND RISK IDENTIFICATION

The process starts with risk identification and prioritization during the ERM planning process. As part of the overall annual business plan process, each level of the organization prepares an ERM business plan, which sets the focus and priorities for operational risk management within countries, divisions and the Group for the coming year. The yearly risk assessment process is coordinated by the Group risk organization. The Group function is also responsible for maintenance of the risk register, which is updated annually primarily based on the country ERM business plans, but also on other sources of input.

POLICY DEVELOPMENT

The next step in the process is to assess whether new policies need to be created or existing policies need to be updated. Securitas Group policies, which is one of the cornerstones of Securitas' ERM process, establish the framework for all policies and compliance monitoring in the Group. The Group policies are developed by management and key policies are approved by the Board of Directors. A general policy update is released after the statutory Board meeting in May every year, but specific policies are also issued or updated when necessary throughout the year. Some of the key policies adopted that are relevant for governance perspectives are Client Contract policy, Securitas' Values and Ethics Code, Communication policy, Competition law compliance policy, Privacy policy and Insider policy.

RISK MANAGEMENT ACTIVITIES

The third step of the process is the risk management activities. The Board of Directors has the ultimate responsibility for governance of risk management while the accountability for managing risks and for implementing and maintaining control systems in accordance with Group policies is clearly assigned to management at Group, divisional and local level. Specifically, divisional management are responsible for all aspects of the operations in their divisions, including operational risk management and risk minimization as well as creating risk awareness throughout the division. Operating unit managers and country risk managers are responsible for ensuring that risk management is part of the local corporate culture at all levels within a country.

RISK-BASED MONITORING

The identified risks and adopted policies set the structure for the fourth step of the process - Risk-based monitoring. Key risks are monitored through self-assessments, audits, risk and control diagnostics (described on page 46-47), legal reviews, sustainability reviews and/or are subject to other monitoring activities throughout the year. Monitoring permeates all levels throughout the organization and is performed by different functions depending on whether it is related to operational or financial reporting matters.

More information on each step of the process is to be found on www.securitas.com

INSURANCE AS A RISK MANAGEMENT TOOL

STRATEGY

Securitas' insurance and claims strategy is to "act as if uninsured." This means that while external insurance is used to protect the balance sheet and minimize fluctuations in earnings, our day-to-day task is to perform our assignment as if we do not have any insurance in place.

One important part of our risk management work involves taking a proactive approach to contracts and assignment instructions to prevent claims from occurring. From a risk management perspective, it is important that the contract clearly defines the assignment to be performed by Securitas and that our employees' assignment instructions mirror the contract.

IMPORTANCE OF ACTIVE CLAIMS MANAGEMENT

Another significant part of Securitas' risk management work involves active claims management, as well as ongoing claims analysis of frequent and large losses with the aim of identifying the underlying driving forces. The claims are analyzed to find out if there are certain types of services, contracts, regions and so forth that cause insurance claims. As the Group's external insurance premiums are partly determined by the historic loss record, a favorable loss record will contribute to lower premiums and a lower cost of risk.

PROCUREMENT STRATEGY

Insurance programs are procured with the objective of creating a balanced and cost-efficient protection against negative financial impact. Securitas seeks to achieve economies of scale through coordinated insurance programs and the optimal utilization of the Group's insurance captives. The strategy is to cover the more frequent claims arising in Securitas' own books. Using insurance captives gives the Group an opportunity to handle part of the claims process internally and provides Group Management with an option to establish some independence from the cyclical nature of commercial insurance markets.



BENEFITS FOR OUR CLIENTS

An important advantage of our Global insurance programs is that our clients can be confident that Securitas' high-quality insurance cover is consistent in all markets.

SECURITAS KEY RISKS

Securitas' risk register contains about 50 risks. Out of the 50 risks, 14 are selected as top risks that will be subjected to monitoring activities during the year. Out of these, eight risks are cur-

rently considered key Group risks and have been assigned primary focus during the year. For information on our key risks and how they are managed, refer to the table below.

	 INPUT AND RISK IDENTIFICATION	 POLICY DEVELOPMENT
Contract risk	Risk that unreasonable obligations and risks are undertaken in the contract, resulting in unbalanced terms for the type of assignment in question, such as excessive liability, unrealistic service levels or unfavorable pricing mechanisms.	The Group has formal policies and guidelines for defining the approval process and authorization levels for new contracts as well as how to manage existing contracts. All relevant employees receive training in these policies. In addition, operations are protected by a customized Securitas insurance program, should unforeseen events occur. Read more about Securitas' insurance and claims strategy on the previous page.
Securitas' Values and Ethics compliance risk	Risk of non-compliance with Securitas' Values and Ethics Code (the Code) can ultimately result in reputational damage, lost revenues, penalties, fines, difficulties in recruiting, etc.	The Code is one of the key corporate policies that ensures the company upholds and promotes the highest ethical business standards. Securitas' basic requirement is to act within the framework of laws and international conventions, such as the United Nations Universal Declaration of Human Rights. As a complement to the Code, the Group has adopted several policies, such as an anti-corruption policy, emission policy, supplier and subcontracting policy, and competition law policy.
Information security risk	Risk of failing to protect the confidentiality, integrity and/or availability of data and data processing, which may result in operational losses, reputational damage, third-party liabilities and/or regulatory fines.	The Group's information security policy sets forth Group Management's ambition, expectations and directions for information security across the Securitas Group as a further level of detail to supplement the information security strategy established by the Board of Directors.
Assignment execution risk	Risk that agreed contractual requirements are not met, which in turn could adversely impact the contract portfolio churn rate, growth, customer relations and reputation.	The Group policy requires local human resources policies covering the areas of hiring employees, retaining employees, development and training, and compliance with relevant laws and regulations. Proper recruitment procedures and the training and supervision of security officers are important for mitigating the risk.
Compliance (regulatory and other) risk	Risk that regulatory and other requirements are not met or that Securitas does not meet the compliance expectations in the market or among our customers or investors. This could result in lower quality, higher costs, lost income, delay, penalties, fines or reputational damage.	Risks related to compliance with laws and regulations are managed at all levels in the organization, by all employees. The guiding policy is Securitas' Values and Ethics Code, but risks are further governed in separate policies relating to specific topics/ areas.
Business continuity risk	Risk that key business processes cannot operate following an incident which could cause significant disruption to the operations.	The Group's business continuity policy requires all entities to have a written contingency plan based on the classification of key processes. The plan should also cover key IT systems and be linked to controls of IT disruptions, including disaster recovery plans. The plan should cover all relevant areas, including regular updates and testing.
Price/ production cost risk	Risk of not being able to manage prices/wages or other production costs in a desired manner, for example wage increases not reflected properly in customer contracts which could lead to deteriorated margins.	Part of the Group financial reporting procedures, reporting of price/wage KPIs at Group level is mandatory as part of the monthly and quarterly reporting package.
Insider threat risk	Risk that a person in his/her position as employed by, or subcontractors to, Securitas potentially could pose a threat to Securitas, our clients and/or the public, for example by being involved in organized crime, terrorism, extremist- or similar activities.	The Group's Insider threat policy is to be implemented by all countries due to the increased risk of terrorism and exposure of insider threat. The aim is to ensure to the largest extent possible that we can avoid and/or detect employees/subcontractors that potentially could pose a threat to Securitas, to our clients and/ or the public.



**RISK MANAGEMENT
ACTIVITIES**



**RISK-BASED
MONITORING**

Contract risk	To manage contract risks in a structured way in the operations, we use a business risk evaluation model known as the Scale, which is part of Securitas' management model, "The Toolbox". The model evaluates the assignment, risk, contract terms and financial aspects. All employees involved in the contract management process receive training in the model.	Since contract risk is a key risk, Securitas monitors this through reviews (called diagnostics) to test the effectiveness of controls in the contract management process. Contract risk is also monitored through the ERM self-assessments and business plan process.
Securitas' Values and Ethics compliance risk	All our employees are trained in the Code. In addition, we also have training requirements for the policies related to the Code, such as the anti-corruption policy, competition law policy, and supplier and subcontractor policy.	The risk is monitored through sustainability reviews, audits, the ERM self-assessments and business plan process. The Group has an Ethics and Sustainability Board, which establishes the principles for Securitas' sustainability work and closely follows up cases of alleged non-compliance with the Code, reported through Securitas Integrity Line or other reporting channels.
Information security risk	Information security risk management will remain a focus area over the next few years as the cyber security threat landscape evolves. In 2019, Securitas took further steps to enhance cyber security capabilities and implemented additional preventative controls as well as further developing the governance model.	The implementation of the information security policy and strengthening of relevant capabilities in this domain are monitored using different sources of assurance, such as reviews, audits, ERM self-assessments as well as local country monitoring activities.
Assignment execution risk	Local procedures for security services include a process for written site instructions ensuring they are defined, up to date, known and understood.	The risk is monitored through the ERM self-assessments and business plan process as well as through local branch audits.
Compliance (regulatory and other) risk	It is mandatory that local processes include procedures to ensure compliance with relevant laws and regulations, that there is an assigned responsibility for recurring reviews and that action plans are in place for addressing any issues identified. Compliance with GDPR continued to be a key focus during 2019.	The review procedures in the Group are designed to identify any changes in regulatory requirements that may affect Securitas' activities and to take the appropriate actions.
Business continuity risk	During the last couple of years, Securitas has carried out a Group project focusing on business continuity planning with workshops in selected countries throughout the Group to share methodologies for creating, testing and maintaining business continuity plans for critical business processes and IT systems.	The risk is monitored through audits, as well as the ERM self-assessments and ERM-business plan process.
Price/production cost risk	The processes include measurement, communication, training and support for employees involved in the pricing of our services, at the inception of a contract and for price adjustments.	Price/wage increases are monitored and followed up on a monthly basis and are part of the monthly reporting package at Group level.
Insider threat risk	All countries are required to implement specific processes and controls to mitigate the risk. Such measures includes: risk assessment & workshops, screening processes, awareness, operational measures, reporting channels and investigation procedures.	The risk and policy implementation are monitored through Insider threat reviews. The risk is also monitored through the ERM self-assessment and the ERM-business plan process.

Stockholm, March 18, 2020

Marie Ehrling
Chairman

Carl Douglas
Vice Chairman

Ingrid Bonde
Director

John Brandon
Director

Anders Böös
Director

Fredrik Cappelen
Director

Sofia Schörling Högberg
Director

Dick Seger
Director

Susanne Bergman Israelsson
Director
Employee Representative

Åse Hjelm
Director
Employee Representative

Jan Prang
Director
Employee Representative

Magnus Ahlqvist
President and Chief Executive Officer

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

(translation of the Swedish original)

To the general meeting of the shareholders in
Securitas AB, corporate identity number 556302-7241

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2019 (on pages 32-52) and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, March 18, 2020
PricewaterhouseCoopers AB

Patrik Adolfson
Authorized Public Accountant
Auditor in charge

Madeleine Endre
Authorized Public Accountant



SECURITAS' FINANCIAL MODEL - SIX FINGERS

How to read and understand our finances

Securitas' model focuses on the factors that impact profit, and are clearly linked to operations. Factors are grouped into three categories: volume-related factors, efficiency-related factors and capital-usage-related factors.

SECURITAS' MODEL FOR FINANCIAL KEY FIGURES

VOLUME-RELATED FACTORS

The first two key figures, **New sales** (of contracts) and **Net change** (of contract portfolio), relate to the development of the client contract portfolio. **New sales** are newly signed contracts that will increase the monthly fixed sales. **Net change** in the client contract portfolio refers to new starts (a newly signed contract that has started) plus increased sales in existing contracts, less terminated client contracts and reduced sales in existing contracts. Price changes are measured separately and added to **Net change** to determine the period's closing balance of the contract portfolio. The closing balance is the total value of monthly invoicing on our monthly fixed contracts at the closing date for the current period. The third key figure, taken from the statement of income, is **Total sales**, which in addition to contract-based sales, includes short-term guarding assignments but also alarm installations, certain maintenance services, product sales and certain risk management services.

EFFICIENCY-RELATED FACTORS

The efficiency-related key figures provide managers with tools to monitor service efficiency and cost trends. The fourth and fifth key figures are: **Gross margin**, which is defined as total sales less direct expenses as a percentage of total sales, and **Indirect expenses**, which pertain to the organization and include sales and administrative expenses (costs of branch, area and regional/ country offices). Gross income less **Indirect expenses** equals operating income before amortization of acquisition-related intangible assets and acquisition-related costs. When this is expressed as a percentage of total sales, it indicates the Group's operating margin, which in Securitas' financial model, comes before acquisition-related items.

CAPITAL-USAGE-RELATED FACTORS

In general, Securitas' operations are not capital intensive. Accounts receivable tie up the most capital. The sixth key figure is **Days of sales outstanding** (DSO). Payment terms and effective collection procedures are decisive in determining how much capital is tied up in accounts receivable. These figures are followed up on an ongoing basis at all levels in the organization.

GROUP

Organic sales growth
Acquired sales growth
Real sales growth
Total sales

Operating margin
Income before tax
Earnings per share

Operating capital employed as % of sales
Cash flow from operating activities as % of operating income before amortization
Free cash flow
Return on capital employed
Free cash flow in relation to net debt

OPERATIONS

New sales
Gross margin on new sales
Terminations
Gross margin on terminations
Net change
Price change
Organic sales growth
Total sales

Employee turnover
Wage cost increase
Gross margin
Indirect expenses
Operating margin

Days of sales outstanding
Operating capital employed as % of sales
Cash flow from operating activities as % of operating income before amortization
Return on capital employed

These factors are then assigned key figures that are measured continuously, allowing managers to make decisions based on facts, enabling them to make quick adjustments if needed. The model is also used when analyzing acquisition targets. The factors and key figures are used throughout our operations from branch level to Group level.

Six key figures represent the backbone of the Six Fingers model (highlighted in the text and table), but there are complementary key figures used by all divisions, such as organic sales

growth and operating margin. There are also complimentary key figures tailored to measure the business in prioritized areas such as within security solutions and electronic security. These key figures include volume-, efficiency- and capital-usage-related factors that hold specific bearing on the Group's progress. Examples are the number of remote video solution installations, gross margin on security solution contracts (compared with traditional guarding contracts), the investment in security equipment and order backlog for alarm installations.

RELATIONSHIP BETWEEN INCOME, CASH FLOW AND BALANCE SHEET

Statement of income

The statement of income is broken down according to function, making responsibility for each profit level clear. Managers with operational responsibility can easily see what is expected of them and concentrate on the factors they can affect. Gross margin and operating margin are key indicators, and used in reviewing operations at both divisional and Group level. Amortization of acquisition-related intangible assets, acquisition-related costs, financial items and taxes are monitored separately.

Statement of cash flow

In principle, operating income should generate the same amount of cash flow from operating activities. The cash flow is affected by investments in non-current tangible and intangible assets used in operations and by changes in working capital. Cash flow from operating activities

is an important indicator at operational level. It is defined as operating income less investments in non-current tangible and intangible assets (including equipment for solution contracts) plus reversal of depreciation, change in accounts receivable and change in other operating capital employed.

Free cash flow is cash flow from operating activities less net financial items paid and current taxes paid. Cash flow for the year is arrived at when cash flow relating to acquisitions and shareholders' equity is deducted from free cash flow.

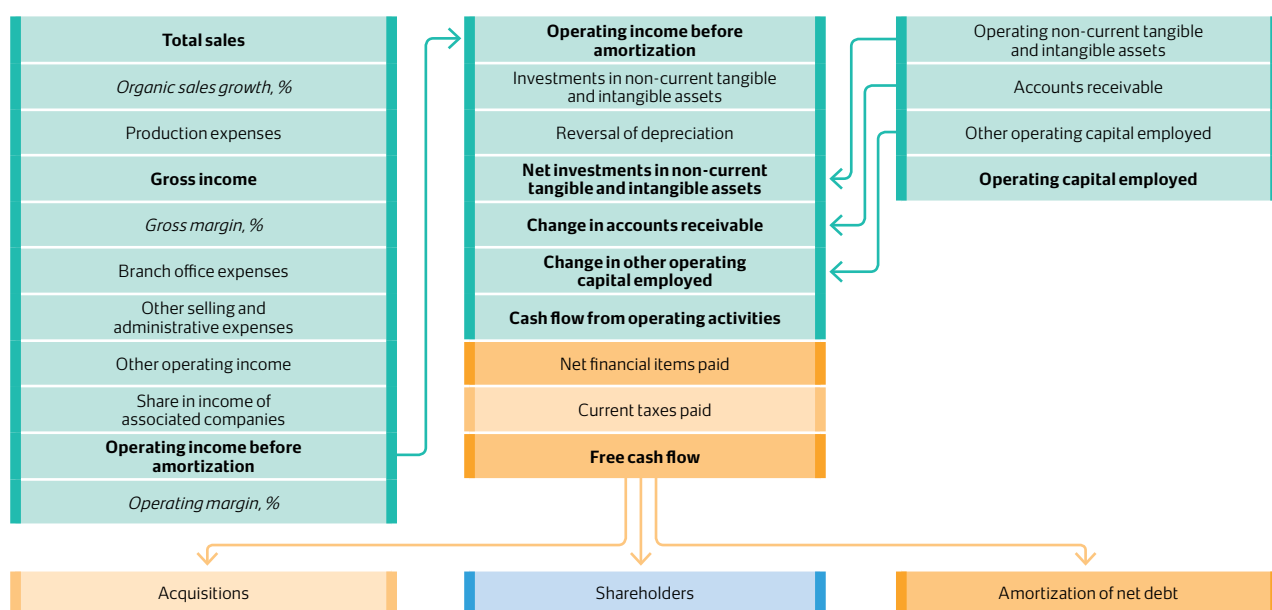
The consolidation of net debt in foreign currencies usually generates a translation difference that is reported separately. In addition, accounting standards require that certain elements of the net debt are revalued to market value after the initial recognition and this revaluation is also reported separately. The change

in net debt corresponds to cash flow for the year plus the change in loans and lease liabilities, translation differences and also the revaluation of financial instruments.

Balance sheet

Securitas uses the terms "capital employed" and "financing of capital employed" to describe the balance sheet and financial position. Capital employed consists of operating capital employed plus goodwill, acquisition-related intangible assets and shares in associated companies.

Operating capital employed, which consists of operating non-current tangible and intangible assets and working capital, is continuously monitored at the operating level to avoid unnecessary tied-up capital. Capital employed is financed by net debt and shareholders' equity.



This picture shows the connection between the statement of income, the statement of cash flow and the balance sheet. Different colors are used for the sake of clarity. Operating items (teal), Net-debt-related items (orange), Goodwill, taxes and non-operating items (light orange), Items related to shareholders' equity (blue).

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Report of the Board of Directors

The Board of Directors and the President of Securitas AB (publ.), corporate registration number 556302-7241, with its registered office in Stockholm, hereby submit the Annual Report and consolidated financial statements for the 2019 financial year.

Securitas offers protective services based on client-specific needs through different combinations of on-site, mobile and remote guarding, electronic security, fire and safety and corporate risk management. Securitas operates in 56 countries in North America, Europe, Latin America, Africa, the Middle East, Asia and Australia, with 370 000 employees.

In 2019 the Securitas Group consisted of the business segments Security Services North America, Security Services Europe and Security Services Ibero-America. In addition to these business segments, the Group conducts operations in Africa, the Middle East, Asia and Australia, which are included under the heading Other in the segment report in note 10.

Securitas has adopted IFRS 16 Leases as of January 1, 2019. The cumulative effect of the adoption has been recognized without restatement of the comparative periods. Further information can be found in notes 2 and 41.

Organic sales growth was 4 percent (6), a decline on a strong comparative, but also reflected the slowdown in some key markets during the second half of 2019. Securitas grew faster than the security market in general and have the strongest offering of protective services, including security solutions and electronic security, which grew by 10 percent in 2019, to represent 21 percent of total Group sales. Securitas recently acquired two strategically important electronic security companies, Fredon Security in Australia and Techco Security in Spain, the latter making Spain the second largest electronic security business in the Group.

The operating margin was on par with last year. The price and wage balance improved towards the end of the year and will remain a key focus area going into 2020.

The operating result, adjusted for changes in exchange rates, grew by 3 percent in 2019.

Securitas achieved the highest operating and free cash flow ever in 2019. The strong focus on cash management remains a key priority across all business segments.

Earnings per share amounted to SEK 9.20 (8.26), a total change of 11 percent compared with the preceding year. The real change in earnings per share in 2019 was 6 percent. EPS before items affecting comparability amounted to SEK 9.61, representing a total change of 5 percent compared with the preceding year and a real change of -1 percent in 2019. The real change in EPS was negatively impacted by the adoption of IFRS 16 as well as by the higher tax rate compared to last year. Together, these two factors had an impact of -4.5 percentage points. Adjusted, the real change in EPS before items affecting comparability would have been 4 percent in 2019.

The free cash flow to net debt ratio was 0.19 (0.13) and the net debt to EBITDA ratio was 2.2 (2.3), both impacted by IFRS 16. For further information, refer to note 41.

Sales

Sales amounted to MSEK 110 899 (101 467) and organic sales growth to 4 percent (6). Security Services North America delivered organic sales growth of 4 percent (6) on a strong comparative. Security Services Europe showed organic sales growth of 2 percent (4), primarily hampered by the previously communicated termination of a few major contracts. Security Services Ibero-America delivered 14 percent (12).

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

Sales of security solutions and electronic security sales amounted to MSEK 23 290 (20 440) or 21 percent (20) of total sales in the full year. Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 10 percent (21).

SALES JANUARY - DECEMBER

MSEK	2019	2018	%
Total sales	110 899	101 467	9
Currency change from 2018	-3 693	-	
Currency adjusted sales	107 206	101 467	6
Acquisitions/divestitures	-1 339	-34	
Organic sales	105 867	101 433	4

Operating income before amortization

Operating income before amortization was MSEK 5 738 (5 304) which, adjusted for changes in exchange rates, represented a real change of 3 percent (9).

The Group's operating margin was 5.2 percent (5.2). The operating margin improved in Security Services North America and Security Services Ibero-America, while it declined in Security Services Europe. Continued strategy-related investments at the Group level, included under "Other" in the segment reporting, had an impact of -0.1 percentage points on the Group's operating margin. Total price adjustments in the Group were slightly behind wage cost increases in the full year.

The adoption of IFRS 16 Leases had a positive impact on the operating result of MSEK 80 in 2019. For further information refer to note 41.

OPERATING INCOME JANUARY–DECEMBER

MSEK	2019	2018	%
Operating income before amortization	5 738	5 304	8
Currency change from 2018	-255	-	
Currency adjusted operating income before amortization	5 483	5 304	3

Operating income after amortization

Amortization of acquisition related intangible assets amounted to MSEK -271 (-260).

Acquisition related costs were MSEK -62 (-120). For further information refer to note 11.

Items affecting comparability were MSEK -209 (-455), related to the IS/IT transformation programs. For further information refer to note 11.

Operating income after amortization was MSEK 5 196 (4 469).

Financial income and expenses

Financial income and expenses amounted to MSEK -578 (-441), with the comparative including a one-off effect of MSEK -46 relating to the re-financing of high interest-bearing debt items in Argentina. The adoption of IFRS 16 Leases had a negative impact of MSEK -148. Furthermore, financial income and expenses were negatively impacted by a weaker Swedish krona and increased net debt. Financial income and expenses were positively impacted in an amount of MSEK 25 related to hyperinflation accounting in Argentina. Refer to note 40.

Income before taxes

Income before taxes amounted to MSEK 4 618 (4 028). The adoption of IFRS 16 Leases had a negative effect of MSEK -68 on income before taxes. For further information refer to note 41.

Taxes, net income and earnings per share

The Group's tax rate was 27.2 percent (25.0). The tax rate before tax on items affecting comparability was 27.2 percent (25.2).

Net income was MSEK 3 362 (3 021). The adoption of IFRS 16 Leases had a negative effect of MSEK -49 on net income.

Earnings per share amounted to SEK 9.20 (8.26). Earnings per share before items affecting comparability amounted to SEK 9.61 (9.17).

CONDENSED STATEMENT OF INCOME
ACCORDING TO SECURITAS' FINANCIAL MODEL

MSEK	2019	2018
Total sales	110 899	101 467
<i>Organic sales growth, %</i>	<i>4</i>	<i>6</i>
Production expenses	-91 588	-83 570
Gross income	19 311	17 897
Selling and administrative expenses	-13 637	-12 654
Other operating income	34	30
Share in income of associated companies	30	31
Operating income before amortization	5 738	5 304
<i>Operating margin, %</i>	<i>5.2</i>	<i>5.2</i>
Amortization of acquisition related intangible assets	-271	-260
Acquisition related costs	-62	-120
Items affecting comparability	-209	-455
Operating income after amortization	5 196	4 469
Financial income and expenses	-578	-441
Income before taxes	4 618	4 028
Taxes	-1 256	-1 007
Net income for the year	3 362	3 021

Securitas' financial model is described on pages 54-55.

Operating items. Net debt-related items. Goodwill, taxes and non-operating items. Items related to shareholders' equity.

Development in the Group's business segments
Security Services North America

SALES AND INCOME

MSEK	2019	2018	Change, %	
			Total	Real
Total sales	48 499	42 366	14	6
<i>Organic sales growth, %</i>	<i>4</i>	<i>6</i>		
<i>Share of Group sales, %</i>	<i>44</i>	<i>42</i>		
Operating income before amortization	3 003	2 589	16	8
<i>Operating margin, %</i>	<i>6.2</i>	<i>6.1</i>		
<i>Share of Group operating income, %</i>	<i>52</i>	<i>49</i>		

Further information regarding the statement of income, cash flow and capital employed is provided in note 10.

Organic sales growth was 4 percent (6), on a strong comparative and a client retention rate of 90 percent (91). The main contribution to organic sales growth derived from the five geographical regions and Pinkerton Corporate Risk Management.

Security solutions and electronic security sales represented MSEK 8 885 (7 365) or 18 percent (17) of total sales in the business segment for the full year.

The operating margin was 6.2 percent (6.1), an improvement supported by several business units, including a good development in the five geographical regions. The operating margin was hampered by a temporary decline in the critical infrastructure services business unit in the fourth quarter. The adoption of IFRS 16 Leases had a positive impact on the operating result in the business segment.

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 8 percent in the full year.

Security Services Europe

SALES AND INCOME

MSEK	2019	2018	Change, %	
			Total	Real
Total sales	47 248	45 040	5	3
Organic sales growth, %	2	4		
Share of Group sales, %	43	44		
Operating income before amortization	2 582	2 511	3	1
Operating margin, %	5.5	5.6		
Share of Group operating income, %	45	47		

Further information regarding the statement of income, cash flow and capital employed is provided in note 10.

Organic sales growth was 2 percent (4), a decline mainly explained by the contract terminations in France and the UK earlier in the year. The client retention rate was 90 percent (93). The main contribution to organic sales growth derived from Belgium, Germany, the Nordic countries and the guarding business in Turkey.

Security solutions and electronic security sales represented MSEK 10 611 (9 638) or 22 percent (21) of total sales in the business segment.

The operating margin was 5.5 percent (5.6), hampered primarily by Sweden as well as a negative impact from Belgium and the Netherlands. The operating margin was supported by final gains related to the settlement of existing defined benefit pension plans in Norway, and by the cost savings program initiated during 2018. The adoption of IFRS 16 Leases had a positive impact on the operating result in the business segment.

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 1 percent in the full year.

Security Services Ibero-America

SALES AND INCOME

MSEK	2019	2018 ¹	Change, %	
			Total	Real
Total sales	13 099	12 315	6	14
Organic sales growth, %	14	12		
Share of Group sales, %	12	12		
Operating income before amortization	614	550	12	14
Operating margin, %	4.7	4.5		
Share of Group operating income, %	11	10		

Further information regarding the statement of income, cash flow and capital employed is provided in note 10.

¹ 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 remeasurement of sales 2019 with MSEK -12 (-63) and a remeasurement of operating income before amortization 2019 of MSEK -2 (-3).

Organic sales growth was 14 percent (12). The improvement derived mainly from Spain and from price increases in Argentina. The client retention rate was 92 percent (92).

Security solutions and electronic security sales represented MSEK 3 527 (3 270) or 27 percent (27) of total sales in the business segment.

The operating margin was 4.7 percent (4.5), driven mainly by a strong development in Spain, but burdened by the weak fourth quarter in Peru. The adoption of IFRS 16 Leases had a positive impact on the operating result in the business segment.

As previously communicated, management changes have been made in Argentina. Following internal whistleblowing Securitas has conducted an investigation into potentially improper conduct through specialized external parties. For further information, see below under Other significant events. Furthermore, the general environment in Argentina remains challenging.

The Swedish krona exchange rate strengthened against the Argentinian peso, while it weakened against the Euro. The net effect was negative on operating income in Swedish kronor. The real change in the segment was 14 percent in 2019.

Cash flow

The adoption of IFRS16 Leases had no net impact on cash flow from operating activities nor on the free cash flow according to Securitas financial model. The cash flow is consequently prepared on the same basis as in 2018.

Cash flow from operating activities amounted to MSEK 4 902 (3 172), equivalent to 85 percent (60) of operating income before amortization.

The impact from changes in accounts receivable was MSEK -239 (-1 575) with improved cash collections in all business segments. Changes in other operating capital employed were MSEK -277 (-62).

Cash flow from operating activities include net investments in non-current tangible and intangible assets, amounting to MSEK -320 (-495). The net investments include capital expenditures in equipment for solution contracts and is the result of investments of MSEK -3 010 (-2 188) and reversal of depreciation of MSEK 2 690 (1 693). The adoption of IFRS 16 Leases impacted investments with MSEK -970 and reversal of depreciation with MSEK 890.

Free cash flow was MSEK 3 268 (1 884), equivalent to 83 percent (48) of adjusted income.

Cash flow from investing activities, acquisitions, was MSEK -574 (-1 755), of which purchase price payments accounted for MSEK -533 (-1 700), assumed net debt for MSEK 39 (42) and acquisition related costs paid for MSEK -80 (-97).

Cash flow from items affecting comparability amounted to MSEK -303 (-117). Refer to note 11 for further information.

Cash flow from financing activities was MSEK -1 699 (-376) due to dividend paid of MSEK -1 606 (-1 460) and a net decrease in borrowings of MSEK -93 (1 084).

Cash flow for the period was MSEK 692 (-364). The closing balance for liquid funds after translation differences of MSEK 27 was MSEK 3 948 (3 229).

CONDENSED STATEMENT OF CASH FLOW
ACCORDING TO SECURITAS' FINANCIAL MODEL

MSEK	2019	2018
Operating income before amortization	5 738	5 304
Investments in non-current tangible and intangible assets	-3 010	-2 188
Reversal of depreciation	2 690	1 693
Net investments in non-current tangible and intangible assets	-320	-495
Change in accounts receivable	-239	-1 575
Change in other operating capital employed	-277	-62
Cash flow from operating activities	4 902	3 172
<i>Cash flow from operating activities, %</i>	<i>85</i>	<i>60</i>
Financial income and expenses paid	-443	-432
Current taxes paid	-1 191	-856
Free cash flow	3 268	1 884
<i>Free cash flow, %</i>	<i>83</i>	<i>48</i>
Cash flow from investing activities, acquisitions and divestitures	-574	-1 755
Cash flow from items affecting comparability	-303	-117
Cash flow from financing activities	-1 699	-376
Cash flow for the year	692	-364

Securitas' financial model is described on pages 54-55.

Operating items. Net debt-related items.
Goodwill, taxes and non-operating items.

Capital employed and financing**Capital employed**

The Group's operating capital employed was MSEK 13 100 (9 199), corresponding to 12 percent of sales (9), adjusted for the full-year sales figures of acquired units. Adjusted for the impact of IFRS 16 Leases the operating capital employed as percent of sales would have been 9 percent (9). The adoption of IFRS 16 Leases increased the Group's operating capital employed by MSEK 3 433 as of January 1, 2019, while the translation of foreign operating capital employed to Swedish kronor decreased the Group's operating capital employed by MSEK 26.

The annual impairment test of all Cash Generating Units (CGU), which is required under IFRS, took place during the third quarter 2019 in conjunction with the business plan process for 2020. In 2019, IFRS 16 has been adopted on segment level. The Group has changed the level of impairment testing for goodwill from country level to segment level. None of the CGUs tested for impairment had a carrying amount that exceeded the recoverable amount. Consequently, no impairment losses have been recognized in 2019. No impairment losses were recognized in 2018 either.

The Group's total capital employed was MSEK 37 140 (32 170). The translation of foreign capital employed to Swedish kronor increased the Group's capital employed by MSEK 614. The return on capital employed was 15 percent (15). Adjusted for the impact of IFRS 16 Leases the return on capital employed would have been 16 percent (15).

Financing

The Group's net debt amounted to MSEK 17 541 (14 513). The net debt was positively impacted mainly by the free cash flow of MSEK 3 268. It was negatively impacted mainly by a change in lease liabilities of MSEK -3 332, a dividend of MSEK -1 606, paid to the shareholders in May 2019, payments for acquisitions of MSEK -574 and the translation of net debt in foreign currency to Swedish kronor of MSEK -541.

The free cash flow to net debt ratio amounted to 0.19 (0.13). The net debt to EBITDA ratio was 2.2 (2.3). The interest coverage ratio amounted to 9.4 (10.7). Adjusted for the impact of IFRS 16 Leases the free cash flow to net debt ratio would have been 0.23 (0.13) and the net debt to EBITDA ratio would have been 2.0 (2.3), while the interest coverage ratio would have been 12.2 (10.7).

Securitas has a revolving credit facility with its 12 key relationship banks. This credit facility comprises two respective tranches of MUS\$ 550 and MEUR 440 and matures in 2022. On December 31, 2019, the facility was undrawn. Further information regarding financial instruments and credit facilities is provided in note 7.

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

Shareholders' equity amounted to MSEK 19 599 (17 657). The translation of foreign assets and liabilities into Swedish kronor increased shareholders' equity by MSEK 73. Refer to the statement of comprehensive income for further information.

The total number of shares amounted to 365 058 897 (365 058 897) as of December 31, 2019. On June 24, 2019, 125 000 shares were repurchased. Refer to note 30 for further information.

CONDENSED CAPITAL EMPLOYED AND FINANCING
ACCORDING TO SECURITAS' FINANCIAL MODEL

MSEK	2019	2018
Operating capital employed	13 100	9 199
<i>Operating capital employed as % of sales</i>	<i>12</i>	<i>9</i>
Goodwill	22 157	21 061
Acquisition related intangible assets	1 563	1 458
Shares in associated companies	320	452
Total capital employed	37 140	32 170
<i>Return on capital employed, %</i>	<i>15</i>	<i>15</i>
Net debt	17 541	14 513
Shareholders' equity	19 599	17 657
Total financing	37 140	32 170

Securitas' financial model is described on pages 54-55.

Operating items. Net debt-related items.
Goodwill and non-operating items. Items related to shareholders' equity.

NET DEBT DEVELOPMENT

MSEK	2019	2018
Opening balance January 1	-14 513	-12 333
Cash flow from operating activities	4 902	3 172
Financial income and expenses paid	-443	-432
Current taxes paid	-1 191	-856
Free cash flow	3 268	1 884
Cash flow from investing activities, acquisitions and divestitures	-574	-1 755
Cash flow from items affecting comparability	-303	-117
Dividend paid	-1 606	-1 460
Change in lease liabilities	-3 332	-
Change in net debt before revaluation and translation	-2 547	-1 448
Revaluation of financial instruments	60	26
Translation differences	-541	-758
Change in net debt	-3 028	-2 180
Closing balance December 31	-17 541	-14 513

Acquisitions and divestitures

ACQUISITIONS AND DIVESTITURES JANUARY-DECEMBER 2019 (MSEK)

Company	Business segment ¹	Included from	Acquired share ²	Annual sales ³	Enterprise value ⁴	Goodwill	Acq. related intangible assets
Opening balance						21 061	1 458
Global Elite Group, the US ⁶	Security Services NorthAmerica	Jan 10	100	290	163	123	70
Allcooper Group, the UK ⁶	Security Services Europe	Apr 1	100	88	59	31	26
Staysafe, Australia ⁶	Other	Apr 4	100	72	83	126	57
MSM Security Services, the US ⁶	Security Services NorthAmerica	Oct 5	-	140	6	42	61
Other acquisitions and divestitures ^{5,6}		-	-	440	183	107	118
Total acquisitions and divestitures January-December 2019				1 030	494	429	332
Amortization of acquisition related intangible assets						-	-271
Translation differences and remeasurement for hyperinflation						667	44
Closing balance						22 157	1 563

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

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.

5 Related to other acquisitions for the period and updated previous year acquisition calculations for the following entities: Iverify (step acquisition), the US, Nortrax Veg og Trafikk, Norway, WHD Wachdienst Heidelberg, Wach- und Schließgesellschaft Hof Inh. I Müller, Germany, Securitas Interim (divestiture), Cezzam, France, 4CS Security (contract portfolio), Austria, Pronet, DAK, Turkey, Instalfogo,

Portugal and Beijing Saikudasi Consultancy Management, China. Related also to deferred considerations paid in Sweden, Germany, France, Austria, Czech Republic, Australia, China and Hong Kong. 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 147. Total deferred considerations, short-term and long-term, in the Group's balance sheet amount to MSEK 425.

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. Transaction costs and revaluation of deferred considerations can be found in note 11.

For further information regarding acquisitions and divestitures in 2019, refer to note 16.

Other significant events

Investigation into improper behavior, Argentina

As previously communicated, management changes have been made in Argentina. Following internal whistleblowing Securitas has conducted an investigation into potentially improper conduct through specialized external parties.

The findings revealed that certain individuals have engaged in local business practices in violation of the Securitas Values and Ethics Code. The investigation indicates compliance issues, including conflicts of interest and irregular supplier and other business relationships. Disciplinary measures against these individuals, including terminations where appropriate, have been taken and Securitas is considering whether to take further legal action.

Securitas is now proactively collaborating with the appropriate authorities to ensure that Securitas fulfills all obligations as a responsible company. This includes correcting the income and value added tax by paying the corresponding additional tax and interest charges of approximately MSEK 130 to the local tax administration. The tax contingency payment is covered by existing provisions. The Group assesses that the impact of the misconduct will not have a material effect on the result or financial position of the Group.

Other significant events after the balance sheet date

Securitas has acquired Fredon Security, founded in 2012 as a division within Fredon Group, an Australian engineering and building services company. Fredon Security is specialized in high-end electronic security solutions including system design, engi-

neering, installation, commissioning and maintenance. The company has approximately 110 employees with a strong footprint across Australia's key geographical markets; Melbourne, Canberra, Brisbane, Perth and Sydney, where it is headquartered. Through strong organic growth the company has established a robust market position in the technology, commercial and government client segments. Fredon Security's annual sales was MAUD 37 (MSEK 240) in the financial year ending June 2019. The purchase price is estimated to MAUD 32 (MSEK 210). The acquisition was consolidated into Securitas as of January 9, 2020.

Securitas reinforces its leadership position within the electronic security market in Spain through the acquisition of Techco Security, a leading electronic security company. Techco Security offers a comprehensive range of integrated security services including installation, maintenance and remote guarding services as well as access control, electronic alarm surveillance and fire protection, and supports clients through two operations centers in Madrid and Barcelona. The company has approximately 520 employees with a strong footprint across Spain and Portugal. Techco Security's annual sales was MEUR 50 (MSEK 520) in 2018. The purchase price is estimated to MEUR 22 (MSEK 230). The acquisition was closed and consolidated into Securitas as of January 8, 2020.

In order to hedge the share portion of Securitas short-term share-based incentive scheme 2019, the Group entered into a swap agreement with a third party in the beginning of March 2020.

There have been no other significant events with effect on the financial reporting after the balance sheet date.

Changes in Group Management and creation of functional units

Three new global functional units have been created and changes to the Securitas Group Management team have been made to support the strategy and related to upcoming retirements.

From July 1, 2019 the three new global functional units are:

- Global Clients & Vertical Markets, responsible for Securitas largest global clients and for developing specialization in new vertical markets.
- Global Electronic Security Business Center, responsible for developing a global business approach with common tools, processes, products and services within Electronic Security.
- Global Guarding Center of Excellence, responsible for continuing to strengthen our core by developing global expertise, common tools and processes within Guarding.

The following changes in Group Management took effect from July 1, 2019:

- Brian Riis Nielsen appointed to SVP Global Clients, leader of the Global Clients & Vertical Markets function and a member of Securitas Group Management
- Tony Byerly continues in his role as President, Securitas Electronic Security North America and was appointed to a member of Securitas Group Management. Tony Byerly will also lead the Global Electronic Security Business Center unit
- Luis Posadas retired from his role as Divisional President Ibero-America and stepped down from Securitas Group Management.
- Jorge Couto appointed to Divisional President Ibero-America and a member of Securitas Group Management.
- Andreas Lindback continues in his role as Divisional President AMEA and appointed a member of Securitas Group Management.

The following changes took effect from January 1, 2020:

- Santiago Galaz was appointed Executive Chairman of Securitas North America and stepped down from Securitas Group Management.
- Greg Anderson was appointed to President, North American Guarding, and a member of Securitas Group Management.
- José Castejon was appointed to Chief Operating Officer, North American Guarding and a member of Securitas Group Management. José will also lead the Global Guarding Center of Excellence unit.
- Bill Barthelemy retired from his role as Chief Operating Officer, North America and stepped down from Securitas Group Management. Bill will assist as an advisor and continue working with select clients through 2021.

The following individuals continue in their present roles: Bart Adam (CFO), Peter Karlströmer (Divisional President Security Services Europe), Henrik Zetterberg (COO Security Services Europe), Aimé Lyagre (COO and CTO Security Services Europe), Marc Pissens (President Aviation), Martin Althén (CIO), Jan Lindström (SVP Finance), Frida Rosenholm (SVP General Counsel) and Helena Andreas (SVP Brand & Communications).

Risk and uncertainties

Managing risk is necessary for Securitas to be able to fulfill its strategies and achieve its corporate objectives. Securitas' approach to enterprise risk management is described in more detail on pages 48-51.

Securitas' risks fall into three main categories: contract and acquisition risks, operational assignment risks and financial risks.

Contract and acquisition risks

This category encompasses the risks related to entering into a client contract and also those risks related to the acquisition of new businesses.

When entering into a contract with a client a balanced allocation of responsibilities and risks between Securitas and the client is essential. Standardized contracts are the norm. Reasonable caps on potential liability and indemnification for third-party claims are important. Significant focus is devoted to contract risks and the management of contract risks. Each segment has developed policies and procedures tailored to their specific needs. These policies are all based on the contract policies approved by the Board of Directors in the Group Policies.

In addition to organic growth resulting from new and/or increased client contracts the Group has grown by a significant number of acquisitions over the years and will, as part of the Group's strategy, continue to acquire security companies. The integration of new companies always carries certain risks. The profitability of the acquired company may be lower than expected and/or certain costs in connection with the acquisition may be higher than expected.

The acquisitions made during 2019 are described under the heading Acquisitions and divestitures above and in note 16.

Operational assignment risks

Operational assignment risks are risks associated with daily operations and the services we provide to our clients including risks related to necessary infrastructure to run the business. For example, when services do not meet the required standards and result in loss of property, damage to property or bodily injury. Proper recruitment, training and supervision of security officers are important to mitigate these risks. Another type of operational assignment risk which may impact profitability is the risk that Securitas will not be able to increase prices to be paid by clients in order to compensate fully for increases in wages and related costs.

Financial risks

The financial risks include risks related to financial reporting, as well as financial risks related to external financing needs including currency exposure.

Financial risks are mainly managed through continuous measurement and follow-up of financial performance, with the help of Securitas' financial model. This model identifies certain key figures that are vital to the profitability of the operations, and facilitates the detection and handling of risks. The financial model is described in more detail on pages 54-55. In addition, financial risks (other than relating to financial reporting) arise because the Group has external financing needs and operates in a number of foreign currencies. The risks are mainly interest rate risk, foreign currency risk, financing and liquidity risk and credit/counterparty risk.

The client credit risk, that is the risk of Securitas' clients not being able to fulfill their obligation of paying invoices for services being provided, is reduced by the fact that the numerous clients are spread over many business sectors and geographies, and by established routines for monitoring and collecting of accounts receivable within the organization. Further information regarding financial risk management is provided above under the section Capital employed and financing/Financing and in note 7.

The preparation of financial reports requires the Board of Directors and Group Management to make estimates and judgments. Estimates and judgments will impact the statement of

income and the balance sheet, as well as disclosures such as contingent liabilities. Actual results may differ from these estimates and judgments under different circumstances and conditions. Further information regarding critical estimates and judgments is provided in note 4.

For the forthcoming twelve-month period, the financial impact of certain items affecting comparability, provisions and contingent liabilities, as described in note 11, note 33, note 36 and note 38 respectively, may vary from the current financial estimates and provisions made by management. This could affect the profitability and the financial position of the Group.

Statutory Sustainability Report

The statutory Sustainability Report is included in separate parts of the Securitas AB Annual Report 2019 and is not a part of the statutory Annual Report.

Securitas AB's Sustainability Report describes the Group's work with regards to economic, environmental and social aspects. The report is prepared according to the Sustainability Reporting Standards, issued by Global Reporting Initiative (GRI). The Sustainability reporting also includes the statutory Sustainability Report under Chapter 6 Section 11 of the Annual Accounts Act.

Securitas is a service company with relatively low environmental impact compared with a manufacturing company. The operations of the Group do not require a permit under the Swedish Environmental Code.

INFORMATION ABOUT:	See page
Environment	147, 149, 153
Social conditions	146-148
Personnel	10-13, 30, 144, 147, 148, 150-152
Respect for human rights	13, 147
Anti-corruption	146, 149
Value creation	10-11
Sustainability risks	148-149
GRI index	155-157

Research and development

The service offering of the Group is continuously being developed, not least as an integrated item when carrying out the service delivery to the clients. Technical solutions are an important part of the security solutions that Securitas offers. In order to support this development, a Chief Technology Officer (CTO) position with supporting staff has been implemented in all major countries as well as on divisional level. As mentioned above the Group has also during 2019 created a Global Electronic Security Business Center, responsible for developing a global business approach with common tools, processes, products and services within Electronic Security. The capabilities within technical solutions is also supported by a number of acquisitions within Electronic security such as the ones completed during 2019 or at the beginning of 2020 with Allcooper Group, Staysafe, Fredon Security and Techco Security.

The Group's Chief Information Officer with team are leading the development of Securitas' global digitization and IS/IT transformation and are responsible for large scale global IT/business projects. The Group continue to execute on the two major transformation programs, that were announced last year, that will bring increased digitalization, efficiency and a platform for innovation. The implementation of these two programs is progressing according to plan

and positive impacts are expected starting in 2021 and gradually increasing during 2022, as previously communicated.

Securitas is a service company and has historically not carried out any material research and development activities as defined in IAS 38 Intangible assets. Under the responsibility of the Group's Chief Information Officer the Group has gradually invested in capabilities to develop improved data-driven and intelligence-based services for a future where scale and data availability are critical for the next big shift in the security services industry to the benefit our clients and society as a whole. A number of development projects that supports this are ongoing and as of December 31, 2019 the Group had MSEK 49 (23) in capitalized development expenditures.

Information regarding the Securitas share

Information about the Securitas share regarding the number of shares of Series A and Series B, differences between shares in Series A and Series B as well as information on major shareholders can be found in note 30. Further information regarding the Securitas share can also be found on pages 162-163.

In order to be able to contribute to shareholder value, the Board considers it beneficial for the company to be able to adjust the company's capital structure as appropriate at each point in time. The Board has therefore decided to propose to the Annual General Meeting on May 7, 2020, that the Board be authorized to be able to resolve on the acquisition of the company's shares for a period until the next Annual General Meeting, up to a maximum of ten (10) percent of all shares in the company. There is currently an authorization by the Annual General Meeting held on May 6, 2019, to the Board of Directors to repurchase Securitas shares for the purpose of adjusting the company's capital structure, be able to exploit acquisition opportunities and/or to ensure the company's undertakings in respect of share-based incentive programs (other than delivery of shares to participants of incentive programs). On June 24, 2019, 125 000 shares were repurchased in order to ensure the company's undertaking in respect of existing share-based Incentive programs. These shares are held as treasury shares and have not reduced the company's share capital.

A shareholders' agreement that among other items comprises preemption rights for the sale of Series A shares by any part exists among the Douglas family and Schörling family and companies closely related to them. Apart from this, the Board of Directors of Securitas AB is not aware of any shareholders' agreements or other arrangements between shareholders of Securitas AB.

Group development

Securitas continues to drive the development in the security services industry. With the strongest client offering and a strong team around the world, organic sales growth was 4 percent and we continued to grow faster than the market. The operating margin was stable compared with the previous year.

The strategy review that was initiated in 2018 was concluded in 2019 and we started to implement the transformation programs to build an even stronger company tomorrow. To reach the wanted position, to become the Intelligent Protective Services Partner for the clients, three main strategic focus areas were identified: Client engagement, Protective services offering with intelligent services, and Efficiency.

As part of the strategy review, we also formulated our Purpose, We help make your world a safer place, and started the pro-

cess to become a purpose led organization.

Securitas started to execute on two major transformation programs to modernize and digitize the operations. 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 client offering, competitiveness and bottom line. The programs have been initiated and are expected to be completed over the next few years.

Related to these two programs, MSEK -209 (-187) was recognized as items affecting comparability in the income statement in 2019. An additional amount of approximately MSEK -450 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 in total 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 clients, 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.

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 clients and society as a whole. This will also enable us to grow faster than the market and deliver profitable growth.

We are analyzing the optimal way to organize the European business supported by modern tools and systems to build more efficient operations and generate higher value. This analysis will be completed in the near term.

A number of leadership changes were implemented during 2019 and as we enter 2020 we have a strong Group Management team that will lead the company during the next phase of development of the company. Three new global functional units have been created for guarding, electronic security and global clients to enhance specialization in these areas.

2019 was the year when we started the execution of a multi-year journey of strategic transformation. We are now accelerating the transformation to build the strongest company and client offering for the future.

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.

The Parent Company's income amounted to MSEK 1 449

(1 196) and mainly relates to license fees and other income from subsidiaries.

Financial income and expenses amounted to MSEK 2 209 (2 269). Income before taxes amounted to MSEK 2 553 (2 558).

Income before taxes includes dividends from subsidiaries of MSEK 1 980 (1 593), interest income of MSEK 612 (659), interest expense of MSEK -443 (-418) and other financial income and expenses, net, of MSEK 60 (435). For further information, refer to note 48.

Net income was MSEK 2 364 (2 269).

Cash flow for the year amounted to MSEK 270 (-617).

The Parent Company's non-current assets amounted to MSEK 46 157 (43 506) and mainly comprise shares in subsidiaries of MSEK 43 911 (41 332). Current assets amounted to MSEK 5 944 (7 329) of which liquid funds amounted to MSEK 1 596 (1 326).

Shareholders' equity amounted to MSEK 29 276 (28 499). A dividend of MSEK 1 606 (1 460) was paid to the shareholders in May 2019.

The Parent Company's liabilities and untaxed reserves amounted to MSEK 22 825 (22 336) and mainly consist of interest-bearing debt.

For further information, refer to the Parent Company's financial statements and the accompanying notes and comments.

Proposed guidelines for remuneration to senior management in Securitas for 2020

Scope

The Board of Directors proposes that the Annual General Meeting on May 7, 2020 adopts the following guidelines for remuneration to the individuals who are included in the Group Management of Securitas (the "senior management employees").

The guidelines shall apply to agreements entered into after the Annual General Meeting 2020, and to changes made in existing agreements after the Annual General Meeting 2020. These guidelines do not apply to any remuneration decided or approved by the general meeting.

Promotion of Securitas' business strategy, long-term interests and sustainability etc.

In short, Securitas business strategy is to offer protective services that integrate all areas of Securitas' competence. Together with the customers, Securitas 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. In order to attract and keep competent senior management employees, Securitas shall offer a competitive total remuneration that is in line with the market conditions on the relevant market for each senior management employee. Thereby, the ambition is to ensure that Securitas has the best team in the security services industry, which is expected to contribute to Securitas' business strategy and long-term interests, including its sustainability. More information on Securitas' business strategy is available on Securitas' website securitas.com, section Our offering - Strategy.

Securitas has implemented share-related incentive plans. Every year since 2010, the Annual General Meeting has resolved on share related incentive schemes including approximately 2 600 employees within the Group. The outcome of these incentive schemes relates to how the criteria for awarding variable cash remuneration are satisfied and thus they are distinctly linked

to Securitas' business strategy, long-term interests and sustainability. Furthermore, the Annual General Meeting 2019 resolved on a long-term incentive program including the CEO, other members of the Group Management and certain other key employees ("LTI 2019/2021") which is intended to work as an alternative incentive solution to the aforementioned incentive scheme and includes approximately up to 80 employees within Securitas. The outcome of LTI 2019/2021 is based on the annual development of Securitas' earnings per share. LTI 2019/2021 is conditional upon the participant's own investment and holding periods of several years. The share-related incentive plans have been resolved by the general meeting and are therefore excluded from these guidelines. The share-related incentive plans proposed by the Board of Directors and submitted to the Annual General Meeting 2020 for approval are excluded for the same reason.

More information on Securitas' incentive plans is available on Securitas' website securitas.com, section Corporate Governance - Remuneration to Senior Management.

Types of remuneration

The total remuneration to senior management shall consist of a fixed basic salary, variable cash remuneration, pension benefits and other benefits. Additionally, the general meeting may - irrespective of these guidelines - resolve on, among other things, share-related or share price-related remuneration.

The fixed basic salary shall be competitive and reflect each senior management employee's responsibility and performance. The variable cash remuneration shall amount to a maximum of 85 percent of the fixed basic salary for the President and CEO and a maximum of 60-200 percent of the fixed basic salary for other senior management employees.

The senior management employees shall be subject to defined contribution pension plans for which insurance premiums are transferred from the individual's total cash remuneration and paid by the company during the term of employment. In exceptional cases, the value of such insurance premiums can instead be paid as part of the cash remuneration to a senior management employee. Variable cash remuneration shall qualify for pension benefits to the extent required by mandatory collective agreement provisions. Insurance premiums may amount to not more than 35 percent of the fixed basic salary.

Other benefits, such as company car, life insurance, special health insurance or occupational health service shall be provided to the extent this is considered customary for senior management employees holding equivalent positions on the labor market where the senior management employee is active. Premiums and other costs relating to such benefits may amount to not more than 15 percent of the fixed basic salary.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Criteria for awarding variable cash remuneration

Variable cash remuneration shall be awarded based on the outcome of clearly measurable performance-based targets that are set as close to the local business as possible and aim for long-term profitability of Securitas. The performance-based targets may for example relate to EBITA, EPS and/or cash flow within

each senior management employee's area of responsibility (group or division). Furthermore, the performance-based targets are intended to contribute to Securitas' business strategy and long-term interests, including its sustainability, by, among other things, promoting the senior management employee's long-term development within Securitas and reconciling the shareholders' interests with the employee's interests.

The Remuneration Committee shall, for the Board of Directors, prepare, monitor and evaluate matters regarding variable cash remuneration to the senior management. Ahead of each measurement period for the criteria for awarding variable cash remuneration, which can be one or several years, the Board of Directors shall, based on the work of the Remuneration Committee, establish which criteria that are deemed to be relevant for the upcoming measurement period. After a measurement period has ended, it shall be determined to which extent the criteria have been satisfied. Evaluations regarding fulfilment of financial targets shall be based on established financial information for the relevant period.

Variable cash remuneration can be paid after the measurement period has ended or be subject to deferred payment. If payment of variable cash remuneration has been effected on grounds later proven to be obviously inaccurate, Securitas shall, to the extent legally possible, have the possibility to reclaim such paid remuneration.

Termination of employment

At dismissal, the notice period for senior management employees shall not exceed twelve months, with a right to redundancy payment equivalent to a maximum of 100 percent of the fixed basic salary for a period not exceeding twelve months after the end of the notice period. At resignation by a senior management employee, the notice period shall amount to a maximum of six months without a right to redundancy payment.

Additionally, remuneration may be paid for non-compete and non-solicitation undertakings in accordance with mandatory rules or established local practice. The remuneration shall be based on the fixed cash salary at the time of termination of employment and be paid during the time the non-compete or the non-solicitation undertaking applies, however not for more than 24 months following termination of employment.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

The Remuneration Committee's tasks include preparing the Board of Directors' decision to propose guidelines for remuneration to the senior management. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The

Remuneration Committee shall also monitor and evaluate programs for variable remuneration for the senior management, the application of the guidelines for remuneration to senior management as well as the current remuneration structures and compensation levels in Securitas. The members of the Remuneration Committee are independent of the company and its senior management. The CEO and other members of the senior management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Deviation from the guidelines

The Board may temporarily resolve to deviate from the guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve Securitas long-term interests, including its sustainability, or to ensure Securitas financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to deviate from the guidelines.

Transitional provisions applicable for the Annual General Meeting 2020

The cost of the company for 2020 in terms of its obligations to pay variable cash remuneration to the senior management is estimated to not exceed a total of MSEK 108 at maximum outcome (not including potential costs for the LTI 2020/2022). Information on previously decided remuneration which has not yet been paid can be found in note 9 of the Annual Report for 2019.

Proposed allocation of earnings

The statements of income and the balance sheets of the Parent Company and the Group are subject to adoption by the Annual General Meeting on May 7, 2020.

Retained earnings in the Parent Company available for distribution:

	SEK
Hedging reserve	62 929 344
Retained earnings	19 112 119 658
Net income for the year ¹	2 363 769 683
Total	21 538 818 685

¹ Includes Group contributions to subsidiaries of SEK 212 383 807.

The Board of Directors proposed that the earnings are allocated as follows:

	SEK
a dividend to the shareholders of SEK 4.80 per share	1 751 682 706
retained earnings to be carried forward	19 787 135 979
Total	21 538 818 685

The dividend amount and retained earnings to be carried forward are calculated on the number of shares outstanding as per February 6, 2020. No dividend is payable on Securitas AB's holding of treasury shares, the exact number of which is determined on the record date for payment of dividend. Securitas AB held 125 000 treasury shares as per February 6, 2020.

Proposal on record date for dividend

As record date for dividend, the Board has proposed May 11, 2020. If the Annual General Meeting so resolves, the dividend is expected to be distributed by Euroclear Sweden AB starting May 14, 2020.

Proposed authorization to acquire the Company's own shares

The Board has further proposed that the 2020 Annual General Meeting should authorize the Board to, on one or several occasions during the time up to the Annual General Meeting in 2021,

decide on the acquisition of the Company's own shares. The proposal entails that the Board may decide on acquisitions so that the maximum number of shares held by the Company at each point in time does not exceed ten (10) percent of all shares in the Company.

The Board's statements on the proposed dividend and the proposed authorization to acquire the Company's own shares

The Board has issued the following statements regarding proposed allocation of earnings and proposed authorization to acquire the Company's own shares pursuant to Chapter 18, Section 4 and Chapter 19, Section 22 of the Swedish Companies Act.

The Company's unappropriated earnings as per December 31, 2019 amount to SEK 19 175 049 002. The net income for the year amounts to SEK 2 363 769 683 of which SEK 212 383 807 is related to Group contributions to subsidiaries and SEK -4 970 195 is the result of financial instruments being valued pursuant to Chapter 4, Section 14a of the Swedish Annual Accounts Act.

The Company's equity would have been SEK 58 063 526 lower as per December 31, 2019, if financial instruments, having been valued at fair value pursuant to Chapter 4, Section 14a of the Swedish Annual Accounts Act, had instead been valued at the lower of cost or market.

At the disposal of the Annual General Meeting is thereby a total amount of SEK 21 538 818 685 in unappropriated earnings before the decision on dividend for 2019.

Provided that the 2020 Annual General Meeting resolves to allocate the earnings in accordance with the Board's proposal, SEK 19 787 135 979 will be carried forward. Hence, there will be full coverage for the Company's restricted equity after distribution of the proposed dividend, Group contributions and authori-

zation to acquire the Company's own shares.

In view of the proposed dividend and authorization to acquire the Company's own shares, the Board has considered the Company's and the Group's consolidation requirements and liquidity through a comprehensive assessment of the financial position of the Company and the Group, as well as the possibilities of the Company and the Group to discharge its obligations in the long term. The proposed dividend, the Group contributions to subsidiaries and the proposed authorization to acquire the Company's own shares does not jeopardize the Company's ability to make the investments that have been deemed necessary. The Company's financial position does not give rise to any other assessment than that the Company can continue its operations and that the Company is expected to comply with its obligations in a short as well as long term perspective. In addition to the assessment of the Company's consolidation requirements and liquidity, the Board has also taken into consideration all other known circumstances that may impact the Company's financial position.

With reference to the above, the Board makes the assessment that the proposed dividend, the Group contributions and the proposed authorization to acquire the Company's own shares are justifiable considering the requirements that the nature, scope and risks of the operations pose on the size of the Company's and the Group's equity as well as the Company's and the Group's consolidation requirements, liquidity and position in general.

As regards the Company's and the Group's result and position in general, refer to the statements of income, statements of comprehensive income, balance sheets and statements of cash flow as well as notes and comments. The Board will continue to assess further the financial position and liquidity up to the decision on the Annual General Meeting.

Consolidated statement of income

MSEK	Note	2019	2018
Sales		109 560	99 707
Sales, acquired business		1 339	1 760
Total sales	6, 10	110 899	101 467
Production expenses	11, 12, 13	-91 588	-83 570
Gross income		19 311	17 897
Selling and administrative expenses	11, 12, 13	-13 637	-12 654
Other operating income	6	34	30
Share in income of associated companies	22	30	31
Amortization of acquisition related intangible assets	18	-271	-260
Acquisition related costs	11	-62	-120
Items affecting comparability	11	-209	-455
Operating income	11	5 196	4 469
Financial income	14	67	85
Financial expenses	14	-645	-526
Income before taxes		4 618	4 028
Taxes	15	-1 256	-1 007
Net income for the year		3 362	3 021
Whereof attributable to:			
Equity holders of the Parent Company		3 357	3 016
Non-controlling interests		5	5
Average number of shares before and after dilution		364 993 486	365 058 897
Earnings per share before and after dilution (SEK)	3	9.20	8.26
Earnings per share before and after dilution and before items affecting comparability (SEK)	3	9.61	9.17

Consolidated statement of comprehensive income

MSEK	Note	2019	2018
Net income for the year		3 362	3 021
Other comprehensive income			
Items that will not be reclassified to the statement of income			
Remeasurements of defined benefit pension plans net of tax	32	31	-72
Total items that will not be reclassified to the statement of income		31	-72
Items that subsequently may be reclassified to the statement of income			
Remeasurement for hyperinflation net of tax	40	79	314
Cash flow hedges net of tax	7	36	63
Cost of hedging net of tax	7	12	-44
Net investment hedges net of tax		-346	-381
Other comprehensive income from associated companies, translation differences		14	19
Translation differences		405	668
Total items that subsequently may be reclassified to the statement of income		200	639
Other comprehensive income	15	231	567
Total comprehensive income for the year		3 593	3 588
Whereof attributable to:			
Equity holders of the Parent Company		3 587	3 583
Non-controlling interests		6	5

Securitas' financial model - consolidated statement of income
Supplementary information

MSEK	2019	2018
Sales	109 560	99 707
Sales, acquired business	1 339	1 760
Total sales	110 899	101 467
<i>Organic sales growth, %</i>	4	6
Production expenses	-91 588	-83 570
Gross income	19 311	17 897
<i>Gross margin, %</i>	17.4	17.6
Expenses for branch offices	-5 621	-5 428
Other selling and administrative expenses	-8 016	-7 226
Total expenses	-13 637	-12 654
Other operating income	34	30
Share in income of associated companies	30	31
Operating income before amortization	5 738	5 304
<i>Operating margin, %</i>	5.2	5.2
Amortization of acquisition related intangible assets	-271	-260
Acquisition related costs	-62	-120
Items affecting comparability	-209	-455
Operating income after amortization	5 196	4 469
Financial income and expenses	-578	-441
Income before taxes	4 618	4 028
<i>Net margin, %</i>	4.2	4.0
Taxes	-1 256	-1 007
Net income for the year	3 362	3 021

■ Operating items.
 ■ Net debt-related items.
 ■ Goodwill, taxes and non-operating items.
 ■ Items related to shareholders' equity.

Securitas' financial model is described on pages 54-55.

Consolidated statement of cash flow

MSEK	Note	2019	2018
Operations			
Operating income		5 196	4 469
Adjustment for effect on cash flow from items affecting comparability	11	-94	338
Adjustment for effect on cash flow from acquisition related costs	11	-18	23
Reversal of depreciation	18, 19, 20, 21	2 961	1 953
Financial items received		42	59
Financial items paid		-633	-491
Current taxes paid		-1 191	-856
Change in accounts receivable		-239	-1 575
Change in other operating capital employed		-277	-62
Cash flow from operations		5 747	3 858
Investing activities			
Investments in non-current tangible and intangible assets		-2 040	-2 188
Acquisitions and divestitures of subsidiaries	16	-494	-1 658
Cash flow from investing activities		-2 534	-3 846
Financing activities			
Dividend paid to shareholders of the Parent Company		-1 606	-1 460
Proceeds from bond loans	31, 34	1 445	3 004
Redemption of bond loans	31, 34	-792	-3 480
Proceeds from commercial paper		5 098	2 500
Redemption of commercial paper		-5 300	-1 550
Change in other interest-bearing net debt excluding liquid funds	20	-1 366	610
Cash flow from financing activities	7	-2 521	-376
Cash flow for the year		692	-364
Liquid funds at beginning of year		3 229	3 611
Translation differences on liquid funds		27	-18
Liquid funds at year-end	7, 29	3 948	3 229

Securitas' financial model – consolidated statement of cash flow

Supplementary information

MSEK	2019	2018
Operating income before amortization	5 738	5 304
Investments in non-current tangible and intangible assets	-3 010	-2 188
Reversal of depreciation	2 690	1 693
Net investments in non-current tangible and intangible assets	-320	-495
Change in accounts receivable	-239	-1 575
Change in other operating capital employed	-277	-62
Cash flow from operating activities	4 902	3 172
<i>Cash flow from operating activities as % of operating income before amortization</i>	<i>85</i>	<i>60</i>
Financial income and expenses paid	-443	-432
Current taxes paid	-1 191	-856
Free cash flow	3 268	1 884
<i>Free cash flow as % of adjusted income</i>	<i>83</i>	<i>48</i>
Acquisitions and divestitures of subsidiaries	-494	-1 658
Acquisition related costs paid	-80	-97
Cash flow from items affecting comparability	-303	-117
Cash flow from financing activities	-1 699	-376
Cash flow for the year	692	-364

■ Operating items.
 ■ Net debt-related items.
 ■ Goodwill, taxes and non-operating items.

Securitas' financial model is described on pages 54-55.

Consolidated balance sheet

MSEK	Note	2019	2018
ASSETS			
Non-current assets			
Goodwill	17	22 157	21 061
Acquisition related intangible assets	18	1 563	1 458
Other intangible assets	6, 19	1 813	1 450
Right-of-use assets ¹	20	3 489	222
Buildings and land ¹	21	254	297
Machinery and equipment ¹	21	3 292	3 235
Shares in associated companies	22	320	452
Deferred tax assets	15	918	961
Interest-bearing financial non-current assets	23	437	499
Other long-term receivables	24	881	783
Total non-current assets		35 124	30 418
Current assets			
Inventories	25	508	460
Accounts receivable	26	16 120	15 604
Current tax assets	15	922	581
Other current receivables	27	5 434	5 056
Other interest-bearing current assets	28	134	121
Liquid funds	29	3 948	3 229
Total current assets		27 066	25 051
TOTAL ASSETS		62 190	55 469
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		365	365
Other capital contributed		7 363	7 363
Other reserves		-206	-326
Retained earnings		12 047	10 230
Shareholders' equity attributable to equity holders of the Parent Company		19 569	17 632
Non-controlling interests		30	25
Total shareholders' equity	30	19 599	17 657
Long-term liabilities			
Long-term lease liabilities	31	2 610	116
Other long-term loan liabilities	31	17 216	15 858
Other long-term liabilities	31	361	336
Provisions for pensions and similar commitments	32	1 141	1 116
Deferred tax liabilities	15	624	571
Other long-term provisions	33	719	840
Total long-term liabilities		22 671	18 837
Current liabilities			
Current lease liabilities	34	944	106
Other short-term loan liabilities	34	1 290	2 282
Accounts payable		2 001	1 833
Current tax liabilities	15	1 621	1 362
Other current liabilities	35	12 936	12 028
Short-term provisions	36	1 128	1 364
Total current liabilities		19 920	18 975
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		62 190	55 469

1 Finance leases according to IAS 17 were in 2018 included in buildings and land as well as in machinery and equipment. In this Annual Report, they have been reclassified to right-of-use assets. For further information regarding right-of-use assets, refer to note 20 and 41.

Securitas' financial model - consolidated capital employed and financing
Supplementary information

MSEK	2019	2018
Operating capital employed		
Other intangible assets	1 813	1 450
Right-of-use assets ¹	3 489	222
Buildings and land ¹	254	297
Machinery and equipment ¹	3 292	3 235
Deferred tax assets	918	961
Other long-term receivables	881	783
Inventories	508	460
Accounts receivable	16 120	15 604
Current tax assets	922	581
Other current receivables	5 434	5 056
Total assets	33 631	28 649
Other long-term liabilities	361	336
Provisions for pensions and similar commitments	1 141	1 116
Deferred tax liabilities	624	571
Other long-term provisions	719	840
Accounts payable	2 001	1 833
Current tax liabilities	1 621	1 362
Other current liabilities	12 936	12 028
Short-term provisions	1 128	1 364
Total liabilities	20 531	19 450
Total operating capital employed	13 100	9 199
Goodwill	22 157	21 061
Acquisition related intangible assets	1 563	1 458
Shares in associated companies	320	452
Total capital employed	37 140	32 170
<i>Operating capital employed as % of sales</i>	<i>12</i>	<i>9</i>
<i>Return on capital employed, %</i>	<i>15</i>	<i>15</i>
Net debt		
Interest-bearing financial non-current assets	437	499
Other interest-bearing current assets	134	121
Liquid funds	3 948	3 229
Total interest-bearing assets	4 519	3 849
Long-term lease liabilities	2 610	116
Other long-term loan liabilities	17 216	15 858
Current lease liabilities	944	106
Other short-term loan liabilities	1 290	2 282
Total interest-bearing liabilities	22 060	18 362
Total net debt	17 541	14 513
<i>Net debt equity ratio, multiple</i>	<i>0.89</i>	<i>0.82</i>
Shareholders' equity		
Share capital	365	365
Other capital contributed	7 363	7 363
Other reserves	-206	-326
Retained earnings	12 047	10 230
Non-controlling interests	30	25
Total shareholders' equity	19 599	17 657
Total financing	37 140	32 170

■ Operating items.
 ■ Net debt-related items.
 ■ Goodwill and non-operating items.
 ■ Items related to shareholders' equity.

Securitas' financial model is described on pages 54-55.

¹ Finance leases according to IAS 17 was in 2018 included in buildings and land as well as in machinery and equipment. For further information regarding right-of-use assets, refer to note 20 and 41.

Consolidated statement of changes in shareholders' equity

MSEK	Shareholders' equity attributable to equity holders of the Parent Company ¹						Non-controlling interests ²	Total shareholders' equity
	Share capital	Other capital contributed	Hedging reserve	Translation reserve	Retained earnings	Total		
Opening balance 2018	365	7 363	-4	-647	8 441	15 518	21	15 539
Net income for the year	-	-	-	-	3 016	3 016	5	3 021
Other comprehensive income								
Items that will not be reclassified to the statement of income								
Remeasurements of defined benefit pension plans net of tax	-	-	-	-	-72	-72	-	-72
Total items that will not be reclassified to the statement of income	-	-	-	-	-72	-72	-	-72
Items that subsequently may be reclassified to the statement of income								
Remeasurement for hyperinflation net of tax ²	-	-	-	-	314	314	-	314
Cash flow hedges net of tax ³	-	-	63	-	-	63	-	63
Cost of hedging net of tax	-	-	-44	-	-	-44	-	-44
Net investment hedges net of tax ⁴	-	-	-	-381	-	-381	-	-381
Other comprehensive income from associated companies, translation differences	-	-	-	19	-	19	-	19
Translation differences	-	-	-	668	-	668	0	668
Total items that subsequently may be reclassified to the statement of income	-	-	19	306	314	639	0	639
Other comprehensive income	-	-	19	306	242	567	0	567
Total comprehensive income for the year	-	-	19	306	3 258	3 583	5	3 588
Transactions with non-controlling interests ¹	-	-	-	-	-2	-2	-1	-3
Share-based incentive schemes ¹	-	-	-	-	-7	-7	-	-7
Dividend paid to shareholders of the Parent Company	-	-	-	-	-1 460	-1 460	-	-1 460
Closing balance 2018	365	7 363	15	-341	10 230	17 632	25	17 657
Opening balance 2019	365	7 363	15	-341	10 230	17 632	25	17 657
Net income for the year	-	-	-	-	3 357	3 357	5	3 362
Other comprehensive income								
Items that will not be reclassified to the statement of income								
Remeasurements of defined benefit pension plans net of tax	-	-	-	-	31	31	-	31
Total items that will not be reclassified to the statement of income	-	-	-	-	31	31	-	31
Items that subsequently may be reclassified to the statement of income								
Remeasurement for hyperinflation net of tax ²	-	-	-	-	79	79	-	79
Cash flow hedges net of tax ³	-	-	36	-	-	36	-	36
Cost of hedging net of tax	-	-	12	-	-	12	-	12
Net investment hedges net of tax ⁴	-	-	-	-346	-	-346	-	-346
Other comprehensive income from associated companies, translation differences	-	-	-	14	-	14	-	14
Translation differences	-	-	-	404	-	404	1	405
Total items that subsequently may be reclassified to the statement of income	-	-	48	72	79	199	1	200
Other comprehensive income	-	-	48	72	110	230	1	231
Total comprehensive income for the year	-	-	48	72	3 467	3 587	6	3 593
Transactions with non-controlling interests ¹	-	-	-	-	-	-	-1	-1
Share-based incentive schemes ¹	-	-	-	-	-44	-44	-	-44
Dividend paid to shareholders of the Parent Company	-	-	-	-	-1 606	-1 606	-	-1 606
Closing balance 2019	365	7 363	63	-269	12 047	19 569	30	19 599

1 Further information is provided in note 30.

2 Further information is provided in note 40.

3 Specification can be found in note 7, in the table revaluation of financial instruments, as well as in note 15.

4 For tax amount see note 15.

Notes

Note

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NOTE 1 General corporate information

Operations

Securitas serves a wide range of clients of all sizes in a variety of industries and client segments. Security solutions based on client-specific needs are built through different combinations of on-site, mobile and remote guarding, electronic security, fire and safety and corporate risk management. Securitas operates in North America, Europe, Latin America, Africa, the Middle East, Asia and Australia and employs 370 000 employees in 56 countries.

Information regarding Securitas AB

Securitas AB, corporate registration number 556302-7241, is a Swedish public company and has its registered office in Stockholm, Sweden. The address of the head office is:

Securitas AB
Lindhagensplan 70
SE-102 28 Stockholm
Sweden

Securitas AB is listed on Nasdaq Stockholm on the Large Cap List. The Securitas share is included in for example the OMX Stockholm Price Index and the OMX Stockholm 30 Index. Securitas has been listed on the stock exchange since 1991.

Information regarding the Annual Report and the consolidated financial statements

This Annual Report including the consolidated financial statements was signed by the Board of Directors and the President and CEO of Securitas AB and also approved for publication on March 18, 2020.

The statements of income and balance sheets for the Parent Company and the consolidated financial statements for the Group included in the Annual Report are subject to adoption by the Annual General Meeting on May 7, 2020.

NOTE 2 Accounting principles

Basis of preparation

Securitas' consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 1 Supplementary Accounting Rules for Groups. The consolidated financial statements have been prepared in accordance with the historical cost convention method except where a fair value measurement is required according to IFRS. Examples of assets and liabilities measured at fair value are financial assets or financial liabilities (including derivatives) at fair value through profit or loss and plan assets related to defined benefit pension plans.

Estimates and judgments

NOTE 4

The preparation of financial reports requires the Board of Directors and Group Management to make estimates and judgments. Estimates and judgments will impact both the statement of income and the balance sheet as well as disclosures such as contingent liabilities. Actual outcome may differ from these judgments under different assumptions or conditions.

Adoption and impact of new and revised IFRS for 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. For further information regarding Securitas adoption and impact of IFRS 16, refer to the section Leases below as well as to note 41.

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 assessed 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 have had any impact on the Group's financial statements.

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

Securitas has chosen to early-adopt the amendments to IFRS 9 Financial instruments related to hedge accounting, which came into effect as of January 1, 2020. The purpose of the amendments is to reduce the effects on hedge accounting following the IBOR-reform and they should be applied to all hedge relationships that are directly affected by the IBOR-reform. The amendments are assessed to have no impact on the Group's financial statements.

None of the other published standards and interpretations that are mandatory for the Group's financial year 2020 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 2021 and onwards

The effect on the Group's financial statements from standards and interpretations that are mandatory for the Group's financial year 2021 or later remain to be assessed.

The acquisition method (IFRS 3) NOTE 11, 16, 17 AND 18

The acquisition method is used to account for the acquisitions of subsidiaries and operations by the Group. All payments to acquire a business are recorded at fair value at the acquisition date, with contingent considerations and acquisition related option liabilities classified as debt subsequently remeasured through the statement of income. The Group chooses on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related transaction costs are expensed. These costs are in the Group accounted for on a line in the statement of income named acquisition related costs. Costs accounted for on this line are transaction costs, revaluation (including discounting) of contingent considerations and acquisition related option liabilities, revaluation to fair value of previously acquired shares in step acquisitions and acquisition related restructuring and integration costs.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of income.

Scope of the consolidated financial statements (IFRS 10 and IFRS 12)

NOTE 16 AND 52

The consolidated financial statements relate to the Parent Company Securitas AB and all subsidiaries. Subsidiaries are all companies where

the Group has control, which is the case where the Group is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company.

The consolidated financial statements include companies acquired with effect from the date that the Group obtains control. Companies divested are excluded with effect from the date that the Group ceases to have control.

Pricing of deliveries among Group companies is based on normal business principles. Intercompany transactions, balances and unrealized gains and losses between Group companies are eliminated.

Non-controlling interests (IFRS 3 and IFRS 10) NOTE 30

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For acquisitions from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity on the line transactions with non-controlling interests in the consolidated statement of changes in shareholders' equity. Gains or losses on disposals to non-controlling interests are also recorded in equity on the same line.

The principle to treat transactions with non-controlling interests as transactions with equity owners of the Group is also applied to the valuation of options relating to non-controlling interests. This means that at both initial recognition and for any subsequent revaluation, according to the economic entity model, the transactions are recognized in equity as transactions with non-controlling interests.

Investments in associates (IAS 28) NOTE 22 AND 53

Associates are entities in which Securitas can exert a significant influence, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights. The equity method is used to account for these shareholdings. All payments to acquire a business are recorded at fair value on the acquisition date, with contingent considerations and acquisition related option liabilities classified as debt subsequently remeasured through the statement of income. All acquisition related transaction costs are expensed.

Share in income of associates is recognized in the consolidated statement of income. Depending on the purpose of the investment, share in income of associates is included either in operating income, if it is related to associates that have been acquired to contribute to the operations, or in income before taxes as a separate line within net financial items, if it is related to associates that have been acquired as part of the financing of the Group. In both cases the share in income of associates are net of tax. All associates in the Group are currently classified as operational associates.

In the consolidated balance sheet, investments in associates are stated at cost including the cost of the acquisition that is attributed to goodwill and other acquisition related intangible assets, adjusted for dividends and the share of income after the acquisition date. Investments in associates are also adjusted for translation differences of foreign investments to the exchange rate prevailing on the last day of the month. The translation differences are posted directly to other comprehensive income and thus do not affect net income for the year.

The consolidated financial statements include associates with effect from the date of the acquisition. Associates divested are excluded with effect from the divestment date.

Transactions, balances and unrealized gains and losses between the Group and its associates are eliminated to the extent of the Group's interest in the associate.

Translation of foreign subsidiaries (IAS 21) NOTE 30

The functional currency of each Group company, that is the currency in which the company primarily generates and expends cash, is determined

by the primary economic environment in which the company operates. The functional currency of the Parent Company and the presentation currency of the Group, that is the currency in which the financial statements are presented, is Swedish kronor (SEK).

When translating the financial statements of each foreign subsidiary, each month's statement of income is translated using the exchange rate prevailing on the last day of the month. This means that income for each month is not affected by foreign exchange fluctuations during subsequent periods. Balance sheets are translated using exchange rates prevailing at each balance sheet date. Translation differences arising in the conversion of balance sheets are posted directly to other comprehensive income and thus do not affect net income for the year. The translation difference arising because statements of income are translated using average rates, while balance sheets are translated using exchange rates prevailing at each balance sheet date, is posted directly to other comprehensive income.

Where loans have been raised to reduce the Group's foreign exchange/translation exposure in foreign net assets, and qualify for the hedge accounting criteria, exchange rate differences on such loans are recognized together with the exchange rate differences arising from the translation of foreign net assets in other comprehensive income.

The accumulated translation differences are accounted for in translation reserve in equity. When a foreign operation or part thereof is sold, such exchange differences are recognized in the statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated using exchange rates prevailing at each balance sheet date.

Remeasurement for hyperinflation (IAS 29) NOTE 40

The Group's subsidiaries in countries that according to IAS 29 are classified as hyperinflationary economies are accounted for in the Group's financial statements after remeasurement for hyperinflation. IAS 29 has been adopted for Securitas' operations in Argentina as from July 1, 2018. This includes the subsidiaries with functional currency in ARS as well as consolidated goodwill that is consolidated into SEK from ARS.

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. The base period for the index is January 2003. 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 periods.

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Transactions, receivables and liabilities in foreign currency (IAS 21) **NOTE 11 AND 14**

Transactions in foreign currency are translated into the functional currency in accordance with the exchange rates prevailing at the date of the transaction. Exchange differences on monetary items are recognized in the statement of income when they arise, with the exception of net investment hedges recognized via other comprehensive income (see above under the section Translation of foreign subsidiaries). Exchange differences from operating items are recognized as either production expenses or selling and administrative expenses, while exchange differences from financial items are recognized as financial income or financial expenses.

When preparing the financial statements of individual companies, foreign currency denominated receivables and liabilities are translated to the functional currency of the individual company using the exchange rates prevailing at each balance sheet date.

Revenue recognition (IFRS 15) **NOTE 6 AND 46**

The Group's revenue is generated mainly from various types of security services, as described below.

Guarding services 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 clients. Such services cannot be reperformed.

Security solutions and electronic security comprise two broad categories. 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 clients' site. The revenue recognition pattern is over time, as the services are rendered by Securitas and simultaneously consumed by the clients. 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 clients. 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 consists in its entirety of trade mark fees for the use of the Securitas brand name.

The segments have the principle of expensing costs to obtain contracts as they are incurred. Such costs are capitalized at Group level and amortized over the expected duration of the contract. This effect is accounted for under Other in the segment overviews and constitutes a difference between the segment's accounting principles and the Group's accounting principles, reflecting the operating result measure reported to the chief operating decision maker.

Costs to fulfil a contract such as salaries and payroll overhead are expensed immediately as the services are rendered by Securitas and consumed by the client.

Operating segments (IFRS 8) **NOTE 10**

A combination of factors has been used in order to identify the Group's segments. Most important is the characteristic of the services provided and the geographical split. The operating segments are regularly reviewed by the chief operating decision maker, which is the President and CEO.

The Group's operations are divided into three reportable segments and Other. The reportable segments are also referred to as business segments in the Group's financial reports. Refer to note 10 for further information regarding the segments.

As of January 1, 2020, Security Services North America comprises four business units that constitute the operating segments guarding, electronic security, critical infrastructure and Pinkerton Corporate Risk Management. Three of the operating segments do not meet the quantitative threshold to be reportable segments under IFRS 8 and since they share the aggregation criteria, they are aggregated with the fourth operating segment into one reportable segment. This means that the disclosure level for segments in 2020 will be unchanged compared to previous periods.

As described above under Revenue recognition, the segments have the principle of expensing costs to obtain contracts as they are incurred. Such costs are capitalized at Group level and amortized over the expected duration of the contract. This effect is accounted for under Other in the segment overviews and constitutes a difference between the segment's accounting principles and the Group's accounting principles, reflecting the operating result measure reported to the chief operating decision maker. This is the only difference in principles between the segments and the Group.

The assets and liabilities of each segment include only those items that have been utilized or arisen in ongoing operations. Non-operational balance sheet items, primarily current tax, deferred tax, and provisions for taxes, are accounted for under the Other heading in the table Capital employed and financing in note 10. In the table Assets and liabilities in the same note, these items are accounted for as unallocated non-interest bearing assets and unallocated non-interest bearing liabilities. Reconciliation between total segments and the Group is disclosed in note 10.

Geographical information related to sales and non-current assets is disclosed in note 10 for Sweden (which is Securitas' country of domicile) and for all individual countries where the sales or non-current assets exceed 10 percent of the total amount for the Group.

The geographical split of sales is based on the location of the sales. The location of the sales corresponds in all material aspects to the location of the clients. There are no sales to any individual client that are deemed to represent a significant portion of the Group's total sales.

Accounting for government grants and disclosure of government assistance (IAS 20)

Securitas, like other employers, is eligible for a variety of grants relating to employees. These grants relate to training, incentives for hiring new staff, reduction of working hours, etc. All grants are accounted for in the statement of income as a cost reduction in the same period as the related underlying cost.

Acquisition related restructuring and integration costs (IAS 37) **NOTE 11**

Acquisition related restructuring costs are costs relating to the restructuring and/or integration of acquired operations into the Group. Restructuring costs can cover several activities that are necessary to prepare acquired operations for integration into the Group, such as redundancy payments. Integration costs normally cover activities that do not qualify to be recognized as provisions. Such activities could be re-branding (changing logotypes on buildings, vehicles, uniforms, etc.), but could also cover personnel costs, for example training, recruitment, relocation and travel, certain client related costs and other incremental costs to trans-

form the acquired operation into Securitas' format. Classifying expenses as costs relating to integration of acquired operations must also fulfill the criteria below:

- The cost would not have been incurred if the acquisition not had taken place
- The cost relates to a project identified and controlled by management as part of an integration program set up at the time of acquisition or as a direct consequence of an immediate post-acquisition review

Items affecting comparability

NOTE 11

This item includes events and transactions with significant effects, which are relevant for understanding the Group's financial performance when comparing income for the current period with previous periods. They include capital gains and losses arising from the disposal of material cash generating units, material impairment losses and bad debt losses, litigations and insurance claims and other material income and expense items of a non-recurring nature. The latter thus also includes costs for material restructuring and transformation programs such as the European cost savings program and the transformation programs for further digitization of the company initiated during 2018, that will continue over the duration of the programs. Tax on items affecting comparability and tax items that in themselves constitute items affecting comparability are reported on the line taxes in the consolidated statement of income.

Items that are classified as items affecting comparability in a period are accounted for consistently in future periods by treating any reversal of those items as items affecting comparability.

Taxes (IAS 12)

NOTE 15 AND 49

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

A deferred tax asset is recognized when it is probable that sufficient taxable income will arise that the deferred tax asset can be offset against. Deferred tax assets are valued as of the balance sheet date, and any potential previously unvalued deferred tax asset is recognized when it is expected to be usable, or correspondingly, reduced when it is expected to be wholly or partly unusable against future taxable income.

Current tax liabilities include provisions for taxes. Current and deferred taxes are posted directly to other comprehensive income if the relevant underlying transaction or event is posted directly to other comprehensive income in the period, or previous period if it pertains to an adjustment of an opening balance of retained earnings as the result of a change in accounting principle. Changes in current and deferred taxes that relate to exchange rate differences in the translation of the balance sheets of foreign subsidiaries are posted to translation differences in other comprehensive income.

Provisions are allocated for estimated taxes in the case dividends are anticipated and paid from subsidiaries to a Parent Company in the following year.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Impairment (IAS 36)

NOTE 17

The Group's assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. In addition to goodwill, these assets are limited to the brand name Securitas in one of the

Group's countries of operations, where it has been acquired from a third party.

For the purpose of impairment testing, assets are grouped as cash-generating units (CGU), which corresponds to the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets.

Following the implementation of IFRS 16 Leases as of January 1, 2019 that was done on segment level, assets and liabilities for the segments are only measured fully on segment level, instead of on country level as in previous years. Thus, the segment level is now the lowest level where assets and liabilities are accounted for according to IFRS 16. This level corresponds to how Securitas evaluates its business in accordance with IFRS 8 and IAS 36. The change of level for impairment testing has had no effect on recognition or reversal of impairment losses.

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If this is the case, an impairment loss is recognized in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is measured as expected future discounted cash flows. The calculation of value in use is based on assumptions and estimates. The main assumptions concern the organic sales growth, the development of the operating margin and the necessary operating capital employed requirement as well as the relevant WACC (Weighted Average Cost of Capital) rate used to discount future cash flows. When determining the relevant WACC, Securitas considers that cash flows are generated on local level, where the operations are conducted.

Goodwill and other acquisition related intangible assets (IFRS 3, IAS 36 and IAS 38)

NOTE 17 AND 18

Goodwill and other acquisition related intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Unit), that is, per segment. This allocation is also the basis for the yearly impairment testing. The Group changed the level of impairment testing for goodwill from the country level to the segment level as a consequence of adopting IFRS 16 that resulted in that complete financial information that is reviewed and used for control is available only on the segment level.

Goodwill is carried at cost less accumulated impairment losses. Other acquisition related intangible assets arising from the Group's acquisitions can include various types of intangible assets such as marketing-related, client-related, contract-related, brand-related and technology-based intangible assets. Other acquisition related intangible assets normally have a definite useful life. These assets are recognized at fair value on the date of acquisition and subsequently carried at cost less accumulated amortization and any accumulated impairment losses.

Securitas' acquisition related intangible assets mainly relate to client contract portfolios and the related client relationships. The valuation of the client contract portfolios and the related client relationships is based on the Multiple Excess Earnings Method (MEEM), which is a valuation model based on discounted cash flows. The valuation is based on the churn rates and profitability of the acquired portfolio at the time of the acquisition. In the model a specific charge - a contributory asset charge - is applied as a cost or return requirement for the assets supporting the intangible asset. Cash flows are discounted using the Weighted Average Cost of Capital (WACC) adjusted for local interest rate levels in the countries of acquisition. The useful life of client contract portfolios and the related client relationships is based on the churn rate of the acquired portfolio and is normally between 3 and 10 years, corresponding to a yearly amortization of between 10.0 percent and 33.3 percent. Brand-related intangible assets are calculated using the relief of royalty method. The useful life of these brands is normally between 5 and 10 years, corresponding to a yearly amortization of between 10 and 20 percent.

Amortization is calculated using the linear method and disclosed on the line amortization and impairment of acquisition related intangible assets in the Group's statement of income.

A deferred tax liability is calculated, recognized and reversed over the same period as the intangible asset is amortized, in order to neutralize the impact on the Group's full tax rate from the acquisition.

Other intangible assets (IAS 36 and IAS 38) NOTE 19 AND 50

The Group's other intangible assets include the trade mark Securitas, which is estimated to have an indefinite useful life. The trademark has been capitalized only in those cases where it has been acquired from a third party. This trademark is not amortized but tested annually for impairment.

All other items in other intangible assets have a definite useful life. Amortization is linear and the amortization rates are normally:

Software licenses and similar assets	10.0-33.3 percent
Other intangible assets	10.0-33.3 percent

Rental rights and similar rights are amortized over the same period as the underlying contractual period.

Tangible non-current assets (IAS 16 and IAS 36) NOTE 21 AND 51

Securitas applies linear depreciation for tangible non-current assets. The depreciation rates are normally:

Machinery and equipment	10-50 percent
Buildings and land improvements	2-10 percent
Land	0 percent

Leases (IFRS 16) NOTE 13, 20 AND 41

Securitas' lease agreements are mainly attributable to buildings and vehicles. As from the transition to IFRS 16 on January 1, 2019, they are accounted for as right-of-use assets (included in non-current assets) and long-term and current lease liabilities in the consolidated balance sheet.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In the consolidated statement of income, depreciation is accounted for on the lines production expenses and selling and administrative expenses. Interest expenses are accounted for on the line financial expenses. In the Group's segment overviews, the effects of the adoption of IFRS 16 are accounted for under each segment.

The lease liabilities are initially measured at the present value of remaining lease payments, discounted by using the incremental borrowing rate for each country. Lease payments are allocated between principal and interest expense.

The right-of-use assets are initially measured at an amount equal to the lease liabilities. If advance payments have been made, the right-of-use assets are adjusted for these payments. Any reassessment of the lease liabilities in subsequent periods leads to corresponding adjustments to the right-of-use assets.

Extension clauses are evaluated for each lease agreement and are applied based on the best estimate at each closing. They are included in the lease period if it is reasonably certain that the lease will be extended.

Payments for short-term leases, where the lease term ends within 12 months of the date of initial application, as well as leases of low-value assets, are recognized on a straight-line basis as an expense in the statement of income and thus excluded from the lease liabilities accounted for under IFRS 16.

The extent of lease contracts where the Group is the lessor is limited. Leases where the Group is a lessor are classified as either finance leases or operating leases, depending if they transfer substantially all the risks and rewards of the ownership from the lessor. In cases where the Group is the lessor of lease contracts classified as operational, revenue is recognized on a linear basis over the lease term and included in total sales in the consolidated statement of income. Depreciation is recognized under operating income on a straight-line basis over the assets' useful life.

Information regarding the impact on the Group from the adoption and application of IFRS 16 is disclosed in note 41. For information regarding

the Group's accounting principles for leases in 2018, refer to the Annual Report 2018.

Accounts receivable (IFRS 9) NOTE 26

Accounts receivable are accounted for at nominal value net after provisions for expected bad debt losses. Expected and recognized bad debt losses are included in the line production expenses in the statement of income.

Recognized revenue that has not been invoiced as of the balance sheet date is classified as accrued sales income (note 27). Contract balances for performance obligations not yet satisfied are classified as deferred revenue (note 35).

Financial instruments (IFRS 7/IFRS 9/ IFRS 13/IAS 32/IAS 39) NOTE 7, 14, 23, 28, 31, 34 AND 45

Classification and measurement of financial instruments

The Group classifies financial assets and liabilities as those to be measured at amortized cost and those to be measured at fair value (either through other comprehensive income (OCI) or through the statement of income). The classification of financial assets depends on Securitas' business model for managing these assets and the contractual terms of the cash flows. The business model mainly applied by Securitas is hold to collect, meaning that financial assets are held to collect contractual cash flows. These cash flows solely represent payments of principal and interest (SPPI). The majority of Securitas financial assets are thus measured at amortized cost. Derivatives are measured at fair value through profit and loss unless hedge accounting is applied.

Financial instruments with maturities within 12 months after the balance sheet date are either included in current assets on the line other interest-bearing current assets, or in current liabilities on the line other short-term loan liabilities. Financial instruments with maturities later than 12 months after the balance sheet date are either included in non-current assets on the line interest-bearing financial non-current assets, or in long-term liabilities on the line other long-term loan liabilities.

Securitas applies the forward-looking expected credit loss model. The most important financial assets subject to this model are accounts receivable, for which the Group applies the simplified approach permitted by IFRS 9. This method requires expected lifetime losses to be recognized from initial recognition of the receivables. For further information refer to note 26.

Financial assets at amortized cost

Assets in this category are measured at amortized cost using the effective interest rate method. Most of the Group's current assets are measured at amortized cost, for example assets such as accounts receivable and long-term and short-term receivables, which are non-derivative financial assets with fixed or determinable payments. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Financial assets at fair value through profit and loss (FVPL)

Assets in this category are measured at fair value. Changes in fair value are recognized in the statement of income as they arise unless hedge accounting is applied.

Financial assets at fair value through other comprehensive income (FVOCI)

Securitas currently has no financial assets in this category.

Financial liabilities at amortized cost

Liabilities in this category are measured at amortized cost using the effective interest rate method. This category comprises such items as accounts payable and other current liabilities, and any long-term and short-term loans not included in the category financial liabilities at fair value through profit and loss.

Financial liabilities at fair value through profit and loss (FVPL)

Liabilities in this category are measured at fair value. Changes in fair value are recognized in the statement of income as they arise unless hedge accounting is applied.

Recognition and derecognition

Regular purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Financial instruments are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial risk management and hedge accounting

Securitas' business activities create exposure to financial risks, such as interest rate risk, foreign currency risk, financing and liquidity risk and credit/counterparty risk.

Derivatives are used for the following main purposes: hedging the interest rate element of external debt and changing its currency profile, gearing ratio hedging and hedging of internal borrowings and investments.

Where all relevant criteria are met, Securitas applies hedge accounting to remove the accounting mismatch between the hedging instrument and the hedged item. At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items. The economic relationship is determined based on the matching of critical terms. For interest rate hedges these are interest rates, cash flow, currency, interest periods and maturity. For cash flow hedges these are currency, nominal amount and dates. The Group documents its risk management objective and strategy for undertaking its hedge transactions. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For derivatives designated in fair value hedges, the gains or losses from re-measuring the hedging instruments at fair value are recognized in the statement of income. Also included in this category are derivatives where there is a natural offset in the accounting and where the purpose is to achieve an offsetting impact without qualifying for hedge accounting. The Group does not hedge 100 percent of its fixed rate loans; therefore, the hedged item is identified as a proportion of the outstanding loans equal to the notional amount of the swaps. Accordingly, the hedge ratio is 1:1.

For derivatives designated in cash flow hedges, the gains or losses from re-measuring the hedging instruments at fair value are recognized in the hedging reserve in other comprehensive income, with a reversal from the hedging reserve to the statement of income in the period in which the cash flow of the hedged item impacts the statement of income. Any ineffectiveness is recognized in the statement of income. The Group does not hedge 100 percent of its floating rate loans; therefore, the hedged item is identified as a proportion of the outstanding loans equal to the notional amount of the swaps. Accordingly, the hedge ratio is 1:1.

For derivatives which are part of net investment hedges, the exchange rate gains and losses are recognized in other comprehensive income. Any ineffectiveness is recognized in the statement of income.

All cash flows (accrued interest income/expenses) that arise from interest-rate derivative contracts are recognized as interest income and/or interest expense in the statement of income in the period to which they relate. Changes in fair value (after accruals) for both the hedged item and the hedging instrument (derivative) are recognized as revaluation of financial instruments. Revaluation of financial instruments is included in financial income and/or financial expenses in the statement of income and specified in the table Revaluation of financial instruments in note 7 as well as on a separate line in note 14.

Refer to note 7 for further information regarding the Group's risk exposure.

Hedge ineffectiveness

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount.

Hedge ineffectiveness for interest rate swaps may occur if changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument. It may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan. This is mitigated by the use of credit support annexes, and
- differences in critical terms between the interest rate swaps and loans.

As all hedging relationships had matching terms there was no significant hedge ineffectiveness during the year.

Share-based payments (IFRS 2)**NOTE 9, 12, 30 AND 56**

Securitas has two share-based incentive schemes. The short-term share-based incentive scheme has been in place for a number of years subject to yearly approval by the Annual General Meeting. From 2019, a new long-term share based incentive scheme was approved by the Annual General Meeting and has been introduced for the CEO, Group Management and a limited number of other key employees.

For both schemes, the cost for Securitas, including social security expenses, is accounted for in the statement of income during the vesting period. The share-based portion of the bonus is classified as equity. At the end of the program, a revaluation is made of the original estimates and the final outcome of social security expenses is determined. Any deviation due to the revaluation, for example due to any participant leaving the Group and not receiving allocated shares, is accounted for in the statement of income.

Under the short-term share-based incentive scheme the participants in the scheme receive a bonus of which two thirds are payable in cash in the beginning of the year after the bonus has been accrued. The remaining one third of the bonus is used to acquire shares at market value. These shares are delivered to the participants in March, two years following the performance year, conditioned by a continuous employment during the vesting period, except where a participant has left his/her employment due to retirement, death or long-term disability, in which case the participant shall have a continued right to receive shares.

In order to hedge the share portion of Securitas share-based incentive scheme 2018, the Group has entered into a swap agreement with a third party. The swap agreement represents an obligation for the Parent Company to purchase its own shares at a predetermined price. The swap agreement is consequently classified as an equity instrument and accounted for in equity as a reduction of retained earnings. A swap agreement was also entered into to hedge the share portion of Securitas share-based incentive scheme 2017. That swap agreement settled during 2019 in conjunction with the delivery of the shares to the participants upon vesting.

Under the long-term share-based incentive scheme participants will have to invest Securitas series B shares at market price or nominate already vested or currently vesting shares under the short-term incentive schemes. For every shares thus purchased or invested the company will grant so called performance awards free of charge. The performance condition is linked to the development of real change in earnings per share (if applicable excluding items affecting comparability) and the outcome is calculated yearly, whereby one third is measured against the outcome of the first year, one third against the second year and one third against the third year. The award of shares is in addition to the fulfilment of performance conditions contingent on the employment as per the vesting day and that the invested shares are kept during the whole vesting period. The number of shares awarded will also include compensation for dividend during the vesting period by increasing the number of shares awarded.

The cost for the service rendered under the long-term incentive program is spread over the vesting period and is based on a fair value on the grant date for Securitas series B share.

Any share-swap agreement will be separate from those entered into for the short-term share-based incentive scheme described above. The accounting principles described for the swap agreement above will also be applicable for any future swap agreements in relation to the long-term program.

Employee benefits (IAS 19)

NOTE 24, 32 AND 35

Employee benefits are all forms of consideration given by the Group in exchange for services rendered by its employees. With the exception of the share-based incentive schemes, described above, which falls under IFRS 2, they are all covered under IAS 19. The considerations mainly relate to salaries and payroll overhead such as social charges and payroll taxes, but also include other short-term employee benefits that are expected to be settled within 12 months of the balance sheet date. These include, but are not limited to, vacation payments, cash-settled bonuses and also short-term healthcare benefits. When applicable these benefits also include the applicable social charges and payroll taxes. In addition to these benefits the Group is also responsible to withhold social charges, payroll taxes and income tax on behalf of its employees. These balances are included in other current liabilities and in other short-term provisions.

The Group also operates or participates in a number of defined benefit and defined contribution pension and other post-employment benefit plans as well as some other long-term employment plans. Other post-employment plans primarily relate to healthcare benefits. A defined contribution plan is a plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all members the benefits relating to employee service in the current and prior periods. Contributions are recognized as expenses when they fall due for payment. Other plans are defined benefit plans.

Calculations for the defined benefit plans that exist within Securitas are carried out by independent actuaries. Costs related to defined benefit plans are recognized in operating income. The calculation of service cost is based on the projected unit credit method in a way that distributes the cost over the employee's working life. The net interest cost is estimated by applying the discount rate to the net defined benefit obligation. Administration costs are recognized in operating income in the period which they occur.

The net defined benefit obligation recognized in the balance sheet is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The obligations are valued at the present value of the expected future cash flows using a discount rate corresponding to the interest rate on high quality corporate bonds or government bonds with a remaining term that is approximately the same as the obligations.

Remeasurements of post-employment benefit plans and reimbursement rights are recognized in other comprehensive income in the period which they occur. Remeasurements of other long-term employee benefit plans as well as past service costs are recognized immediately in operating income.

If accounting for a defined benefit plan results in a net balance sheet asset, this is reported in the consolidated balance sheet under other long-term receivables. Otherwise it is reported as a provision under provisions for pensions and similar commitments. Provisions for pensions and similar commitments are not included in net debt.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognized. This reimbursement right is measured at fair value and classified as a long-term receivable.

Provisions (IAS 37)

NOTE 15, 32, 33 AND 36

The Group's provisions are mainly related to deferred tax liabilities (note 15), provisions for pensions and similar commitments (note 32) and claims reserves (notes 33 and 36).

Claims reserves are calculated on the basis of a combination of case reserves, which represent claims reported, and IBNR (incurred but not reported) reserves. Actuarial calculations are performed quarterly to assess the adequacy of the reserves based on open claims and historical IBNR.

The Group has 370 000 employees and as such from time to time faces labor-related disputes with current or former employees in relation to various matters. Such matters can involve, but are not limited to, the diverse interpretation of labor legislation, individual employee contracts or collective bargaining agreements and can for example relate to working hours, benefits payable, various reimbursements or the termination of employment. The Group follows IAS 37 and IAS 19 in determining when

a contingent liability, a provision or a liability should be disclosed and/or recognized for these disputes.

NOTE 3 Definitions, calculation of key ratios and exchange rates

DEFINITIONS

Statement of income according to Securitas' financial model

Production expenses¹

Wages and related costs, the cost of equipment used when performing professional duties, and all other costs directly related to the performance of services invoiced.

Selling and administrative expenses¹

All costs of selling, administration and management including branch office expenses. The primary function of the branch offices is to provide the production with administrative support as well as to serve as a sales channel.

Gross margin

Gross income as a percentage of total sales.

Operating income before amortization

Operating income before amortization and impairment of acquisition related intangible assets and acquisition related costs, but including amortization and depreciation of other intangible assets, buildings and land and machinery and equipment.

Operating margin

Operating income before amortization as a percentage of total sales.

Operating income after amortization

Operating income after amortization and impairment of acquisition related intangible assets and acquisition related costs, and including amortization and depreciation of other intangible assets, buildings and land and machinery and equipment.

Adjusted income

Operating income before amortization, adjusted for financial income and expenses (excluding revaluation of financial instruments according to IAS 39) and current taxes.

Net margin

Income before taxes as a percentage of total sales.

Real change

Change adjusted for changes in exchange rates.

Statement of cash flow according to Securitas' financial model

Cash flow from operating activities

Operating income before amortization adjusted for depreciation/amortization less capital expenditures in non-current tangible and intangible assets (excluding acquisition of subsidiaries), change in accounts receivable and changes in other operating capital employed.

Free cash flow

Cash flow from operating activities adjusted for financial income and expenses paid and current taxes paid.

Cash flow for the year¹

Free cash flow adjusted for acquisition of subsidiaries, acquisition related costs paid, dividends, new issues and change in interest-bearing net debt excluding liquid funds.

¹ The definition is also valid for the formal primary statements – the statement of income and the statement of cash flow.

Note

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Balance sheet according to Securitas' financial model**Operating capital employed**

Capital employed less goodwill, acquisition related intangible assets and shares in associated companies.

Capital employed

Non interest-bearing non-current and current assets less non interest-bearing long-term and current liabilities.

Net debt

Interest-bearing non-current and current assets less long-term and short-term interest-bearing loan liabilities.

CALCULATION OF KEY RATIOS 2019**Usage of key ratios not defined in IFRS**

Securitas applies ESMA's (European Securities and Markets Authority) guidelines for Alternative Performance Measures (APM). An APM is a financial measure of historical or future financial performance, financial position or cash flow that has not been defined in IFRS. In order to facilitate the analysis of the Group's development made by Group Management and other interested parties, Securitas accounts for certain APMs. The APMs are additional information and do not replace key ratios according to IFRS. Securitas definitions of APMs may be different from the definitions in other companies. Refer to the Annual Report 2018 for the previous year's calculations.

Adoption and impact of IFRS 16 Leases

As described in note 2 Accounting principles, Securitas has adopted IFRS 16 Leases as of January 1, 2019. The cumulative effect of the adoption has been recognized without restatement of the comparative periods. As a consequence, certain lines in the consolidated financial statements and segment overviews as well as key ratios are not comparable with the preceding year. The effects of the adoption, including the effect on the Group's key ratios, are described in note 41.

Acquired sales growth: 1%

This year's sales from acquired business as a percentage of the previous year's total sales.

Calculation: $1\,339/101\,467 = 1\%$

Organic sales growth: 4%

Total sales for the year adjusted for acquisitions and changes in exchange rates as a percentage of the previous year's total sales adjusted for divestitures.

Calculation: $((110\,899 - 1\,339 - 3\,693)/(101\,467 - 34)) - 1 = 4\%$

Real sales growth: 6%

Total sales for the year including acquisitions and adjusted for changes in exchange rates as a percentage of the previous year's total sales.

Calculation: $((110\,899 - 3\,693)/101\,467) - 1 = 6\%$

Change of currency adjusted operating income before amortization: 3%

Operating income before amortization adjusted for changes in exchange rates as a percentage of the previous year's operating income before amortization.

Calculation: $((5\,738 - 255)/5\,304) - 1 = 3\%$

Operating margin: 5.2%

Operating income before amortization as a percentage of total sales.

Calculation: $5\,738/110\,899 = 5.2\%$

Change of currency adjusted operating income after amortization: 11%

Operating income after amortization adjusted for changes in exchange rates as a percentage of the previous year's operating income after amortization.

Calculation: $((5\,196 - 235)/4\,469) - 1 = 11\%$

Change of currency adjusted income before taxes: 9%

Income before taxes adjusted for changes in exchange rates as a percentage of the previous year's income before taxes.

Calculation: $((4\,618 - 215)/4\,028) - 1 = 9\%$

Change of currency adjusted net income: 6%

Net income adjusted for changes in exchange rates as a percentage of the previous year's net income.

Calculation: $((3\,362 - 161)/3\,021) - 1 = 6\%$

Earnings per share before dilution^{1,2}: SEK 9.20 (8.26)

Net income for the year attributable to equity holders of the Parent Company in relation to the average number of shares before dilution.

Calculation 2019: $((3\,362 - 5)/364\,993\,486) \times 1\,000\,000 = \text{SEK } 9.20$

Calculation 2018: $((3\,021 - 5)/365\,058\,897) \times 1\,000\,000 = \text{SEK } 8.26$

Earnings per share before dilution^{1,2}, and before items affecting comparability³: SEK 9.61

Net income for the year attributable to equity holders of the Parent Company before items affecting comparability in relation to the average number of shares before dilution.

Calculation: $((3\,362 - 5 + 209 - 57)/364\,993\,486) \times 1\,000\,000 = \text{SEK } 9.61$

Change of currency adjusted earnings per share before dilution^{1,2}: 6%

Net income for the year attributable to equity holders of the Parent Company adjusted for changes in exchange rates in relation to the average number of shares before dilution as a percentage of the previous year's earnings per share before dilution.

Calculation: $((((3\,362 - 5 - 161)/364\,993\,486) \times 1\,000\,000)/8.26) - 1 = 6\%$

Change of currency adjusted earnings per share before dilution^{1,2} and before items affecting comparability³: -1%

Net income for the year attributable to equity holders of the Parent Company before items affecting comparability and adjusted for changes in exchange rates, in relation to the average number of shares before dilution as a percentage of the previous year's earnings per share before dilution and before items affecting comparability.

Calculation: $(((((3\,362 - 5 + 209 - 57 - 179)/364\,993\,486) \times 1\,000\,000)/9.17) - 1 = -1\%$

Cash flow from operating activities as % of operating income before amortization: 85%

Cash flow from operating activities as a percentage of operating income before amortization.

Calculation: $4\,902/5\,738 = 85\%$

Free cash flow as % of adjusted income: 83%

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: $3\,268/(5\,738 - 578 + 1 - 1\,200) = 83\%$

Free cash flow in relation to net debt: 0.19

Free cash flow in relation to closing balance net debt.

Calculation: $3\,268/17\,541 = 0.19$

¹ There are no convertible debenture loans. Consequently there is no difference between earnings per share before and after dilution.

² Number of shares includes shares related to the Group's share-based incentive scheme that have been hedged through a swap agreement.

³ Items affecting comparability in the full year is consisting of one-off effects of MSEK -209 from the IS/IT programs in the Group.

Net debt to EBITDA ratio: 2.2

Net debt in relation to operating income after amortization plus amortization of acquisition related intangible assets and depreciation.
Calculation: $17\,541 / (5\,196 + 271 + 2\,690) = 2.2$

Operating capital employed as % of total sales: 12%

Operating capital employed as a percentage of total sales adjusted for full year sales of acquired entities.
Calculation: $13\,100 / (110\,899 + 570) = 12\%$

Return on operating capital employed: 50%

Operating income before amortization plus items affecting comparability as a percentage of the average balance of operating capital employed.
Calculation: $(5\,738 - 209) / ((13\,100 + 9\,199) / 2) = 50\%$

Return on capital employed: 15%

Operating income before amortization plus items affecting comparability as a percentage of the closing balance of capital employed.
Calculation: $(5\,738 - 209) / 37\,140 = 15\%$

Net debt equity ratio: 0.89

Net debt in relation to shareholders' equity.
Calculation: $17\,541 / 19\,599 = 0.89$

Interest coverage ratio: 9.4

Operating income before amortization plus interest income in relation to interest expense.
Calculation: $(5\,738 + 41) / 617 = 9.4$

Return on equity: 18%

Net income for the year as a percentage of average shareholders' equity.
Calculation: $3\,362 / ((19\,599 + 17\,657) / 2) = 18\%$

Equity ratio: 32%

Shareholders' equity as a percentage of total assets.
Calculation: $19\,599 / 62\,190 = 32\%$

EXCHANGE RATES USED IN THE CONSOLIDATED FINANCIAL STATEMENTS 2019 AND 2018

			2019		2018	
			Weighted average	End-rate December	Weighted average	End-rate December
Argentina	ARS	1	0.20	0.16	0.31	0.23
Australia	AUD	1	6.58	6.52	6.50	6.32
Bosnia and Herzegovina	BAM	1	5.41	5.33	5.27	5.24
Bulgaria	BGN	1	5.41	5.34	5.27	5.24
Canada	CAD	1	7.15	7.13	6.71	6.57
Chile	CLP	100	1.34	1.25	1.36	1.29
China	CNY	1	1.37	1.33	1.32	1.30
Colombia	COP	100	0.29	0.28	0.29	0.27
Costa Rica	CRC	100	1.62	1.63	1.51	1.49
Croatia	HRK	1	1.43	1.40	1.39	1.38
Czech Republic	CZK	1	0.41	0.41	0.40	0.40
Denmark	DKK	1	1.42	1.40	1.38	1.37
Egypt	EGP	1	0.57	0.58	0.49	0.50
EMU countries	EUR	1	10.59	10.43	10.30	10.25
Hong Kong	HKD	1	1.21	1.20	1.11	1.14
Hungary	HUF	100	3.24	3.15	3.22	3.19
India	INR	1	0.13	0.13	0.13	0.13
Indonesia	IDR	100	0.07	0.07	0.06	0.06
Jordan	JOD	1	13.34	13.14	12.36	12.60
Mexico	MXN	1	0.49	0.49	0.45	0.46
Morocco	MAD	1	0.98	0.97	0.93	0.94
Norway	NOK	1	1.08	1.06	1.07	1.03
Paraguay	PYG	100	0.15	0.14	0.15	0.15
Peru	PEN	1	2.83	2.81	2.66	2.65
Poland	PLN	1	2.46	2.45	2.42	2.38
Romania	RON	1	2.23	2.18	2.21	2.20
Saudi Arabia	SAR	1	2.52	2.48	2.32	2.38
Serbia	RSD	1	0.09	0.09	0.09	0.09
Singapore	SGD	1	6.95	6.91	6.48	6.54
South Africa	ZAR	1	0.66	0.66	0.66	0.62
South Korea	KRW	100	0.81	0.81	0.79	0.80
Sri Lanka	LKR	100	5.30	5.13	5.34	4.89
Switzerland	CHF	1	9.53	9.59	8.94	9.11
Thailand	THB	1	0.31	0.31	0.27	0.27
Turkey	TRY	1	1.67	1.57	1.80	1.70
United Arab Emirates	AED	1	2.58	2.54	2.38	2.43
UK	GBP	1	12.10	12.23	11.61	11.35
Uruguay	UYU	1	0.27	0.25	0.28	0.28
USD countries	USD	1	9.47	9.32	8.75	8.94
Vietnam	VND	100	0.04	0.04	0.04	0.04

Note

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NOTE 4 Critical estimates and judgments

The preparation of financial reports requires the Board of Directors and Group Management to make estimates and judgments using certain assumptions. Estimates and judgments will impact the statement of income and the balance sheet as well as disclosures such as contingent liabilities. Actual results may differ from these estimates and judgments under different assumptions and conditions.

Acquisition of subsidiaries/operations and deferred considerations

The valuation of identifiable assets and liabilities in connection with the acquisition of subsidiaries or operations involves that items in the acquired company's balance sheet as well as items that have not been recognized in the acquired company's balance sheet, such as client relations, should be valued at fair value. In normal circumstances, as quoted market prices are not available for the assets and liabilities that are to be valued, different valuation methods have to be used. These valuation methods are based on a number of assumptions. For a personnel intensive company like Securitas, employee related items such as accrued salaries, accrued social benefits, holiday pay, long-term employee benefits and post-employment benefits are significant items in the balance sheet that can be difficult to value. Accounts receivable is another example of a significant balance sheet item where it can be difficult to value the amount of bad debt and thus to what extent they will be collected. Other items that can be difficult both to identify as well as to value are contingent liabilities that could have arisen in the acquired company in connection with for example litigations. As part of the Group's strategy to acquire companies active within the electronic security business this also entails some additional balance sheet items that can be of significant impact such as net amounts due from or to clients for installation projects (work in progress on behalf of clients) and the related inventory of components that will be used for installation projects or for service and maintenance work. The profitability in the installation projects need to be assessed and the existence and valuation of the inventory needs to be established.

The valuation of identifiable assets and liabilities is also dependent on the accounting environment that the acquired company/operations have been active in. This is true for example for the basis of preparation for the financial reporting and consequently the extent of adjustments that are necessary in order to follow the Group's accounting principles, the frequency for which closings have been prepared and the availability of different types of data that can be necessary in order to value identifiable assets and liabilities. All balance sheet items are thus subject to estimates and judgments. This also means that the initial accounting may have to be provisionally determined and subsequently adjusted. All acquisition calculations are finalized no later than one year after the acquisition is made. Considering the above description including the practicability to compile and disclose all individual adjustments in a manner that will benefit the reader of the financial statements, Securitas has chosen not to state the reasons to why the initial accounting of the business combination is provisional nor which assets and liabilities for which the initial accounting is provisional for each individual business combination unless it is a material adjustment.

All payments to acquire a subsidiary/operation are recorded at fair value at the acquisition date, including debt related to deferred or contingent considerations and acquisition related option liabilities (referred to collectively as deferred considerations). This debt is measured at fair value in subsequent periods with remeasurement through the statement of income. The final outcome of deferred considerations often depends on one or more events which only will be confirmed by a future development, such as the future profitability development for an agreed period. The final outcome can therefore either be lower or higher than the initially recognized amount. Short-term deferred considerations, which amount to MSEK 202 (78) and is included in other current liabilities (note 35) and long-term deferred considerations, which amount to MSEK 223 (195) and is included in other long-term liabilities (note 31), are thus subject to critical estimates and judgments.

Further information regarding acquisitions is provided in note 16 and regarding revaluation of deferred considerations in note 11.

Impairment testing of goodwill, other acquisition related intangible assets and shares in associated companies

In connection with the impairment testing of goodwill, other acquisition related intangible assets and shares in associated companies, the book value is compared to the recoverable value. The recoverable value is determined by the higher of an asset's net realizable value and its value in use. Since under normal circumstances no quoted market prices are available to assess an asset's net realizable value, the book value is normally compared to the value in use. The calculation of the value in use is based on assumptions and judgments. The most important assumptions are the organic sales growth, the development of the operating margin, the operating working capital requirements and the relevant WACC, which is used to discount future cash flows. All in all, this means that the valuation of the balance sheet items goodwill, which amounts to MSEK 22 157 (21 061), acquisition related intangible assets, which amounts to MSEK 1 563 (1 458) and shares in associated companies, which amounts to MSEK 320 (452) are subject to critical estimates and judgments. A sensitivity analysis regarding the organic sales growth, the operating margin and the WACC is provided in note 17.

Leases

Securitas' lease agreements are mainly attributable to buildings and vehicles. As from the transition to IFRS 16 on January 1, 2019, they are accounted for as right-of-use assets (included in non-current assets), which amounts to MSEK 3 489 (222), long-term lease liabilities of MSEK 2 610 (116) and current lease liabilities of MSEK 944 (106). The accounting for leases under IFRS 16 involves making critical estimates and judgments. Areas where critical estimates and judgments are applied include determination of the discount rate and the lease term.

The lease liabilities are initially measured at the present value of remaining lease payments. As the interest rate implicit in the lease generally cannot be readily determined for leases in the Group, the present value is calculated by using the incremental borrowing rate for each country. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The rate is set in line with the Group's internal borrowing rate, by using each country's swap rate for the relevant duration plus an internal borrowing margin. The right-of-use assets are initially measured at an amount equal to the lease liabilities. A change in the discount rate could increase or decrease the present value of the lease liabilities and consequently the right-of-use assets. Furthermore, it could impact the total cost in the statement of income and the split between depreciation and interest expense.

Lease terms are negotiated individually for each lease agreement. Determining the correct lease term is important since it impacts the size of the right-of-use assets and lease liabilities. It also impacts whether a lease can be classified as a short-term lease and thus excluded from the lease liabilities accounted for under IFRS 16. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). In general, extension options have not been included in the lease liability since the Group could replace the assets without significant cost or business disruption. A change in the lease term could increase or decrease the present value of the lease liabilities and consequently the right-of-use assets.

Valuation of accounts receivable and the provision for bad debt losses

Accounts receivable, which amounts to MSEK 16 120 (15 604), is one of the most significant balance sheet items. Accounts receivable are accounted for at the nominal value net after provisions for expected bad debt losses. The provision for bad debt losses, which amounts to MSEK -579 (-508), is thus subject to critical estimates and judgments. Securitas has a low level of bad debt losses, in the range of 0.1 percent of sales in the past five years.

As stated above, accounts receivable is often an important item in relation to the acquisition of subsidiaries/operations. Further information regarding the credit risk in accounts receivable is provided in note 7. Information regarding the ageing of accounts receivable and the development of the provision for bad debt losses during the year is provided in note 26.

Employee benefits including labor-related disputes

With 370 000 employees and salaries and social benefits representing more than 80 percent of the total operating expenses, the accounting for employee benefits is crucial to determine a correct result. The Group operates in many countries with different legislation and different regulatory frameworks surrounding the benefits payable to employees and the related payroll overhead such as social charges and payroll taxes.

Given the large number of employees, the Group from time to time also faces labor-related disputes with current or former employees in relation to various matters. Such matters can involve, but are not limited to, the diverse interpretation of labor legislation, individual employee contracts or collective bargaining agreements and can for example relate to working hours, benefits payable, various reimbursements or the termination of employment. All in all, this means that the employee-related items in the balance sheet are subject to critical estimates and judgments. These balances are mainly included under employee-related items (note 35), which amounts to MSEK 8 134 (7 511), but also form part of short-term provisions (note 36) as a part of other provisions MSEK 533 (786).

For defined benefit plans relating to benefits particularly for pensions and medical benefits and where the payment to the employee is several years into the future, actuarial calculations are required. These calculations are based on assumptions regarding economic variables such as the discount rate, salary increases, inflation rate, pension increases and the inflation rate for medical benefits, but also on demographic variables such as the expected life span. All in all, the balance sheet item pension balances for defined benefit plans which amounts to MSEK 95 (36) and which is stated under other long-term receivables (note 24), and the balance sheet item provisions for pensions and similar commitments, which amounts to MSEK 1 141 (1 116), is subject to critical estimates and judgments. The Group's opinion is that the most important assumptions are the discount rate, the inflation rate and the expected life span. A sensitivity analysis regarding these three variables is provided in note 32.

Actuarial calculations regarding claims reserves and timing of outflows

The Group is exposed to various types of risks in the day-to-day running of the business. The operational risks can result in the need to recognize reserves for damages resulting from property claims, personal injuries as well as workers' compensation claims relating to the Group's employees. Claims reserves are calculated based on a combination of case reserves and incurred but not reported reserves. Actuarial calculations are performed on a quarterly basis to assess the adequacy of the reserves based on open claims and historical data for incurred but not reported claims. Actuarial calculations are based on several assumptions. Claims reserves comprise a large number of individual insurance cases, where some cases are compensated with a lump-sum payment and others are paid over a longer period of time. It is thus not possible to disclose any detailed information regarding the timing of outflows from claims reserves.

All in all, this means that the balance sheet items short-term liability insurance-related claims reserves, which amounts to MSEK 595 (578) and is included in short-term provisions (note 36), and liability insurance-

related claims reserves, which amounts to MSEK 549 (624) and is included in other long-term provisions (note 33), are subject to critical estimates and judgments.

Calculation of taxes and timing of outflows

Deferred tax is calculated on temporary differences between the carrying amounts and the tax values of assets and liabilities. Assumptions and assessments affect recognized deferred tax, partly to determine the carrying amounts of the different assets and liabilities, and partly related to forecasts regarding future taxable profits, where future utilization of deferred tax assets depends on this. Significant assessments and assumptions are also made regarding recognition of provisions and contingent liabilities relating to tax risks and the potential impact of ongoing tax audits. Tax audits are often lengthy processes that go on for several years. It is thus not possible to disclose any detailed information regarding the timing of outflows from taxes.

The balance sheet includes deferred tax assets of MSEK 918 (961), current tax assets of MSEK 922 (581), deferred tax liabilities of MSEK 624 (571), and current tax liabilities of MSEK 1 621 (1 362), which are subject to critical estimates and judgments. Further information regarding taxes is provided in note 15 and note 38.

The impact on the Group's financial position of ongoing litigations and the valuation of contingent liabilities

Over the years, the Group has made a number of acquisitions in different countries. As a result of such acquisitions, certain contingent liabilities of the businesses acquired have been assumed. Companies within the Group are also involved in a number of proceedings, including legal proceedings and tax audits arising out of the operations. The accounting for litigations, legal proceedings and tax audits are subject to critical estimates and judgments. Further information is provided in note 38.

Potential effect of Brexit

Securitas operations in the UK are foremost with local clients and in local currency. The preliminary assessment is that the impact from the UK's decision to leave the EU will have limited effect on Securitas local business in the UK. Any changes in the Swedish krona exchange rate versus the British pound will affect the Group's consolidated financial statements when translating the British financial statements to Swedish kronor.

COVID-19

Securitas as well as other companies are currently facing the challenge of the spread of COVID-19 (Corona virus). Securitas operations in China are limited and in Italy we operate a small business in electronic security only. However we do see the further spreading of the virus in many different countries, especially in Europe where Securitas has significant operations, and the implementation of important measures around the world to prevent the further spreading impacting society and business. As per the date of signing of this Annual Report Securitas has seen certain effects, so far mostly in relation to cancelled events and reduced traffic in airports. Securitas is actively mitigating any impacts to the service levels, as well as to the income, costs and cash flows, by working together with different clients and the employees. It is currently impossible to estimate the ultimate impact on the Group, but Securitas is putting mechanisms in place to measure and forecast such and will further adopt its mitigation measures where required.

NOTE 5 Events after the balance sheet date

Approval of the Annual Report and Consolidated Financial Statements for 2019

This Annual Report including the Consolidated Financial Statements was approved by the Board of Directors and the President and CEO of Securitas AB on March 18, 2020.

Other significant events after the balance sheet date

Securitas has acquired Fredon Security, founded in 2012 as a division within Fredon Group, an Australian engineering and building services company. The company has approximately 110 employees and had annual sales of MAUD 37 (MSEK 240) in the financial year ending June 30, 2019. The purchase price is estimated to MAUD 32 (MSEK 210). The acquisition was consolidated into Securitas as of January 9, 2020.

Securitas reinforces its leadership position within the electronic security market in Spain through the acquisition of Techco Security, a leading electronic security company. The company has approximately

520 employees with a strong footprint across Spain and Portugal. Techco Security's annual sales was MEUR 50 (MSEK 520) in 2018. The purchase price is estimated to MEUR 22 (MSEK 230). The acquisition was closed and consolidated into Securitas as of January 8, 2020.

In order to hedge the share portion of Securitas short-term share-based incentive scheme 2019, Securitas AB entered into a swap agreement with a third party in the beginning of March 2020.

There have been no other significant events with effect on the financial reporting after the balance sheet date.

NOTE 6 Revenue

Disaggregation of revenue

The Group has chosen to disaggregate revenue from sales to clients into three broad categories; Guarding services, Security solutions and electronic security and Other. These categories are described in Note 2 Accounting principles under the heading Revenue recognition. In addition, revenue also includes Other operating income which consists of trade mark fees.

MSEK	2019	%	2018	%
Guarding services	85 774	77	79 567	79
Security solutions and electronic security	23 290	21	20 440	20
Other	1 835	2	1 460	1
Total sales	110 899	100	101 467	100
Other operating income	34	0	30	0
Total revenue	110 933	100	101 497	100

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.

MSEK	Security Services North America		Security Services Europe		Security Services Ibero-America		Other		Eliminations		Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Guarding services	37 779	33 541	36 637	35 402	9 572	9 045	1 809	1 588	-23	-9	85 774	79 567
Security solutions and electronic security	8 885	7 365	10 611	9 638	3 527	3 270	267	167	-	-	23 290	20 440
Other	1 835	1 460	-	-	-	-	-	-	-	-	1 835	1 460
Total sales	48 499	42 366	47 248	45 040	13 099	12 315	2 076	1 755	-23	-9	110 899	101 467
Other operating income	-	-	-	-	-	-	34	30	-	-	34	30
Total revenue	48 499	42 366	47 248	45 040	13 099	12 315	2 110	1 785	-23	-9	110 933	101 497

CONTRACT BALANCES

MSEK	2019	2018
Contract receivables		
Accounts receivable (note 26)	16 120	15 604
Accrued sales income (note 27)	3 424	3 224
Total contract receivables	19 544	18 828
Contract liabilities		
Deferred revenue (note 35)	965	951
Total contract liabilities	965	951

Revenue recognized in 2019 that was included in contract liabilities 2018 amount to MSEK 951 (648). Most of the contract liabilities 2019 is expected to be recognized as revenue in 2020.

Revenue recognized in 2019 from performance obligations satisfied in 2018 (and in 2018 from 2017) is not material due to the nature of the services.

Most revenue is recognized in advance of the payment by clients. Payment terms vary mainly between 0 and 60 days. Prepayments from clients are normally done quarterly in advance, but there is also to some extent prepayments covering up to one year in advance.

COSTS TO OBTAIN A CONTRACT

MSEK	2019	2018
Included in other intangible assets (note 19)	480	445
Total costs to obtain a contract	480	445

This item mainly consists of sales commissions paid for individual contracts signed. All commissions are expensed on subsidiary level and thus on segment level. The Group capitalizes these costs and includes the capitalization and amortization under Other in the Group's segment overview.

The amortization for 2019 amounted to MSEK -96 (-90). There has been no impairment of assets relating to costs to obtain a contract for 2019 nor for 2018.

Remaining performance obligations

The Group’s revenue can be of either a recurring or non-recurring nature. Recurring revenue is normally included in what the Group designates as its client contract portfolio. To qualify for inclusion in the client contract portfolio, a contract should normally have a duration of at least 12 months. However, contracts can be of various lengths ranging from a very short duration up to several years, particularly security solution contracts where on-site and/or mobile guarding and/or remote guarding are combined with a technology component in terms of equipment owned and managed by Securitas and used in the rendering of services. Contracts can have a yearly renewal date, but contracts can also be signed without a fixed end-date. All contracts normally contain cancellation clauses for both Securitas and the client.

Securitas uses the client retention rate* as a key measurement for how long a contract that is included in the client contract portfolio normally is operated. The client retention rate in the client contract portfolio per business segment and for the Group is shown in the table below.

Client retention rate*, %	2019	2018
Security Services North America	90	91
Security Services Europe	90	93
Security Services Ibero-America	92	92
Other	86	90
Group	89	91

*Client retention rate is defined as the opening balance client contract portfolio adjusted for annualized terminations in percent of opening balance client contract portfolio.

Contracts included in the client contract portfolio can be based on hours of work performed or with fixed monthly, quarterly or yearly invoicing and also including service level agreements.

In addition to its client contract portfolio, the Group also has revenue of a non-recurring nature. For Guarding services this can be from either contract clients or event-based sales. Within Electronic security, alarm installations are considered non-recurring revenue even if the same clients can order new installations from Securitas. Maintenance services performed upon request (time and material) is also considered a non-recurring revenue even if the same clients can revert and order further maintenance services for the same or for a different site/installation. Product sales (alarms and components) is also considered non-recurring revenue.

Corporate risk management services include both recurring and non-recurring revenue services.

Deferred revenue for performance obligations that is expected to be satisfied mainly during 2020 amount to MSEK 965 (951).

NOTE 7 Financial risk management

Financial risk factors

The Group’s business activities create exposure to financial risks, such as interest rate risk, foreign currency risk, financing and liquidity risk and credit/counterparty risk, as detailed in the sections below. The Group’s overall financial risk management program focuses on the unpredictability of the financial markets and aims to minimize potential adverse effects on the financial performance of the Group.

Treasury organization and activities

The aim of the treasury organization in Securitas is to support business operations by identifying, quantifying and minimizing financial risks and to the extent possible, to take advantage of economies of scale in the treasury operations.

Business segments

Treasury operations in the business segments concentrate on improving cash flow by focusing on profitability in the business operations, reducing capital tied-up in accounts receivable and managing local cash in the most efficient way.

Countries

In countries with extensive operations, liquidity surpluses and liquidity deficits in local subsidiaries are matched at country level with the help of local cash-pooling solutions. In addition, Securitas operates an overall cash-pooling structure incorporating countries in the Eurozone, UK and US. All local long-term financial requirements are financed directly from the Group’s internal bank, Group Treasury Centre (GTC), in Dublin.

Group Treasury Centre

By concentrating financial risk management in a single location, the Group can readily monitor and control these risks and benefit from the expertise of dedicated treasury personnel. Also, by concentrating internal and external financing through GTC, economies of scale can be used to obtain the best possible pricing of investments and loans. GTC also has responsibility for matching local liquidity surpluses and deficits between countries and cash-pools. GTC identifies, evaluates and hedges financial risks in co-operation with the operating units. The Board of Directors of Securitas AB establishes policies for overall risk management, as well as policies covering specific areas such as foreign exchange risks, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

Derivatives are used for the following main purposes: hedging the interest rate element of external debt and changing its currency profile, gearing ratio hedging and hedging of internal borrowings and investments.

Interest rate risk

Interest rate risk is the risk that the Group’s net income will be affected by changes in interest payable and/or receivable arising from changes in market interest rates. The Group has raised fixed and floating rate debt predominately in USD, EUR and SEK. Detailed information on long-term borrowings is provided in note 31. The Group uses interest rate derivatives in designated fair value and cash flow hedges to hedge changes in the risk-free rate, converting the interest rate profile of this debt. As at December 31, 2019 MEUR 671 (671) of issued debt is swapped from fixed to floating. Securitas does not expect any ineffectiveness between the hedged item and the hedging instrument in fair value hedges as a result of the transition to a new benchmark rate. There are two USD-bonds totaling MUSD 80 (80) swapped from floating to fixed. These cash flow hedges mature in July 2020 and 2021 respectively and will not be impacted by the transition to a new benchmark rate.

The target for the free cash flow to net debt ratio is always to exceed 0.20. Free cash flow to net debt as of December 31, 2019 was 0.19 (0.13). The Group’s interest coverage ratio, a measure of its ability to pay interest costs, was 9.4 (10.7) as of December 31, 2019.

Information on the Group’s debt profile is provided in the table below as well as information on interest rate fixings.

THE GROUP'S INTEREST BEARING LIABILITIES AND ASSETS PER CURRENCY AS PER DECEMBER 31, 2019 AND 2018

Currency	Amount, MSEK	Duration (days)	Current book cost (incl. credit margin)	Interest rates, +1%	Net impact on income statement due to 1% increase ¹	Interest rates, -1%	Net impact on income statement due to 1% decrease ¹
December 31, 2019							
USD liabilities	-8 841	753	3.8%	4.0%	-15	3.3%	33
EUR liabilities	-7 464	567	1.6%	2.2%	-38	0.9%	37
GBP liabilities	-319	23	2.4%	3.4%	-3	1.4%	3
SEK liabilities	-3 566	-10	0.4%	1.4%	-28	0.3%	3
Other currencies liabilities	-1 870	19	5.4%	6.4%	-15	4.4%	15
Total liabilities	-22 060	494	2.6%	3.2%	-99	2.1%	91
USD assets	309	3	0.0%	1.0%	2	-1.0%	-2
EUR assets	2 322	27	-0.3%	0.8%	18	-1.3%	-18
GBP assets	27	1	0.0%	1.0%	0	-1.0%	0
SEK assets	928	0	0.0%	1.0%	7	-1.0%	-7
Other currencies assets	933	7	3.8%	4.8%	7	2.8%	-7
Total assets	4 519	16	0.7%	1.7%	34	-0.4%	-34
Total	-17 541	-	3.0%	-	-65	-	57
December 31, 2018							
USD liabilities	-7 661	985	3.6%	4.1%	-37	3.1%	26
EUR liabilities	-6 133	633	1.5%	2.1%	-28	0.9%	28
GBP liabilities	-345	30	2.2%	3.2%	-3	1.2%	3
SEK liabilities	-3 245	0	0.0%	1.0%	-25	-1.0%	25
Other currencies liabilities	-978	28	4.3%	5.3%	-8	3.3%	8
Total liabilities	-18 362	624	2.3%	2.9%	-101	1.6%	90
USD assets	635	2	1.8%	2.8%	5	0.8%	-5
EUR assets	1 570	6	-0.3%	0.7%	12	-0.3%	-1
GBP assets	37	2	0.0%	1.0%	0	-1.0%	0
SEK assets	862	7	0.0%	1.0%	7	-1.0%	-7
Other currencies assets	745	7	4.3%	5.3%	6	3.3%	-6
Total assets	3 849	6	1.0%	2.0%	30	0.4%	-19
Total	-14 513	-	2.6%	-	-71	-	71

1 The 1 percent increase/decrease in interest rates is calculated by adjusting the floating rate accordingly and applying this rate to the asset/liability to establish the impact on net financial items in the income statement. This is further adjusted by the effective corporation tax rate.

Interest rate fixing

It is the policy of Securitas to use interest rate derivatives if required to manage its interest rate risk and as a consequence the Group's financing costs. The duration of these derivatives does not normally exceed the

duration of the underlying debt. Group policy allows for the use of both options-based and fixed-rate products. There are no options-based products in the financial reporting in 2019 or 2018.

 INTEREST FIXING PER CURRENCY^{1,2}

Currency	December 31, 2019			December 31, 2020			December 31, 2021			Final maturity
	Amount MSEK	Amount MLOC	Rate ³ %	Amount MSEK	Amount MLOC	Rate ³ %	Amount MSEK	Amount MLOC	Rate ³ %	
USD	6 757	725	3.7%	6 384	685	3.8%	3 066	329	4.4%	October 2024
EUR	3 713	356	1.5%	3 713	356	1.5%	3 713	356	1.5%	March 2025
Total	10 470	-	-	10 097	-	-	6 779	-	-	

1 Refers to interest rate fixing with a maturity in excess of three months.

2 Cash flow hedges are applied to a nominal value of MUSD 80, converting floating rates to the rates 1.6% and 2.0%, maturing in the years 2020 and 2021, respectively.

3 Average rate including credit margin.

Foreign currency risks

Transaction risk

Transaction risk is the risk that the Group's net income will be affected by changes in the value of commercial flows in foreign currencies due to fluctuating exchange rates. The nature of the business is domestic rather than cross-border and consequently foreign currency transaction risk is not significant.

Financing of foreign assets - translation risk

Translation risk is the risk that the SEK value of foreign currency equity will fluctuate due to changes in foreign exchange rates.

Securitas' foreign currency capital employed as of December 31, 2019 was MSEK 36 392 (31 664). Capital employed is financed by loans in local currency and shareholders' equity. This means that Securitas, from a Group perspective, has shareholders' equity in foreign currency that is exposed to changes in exchange rates. This exposure gives rise to a translation risk and consequently unfavorable changes in exchange rates could have a negative effect on the Group's foreign net assets when

translated into SEK. With the object of minimizing the impact of changes in exchange rates on the Group's net debt to equity ratio, Securitas aims to maintain a long-term debt to equity ratio in USD and EUR that is close to the Group's total debt to equity ratio. Foreign exchange swaps and cross currency interest rate swaps are used to change the currency of the underlying debt where required in order to achieve this. Net investment hedge and cash flow hedge accounting is applied to these swaps.

The tables below show how the Group's capital employed is distributed by currency, and its financing, including derivatives. They also show the sensitivity of the net debt and capital employed to changes in the SEK exchange rate.

The consolidated statement of income is affected by the translation to SEK of the statements of income of foreign subsidiaries. As these subsidiaries essentially operate only in local currency, their competitive situation is not affected by changes in exchange rates and since the Group as a whole is geographically diversified, this exposure is not hedged.

CAPITAL EMPLOYED AND FINANCING PER CURRENCY AS PER DECEMBER 31, 2019 AND 2018

MSEK	EUR	USD	GBP	Other currencies	Total foreign currencies	SEK	Total Group	Total Group +10% ¹	Total Group -10% ¹
December 31, 2019									
Capital employed	11 337	18 390	1 297	5 368	36 392	748	37 140	40 779	33 501
Net debt	-5 086	-8 498	-278	-1 040	-14 902	-2 639	-17 541	-19 031	-16 051
<i>Whereof foreign exchange swaps included in net investment hedge²</i>	2 924	-5 889	-	-	-2 965	-2 832	-5 797	-6 094	-5 501
<i>Whereof foreign exchange swaps included in cash flow hedge³</i>	4 484	-	-	-	4 484	-4 484	-	448	-448
<i>Whereof other foreign exchange swaps</i>	441	113	-278	-1 040	-764	2 928	2 164	2 088	2 240
<i>Whereof net debt excluding foreign exchange swaps</i>	-12 935	-2 722	-	-	-15 657	1 749	-13 908	-15 474	-12 342
Non-controlling interests	2	-	-	28	30	-	30	33	27
Net exposure	6 249	9 892	1 019	4 300	21 460	-1 891	19 569	21 715	17 423
<i>Net debt to equity ratio</i>	<i>0.81</i>	<i>0.86</i>	<i>0.27</i>	<i>0.24</i>	<i>0.69</i>	<i>-1.40</i>	<i>0.89</i>	<i>0.88</i>	<i>0.92</i>
December 31, 2018									
Capital employed	10 320	15 620	1 219	4 505	31 664	506	32 170	35 336	29 004
Net debt	-4 543	-7 054	-304	-310	-12 211	-2 302	-14 513	-15 734	-13 292
<i>Whereof foreign exchange swaps included in net investment hedge²</i>	3 176	-4 309	-	-	-1 133	-2 731	-3 864	-3 977	-3 751
<i>Whereof foreign exchange swaps included in cash flow hedge³</i>	4 401	-	-	-	4 401	-4 401	-	440	-440
<i>Whereof other foreign exchange swaps</i>	73	-449	-304	-310	-990	2 836	1 846	1 747	1 945
<i>Whereof net debt excluding foreign exchange swaps</i>	-12 193	-2 296	-	-	-14 489	1 994	-12 495	-13 944	-11 046
Non-controlling interests	2	-	-	23	25	-	25	28	23
Net exposure	5 775	8 566	915	4 172	19 428	-1 796	17 632	19 575	15 689
<i>Net debt to equity ratio</i>	<i>0.79</i>	<i>0.82</i>	<i>0.33</i>	<i>0.07</i>	<i>0.63</i>	<i>-1.28</i>	<i>0.82</i>	<i>0.80</i>	<i>0.85</i>

¹ Changes in capital employed due to changes in foreign exchange rates are either accounted for in other comprehensive income or offset against changes in underlying debt. Consequently, they do not impact net income.

² Relates to a portion of the net investment hedge which is fixed to the amount of MUSD 492 and the USD/SEK rates are 8.48 and 8.21. The balance is a dynamic hedge and rates vary periodically.

³ Currency cash flow hedges are applied to a nominal value of MEUR 430, fixing the EUR/SEK rates at 9.37 and 10.09.

Net debt

The table below details the changes to net debt during the year.

CHANGE IN INTEREST-BEARING NET DEBT AS PER DECEMBER 31, 2019 AND 2018

MSEK	2019			2018		
	Liquid funds	Loans and other net debt	Total	Liquid funds	Loans and other net debt	Total
Opening balance	3 229	-17 742	-14 513	3 611	-15 944	-12 333
Cash flow from operating activities	4 902	-	4 902	3 172	-	3 172
Financial income and expenses paid	-443	-	-443	-432	-	-432
Current taxes paid	-1 191	-	-1 191	-856	-	-856
Payments for acquisition related items	-574	-	-574	-1 755	-	-1 755
Payments for items affecting comparability	-303	-	-303	-117	-	-117
Dividend paid	-1 606	-	-1 606	-1 460	-	-1 460
Lease liabilities	-	-3 332	-3 332	-	-	-
Bond proceeds	1 445	-1 445	-	3 004	-3 004	-
Bond redemption	-792	792	-	-3 480	3 480	-
Commercial paper proceeds	5 098	-5 098	-	2 500	-2 500	-
Commercial paper redemption	-5 300	5 300	-	-1 550	1 550	-
Other changes	-544	544	-	610	-610	-
Real change	692	-3 239	-2 547	-364	-1 084	-1 448
Revaluation of financial instruments ¹	-	60	60	-	26	26
Translation ²	27	-568	-541	-18	-740	-758
Closing balance	3 948	-21 489	-17 541	3 229	-17 742	-14 513

1 Relates to unrealized gains and losses on fair value hedges and cash flow hedges including hedge ineffectiveness.

2 Whereof MSEK -338 (-530) is related to USD and MSEK -103 (-143) is related to EUR.

LIABILITIES FROM FINANCING ACTIVITIES 2019 AND 2018

MSEK	Opening balance Jan 1	Cash flows ¹	Non-cash changes			Closing balance Dec 31
			Reclassification	Other changes	Translation	
2019						
Long-term borrowings	15 858	1 491	-373	54	186	17 216
Short-term borrowings	2 282	-1 438	373	73	-	1 290
Lease liabilities	222	-1 285	-	4 527 ²	90	3 554
Assets held to hedge borrowings	-516	-	-	-122	-	-638
Total	17 846	-1 232	-	4 532	276	21 422
2018						
Long-term borrowings	12 926	3 004	-760	115	573	15 858
Short-term borrowings	3 491	-2 025	760	-44	100	2 282
Lease liabilities	191	-94	-	110	15	222
Assets held to hedge borrowings	-299	-	-	-217	-	-516
Total	16 309	885	-	-36	688	17 846

1 Excluding other derivative positions and dividend paid to shareholders of the Parent Company, which are included in cash flow from financing activities in the consolidated statement of cash flow.

2 Whereof MSEK 3 433 is related to the adoption of IFRS 16 on January 1, 2019.

Financing and liquidity risk

The Group's short-term liquidity is ensured by maintaining a liquidity reserve (cash and bank deposits, short-term investments and the unutilized portion of committed credit facilities), which should correspond to a minimum of 5 percent of consolidated annual sales. As of December 31, 2019, the short-term liquidity reserve corresponded to 10 percent (10) of the Group's annual sales.

The Group's long-term financing risk is minimized by ensuring that the level of long-term financing (shareholders' equity, long-term committed loan facilities and long-term bond loans) at least matches the Group's capital employed. Per December 31, 2019 long-term financing corresponded to 125 percent (135) of the Group's capital employed.

Financing of the Group should be well balanced among different sources and long-term. The aim is that committed loan facilities and bond loans should have an average maturity of more than 3.5 years. As per December 31, 2019 the average maturity was 2.7 years. The following tables summarize the Group's liquidity risk at end 2019 and 2018 respectively.

LIQUIDITY REPORT AS PER DECEMBER 31, 2019 AND 2018

MSEK	Total	Between			
		< 1 year	Between 1 year and 3 years	Between 3 years and 5 years	> 5 years
December 31, 2019					
Borrowings, principal amount	-18 184	-1 267	-8 605	-5 183	-3 129
Borrowings, interest amount	-974	-289	-425	-221	-39
Derivatives outflows interest	-412	-127	-188	-65	-32
Other derivatives outflows	-10 705	-6 119	-2 954	-	-1 632
Lease liabilities	-3 809	-1 024	-1 280	-655	-850
Accounts payable	-2 001	-2 001	-	-	-
Total outflows¹	-36 085	-10 827	-13 452	-6 124	-5 682
Investments, principal amount	2 208	2 208	-	-	-
Derivatives receipts interest	284	97	118	51	18
Other derivatives receipts	10 646	6 126	3 017	15	1 488
Accounts receivable	16 120	16 120	-	-	-
Total inflows¹	29 258	24 551	3 135	66	1 506
Net cash flows, total^{2,3}	-6 827	13 724	-10 317	-6 058	-4 176
December 31, 2018					
Borrowings, principal amount	-17 765	-2 323	-5 196	-3 586	-6 660
Borrowings, interest amount	-1 123	-292	-512	-202	-117
Derivatives outflows interest	-267	-123	-80	-42	-22
Other derivatives outflows	-10 201	-5 802	-	-2 833	-1 566
Lease liabilities	-222	-106	-116	-	-
Accounts payable	-1 833	-1 833	-	-	-
Total outflows¹	-31 411	-10 479	-5 904	-6 663	-8 365
Investments, principal amount	1 640	1 640	-	-	-
Derivatives receipts interest	394	104	194	53	43
Other derivatives receipts	10 250	5 807	23	2 954	1 466
Accounts receivable	15 604	15 604	-	-	-
Total inflows¹	27 888	23 155	217	3 007	1 509
Net cash flows, total^{2,3}	-3 523	12 676	-5 687	-3 656	-6 856

1 Refers to gross cash flows.

2 All contractual cash flows per the balance sheet date are included, including future interest payments.

3 Variable rate cash flows have been estimated using the relevant yield curve as at the balance sheet date.

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, 2019, the facility was undrawn.

Securitas also has a Euro Medium Term Note Program (EMTN) with a limit of MEUR 3 000 under which public and private funding can be raised on international capital markets. As of December 31, 2019 there were ten outstanding bond loans with maturities ranging from 2020 to 2025.

In addition, Securitas also has a short-term Swedish commercial paper program in the amount of MSEK 5 000. On December 31, 2019, MSEK 750 of the facility was drawn. The objective is to have access to short-term financing at competitive prices. Pricing is based on the prevailing market rates at time of issuance.

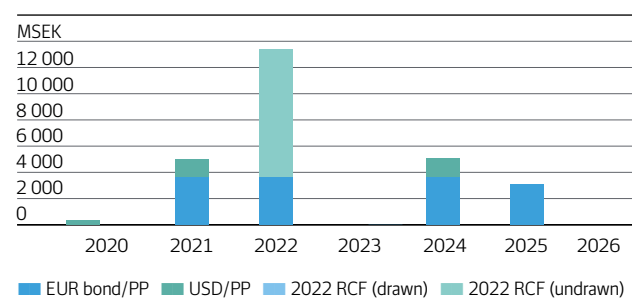
The table below shows a summary of the credit facilities as of December 31, 2019.

CREDIT FACILITIES AS PER DECEMBER 31, 2019

Type	Currency	Facility amount (million)	Available amount (million)	Maturity
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	550	2022
Multi Currency Revolving Credit Facility	EUR (or equivalent)	440	440	2022
EMTN Eurobond, 1.125% fixed	EUR	350	0	2024
EMTN FRN private placement	USD	50	0	2024
EMTN FRN private placement	USD	105	0	2024
EMTN Eurobond, 1.25% fixed	EUR	300	0	2025
Commercial Paper (uncommitted)	SEK	5 000	4 250	n/a

In combination with Securitas' strong cash flow, these sources of financing provide liquidity on a short and long-term basis as well as flexibility to finance the Group's expansion.

The graph below shows the maturity profile as of December 31, 2019 for the Group's interest-bearing debt.



Credit/counterparty risks

Counterparty risk - accounts receivable

The Group has generally low risk in the accounts receivables for a number of reasons. A large proportion of sales are based on contracts with well-known large and medium sized clients with an established and long-term relationship. This provides for transparent and safe collection of invoices. New clients are duly reviewed in terms of credit worthiness.

The contract portfolio sales are also diversified in several ways, of which the most important is that there are few/no clients that represent a significant portion of total sales. Default by a single client then has little overall effect. In addition, Securitas provides its services to geographically dispersed clients in a large number of sectors including governments, utilities, financial sector, travel, logistics and industrial. Hence, the exposure to financial distress in any particular sector or region is relatively limited.

Securitas' services are also, although vital in many aspects, mostly ancillary to the business of the clients. This means that the cost of security services represents a small fraction of total costs of running clients' business, making Securitas less exposed to payment defaults than suppliers of services or goods more directly involved in the value chain.

All of this provides for secure collection of the sales generated, which is evidenced by low bad debt losses in the range of 0.1 percent of sales in the past five years.

Counterparty risk - liquid funds

The credit quality of interest-bearing receivables is described below, where 79 percent (76) of interest-bearing receivables have a rating of A1/P1.

CREDIT QUALITY INTEREST-BEARING RECEIVABLES

MSEK	2019	2018
A1/P1	3 573	2 926
Other	946	923
Total interest-bearing receivables	4 519	3 849

The Group has policies in place that limit the amount of credit exposure to any one financial institution. The use of Credit Support Annexes reduces the Group's counterparty exposures on its outstanding derivatives. Investments of liquid funds may only be made in government paper or with financial institutions with a high credit rating. As of December 31, 2019 the weighted average credit rating of these institutions was short-term A1/P1. The largest total exposure for all instrument types to any one institution was MSEK 1 123 (1 343).

Rating

In order to access international debt capital markets in an effective manner, Securitas has obtained long-term and short-term credit ratings from Standard & Poor's. The long-term rating is BBB with positive outlook and the short-term rating is A-2. The Nordic short-term rating is K-2.

HEDGING RESERVE AS PER DECEMBER 31, 2019 AND 2018

MSEK	Cost of hedging reserve	Interest rate cash flow hedges	Currency cash flow hedges	Total before tax	Deferred tax	Total net of tax
Opening balance January 1, 2019	-56	10	65	19	-4	15
Change in fair value of hedging instrument recognized in other comprehensive income	16	-18	117	115	-25	90
Reclassified from other comprehensive income to profit or loss	-	6	-60	-54	12	-42
Closing balance December 31, 2019	-40	-2	122	80	-17	63
Opening balance January 1, 2018	-	5	-10	-5	1	-4
Change in fair value of hedging instrument recognized in other comprehensive income	-56	-1	195	138	-30	108
Reclassified from other comprehensive income to profit or loss	-	6	-120	-114	25	-89
Closing balance December 31, 2018	-56	10	65	19	-4	15

Fair value of financial instruments

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are:

- Cash and bank deposits and short-term investments: carrying amounts approximate fair values.
- Derivative and other financial instruments: fair values are estimated based on quoted market prices, on prices provided by independent brokers, or are calculated on best market prices. The prices used are fair values stated excluding accrued interest.
- Debt: fair values of fixed rate debt are based on either quoted prices or are estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued. The fair value of floating rate debt is assumed to equal the carrying value of the debt.

REVALUATION OF FINANCIAL INSTRUMENTS¹

MSEK	2019	2018
Recognized in the statement of income		
Other financial income and expenses ^{2,3}	-1	2
Deferred tax	-	-
Impact on net income for the year	-1	2
Recognized in other comprehensive income		
Transfer to cash flow hedging reserve before tax	99	194
Transfer to cost of hedging reserve before tax	16	-56
Deferred tax on transfer to hedging reserve	-25	-30
Transfer to hedging reserve net of tax	90	108
Transfer to statement of income before tax	-54	-114
Deferred tax on transfer to statement of income	12	25
Transfer to statement of income net of tax	-42	-89
Change of cash flow hedging reserve before tax	45	80
Change of cost of hedging reserve before tax	16	-56
Total change of hedging reserve before tax⁴	61	24
Deferred tax on total change of hedging reserve ⁴	-13	-5
Total change of hedging reserve net of tax	48	19
Total impact on shareholders' equity as specified above		
Total revaluation before tax ⁵	60	26
Deferred tax on total revaluation ⁵	-13	-5
Total revaluation after tax	47	21

1 Securitas has early adopted the amendments to IFRS 9, specifically the temporary relief from certain accounting requirements to hedging relationships directly affected by the IBOR reform.

2 Related to financial assets and financial liabilities at fair value through profit or loss.

3 There was no significant ineffectiveness in the fair value hedges or in the cash flow hedges. The adjustment to the carrying value of the hedged item in fair value hedges amounted to MSEK 3 (-1).

4 Total of transfer to hedging reserve and transfer from hedging reserve to statement of income.

5 Total revaluation and deferred tax recognized via statement of income and via other comprehensive income.

The table below discloses carrying values and fair values of financial instruments according to the categories in note 2.

FINANCIAL INSTRUMENTS BY CATEGORY - CARRYING AND FAIR VALUES AS PER DECEMBER 31, 2019 AND 2018

MSEK	2019		2018	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Financial assets at amortized cost				
Interest-bearing financial non-current assets (note 23)	224	224	145	145
Other interest-bearing current assets (note 28)	121	121	104	104
Other long-term receivables (note 24) ¹	481	481	481	481
Accounts receivable (note 26)	16 120	16 120	15 604	15 604
Other current receivables (note 27) ²	4 163	4 163	3 907	3 907
Liquid funds (note 29)	3 948	3 948	3 229	3 229
Total financial assets at amortized cost	25 057	25 057	23 470	23 470
Liabilities				
Financial liabilities at amortized cost				
Long-term loan liabilities (note 31)	5 448	5 448	1 919	1 919
Short-term loan liabilities (note 34)	2 211	2 211	2 367	2 367
Accounts payable	2 001	2 001	1 833	1 833
Other current liabilities (note 35) ³	4 780	4 780	4 517	4 517
Financial liabilities designated as hedged item in a fair value hedge (note 31) ^{4,5}	14 194	14 475	13 939	14 065
Total financial liabilities at amortized cost	28 634	28 915	24 575	24 701
Derivatives designated for hedging				
Interest-bearing financial current assets (note 28)	13	13	17	17
Interest-bearing financial non-current assets (note 23)	213	213	354	354
Total derivatives assets designated for hedging	226	226	371	371
Interest-bearing financial current liabilities (note 34)	23	23	21	21
Interest-bearing financial long-term liabilities (note 31)	184	184	116	116
Total derivatives liabilities designated for hedging	207	207	137	137
Net total	19	19	234	234
<i>1 Excluding all pension balances and reimbursement rights (note 24)</i>	400	400	302	302
<i>2 Excluding prepaid expenses (note 27)</i>	1 271	1 271	1 149	1 149
<i>3 Excluding employee-related accrued expenses and prepaid income (note 35)</i>	8 156	8 156	7 511	7 511
<i>4 The carrying value of the hedged items in fair value hedges have been adjusted by MSEK 163 (166).</i>				
<i>5 The difference between the carrying value and fair value of short-term and long-term loan liabilities is due to the credit margin in the discount rate.</i>				

FAIR VALUE - HIERARCHY AS PER DECEMBER 31, 2019 AND 2018¹

MSEK	Quoted market prices		Valuation techniques using observable market data		Valuation techniques using non-observable market data		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Financial assets at fair value through profit or loss	-	-	13	16	-	-	13	16
Financial liabilities at fair value through profit or loss	-	-	-14	-10	-425 ²	-272 ²	-439	-282
Derivatives designated for hedging with positive fair value	-	-	213	356	-	-	213	356
Derivatives designated for hedging with negative fair value	-	-	-194	-127	-	-	-194	-127

¹ There have been no transfers between any of the valuation levels during the year.

² Related to deferred considerations. These have been recognized mainly based on an assessment of the future profitability development in the acquired entities for an agreed period.

Offsetting financial assets and financial liabilities

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis. However, each party to the master netting agreement or

similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due, failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party, or bankruptcy.

Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements or similar agreements.

MSEK	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instruments not set off in the balance sheet	Net amount
December 31, 2019					
Derivative financial assets	226	-	226	19	207
Total	226	-	226	19	207
December 31, 2018					
Derivative financial assets	372	-	372	43	329
Total	372	-	372	43	329

Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements or similar agreements.

MSEK	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments not set off in the balance sheet	Net amount
December 31, 2019					
Derivative financial liabilities	208	-	208	80	128
Total	208	-	208	80	128
December 31, 2018					
Derivative financial liabilities	137	-	137	56	81
Total	137	-	137	56	81

References to other notes

For further information regarding financial instruments, refer to:

- Note 2 Accounting principles
- Note 14 Net financial items
- Note 23 Interest-bearing financial non-current assets
- Note 28 Other interest-bearing current assets
- Note 31 Long-term liabilities excluding provisions
- Note 34 Short-term loan liabilities
- Note 45 Financial risk management (Parent Company)

Note	
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NOTE 8 Transactions with related parties

Guarantees on behalf of related parties amount to MSEK 0 (0).

Information on the remuneration to the Board of Directors and Senior Management is provided in note 9. Information on total payroll expenses for the Board of Directors and the Presidents of the Group is provided in note 12.

For information on the Parent Company's transactions with related parties, refer to note 44 and note 47.

NOTE 9 Remuneration to the Board of Directors and senior management

General

Principles

The Chairman of the Board and the Directors receive fees in accordance with the decision of the Annual General Meeting, which includes separate fees for committee work. The employee representatives do not receive Directors' fees.

The Annual General Meeting on May 6, 2019 adopted guidelines for remuneration to senior management regarding 2019 in accordance with the following:

The fundamental principle is that remuneration and other terms of employment for senior management shall be competitive and in accordance with market conditions, in order to ensure that the Securitas Group will be able to attract and keep competent senior management employees.

The total remuneration to senior management shall consist of a fixed basic salary, variable remuneration, pensions and other benefits.

In addition to a fixed annual salary the Group Management may also receive variable remuneration, which shall be based on the outcome in relation to financial goals within the individual's area of responsibility (Group or division) and which shall be aligned with the interest of the shareholders. The variable remuneration shall amount to a maximum of 60 percent of the fixed annual salary for the President and CEO and a maximum of 42-200 percent of the fixed annual salary for other individuals of the Group Management. If cash payment of variable remuneration has been effected on grounds later proven to be obviously inaccurate, the company shall have the possibility to reclaim such paid remuneration.

The Board of Directors shall each year consider whether to propose that the Annual General Meeting shall resolve upon share or share price related incentive programs. Ahead of the Annual General Meeting 2019, the Board of Directors proposes, in addition to the previously decided incentive schemes, the implementation of LTI 2019/2021.

The cost of the company for 2019 in terms of its obligations to pay variable remuneration to the Group Management is estimated to not exceed a total of MSEK 99 at maximum outcome (not including potential costs for the LTI 2019/2021). Information on previously decided remuneration which has not yet been paid can be found in note 9 of the Annual Report for 2018.

Subject to applicable legislation, the entire Group Management shall be subject to defined contribution pension plans for which insurance premiums are transferred from the individual's total remuneration and paid by the company during the term of employment. In exceptional cases, the value of such insurance premiums can instead be paid as part of the remuneration to the members of the Group Management. Variable compensation shall not qualify for pension purposes unless local regulations provide otherwise.

Other benefits, such as company car, special health insurance or occupational health service shall be provided to the extent this is considered customary for senior management employees holding equivalent positions on the labor market where the senior management employee is active.

At dismissal, the notice period for all senior management employees shall amount to a maximum of twelve months with a right to redundancy payment after the end of the notice period, equivalent to a maximum of 100 percent of the fixed salary for a period not exceeding twelve months. At resignation by a senior management employee, the notice period shall amount to a maximum of six months.

These guidelines shall apply to individuals who are included in the Group Management during the term of application of these guidelines. The guidelines shall apply to agreements entered into after the adoption by the Annual General Meeting, and to changes made in existing agreements after this date. The Board shall be entitled to deviate from the guidelines in individual cases if there are specific reasons for such deviation.

The Board of Directors proposal to the Annual General Meeting in May 2020 on guidelines for remuneration to senior management regarding 2020 is presented in the Report of the Board of Directors, in this Annual Report.

Planning and decision-making process

The Board's remuneration committee deals with the above matters regarding the President and CEO and other members of the Group Management, as well as other management levels if the committee so decides. The committee presents its proposals to the Board of Directors, which takes all decisions. The members of the remuneration committee are Marie Ehrling (chairman) and Carl Douglas. The committee has held two meetings in 2019.

Board of Directors

Fees to the Board of directors, relating to the period up to the Annual General Meeting 2020 are provided according to the Annual General Meeting's decision on May 6, 2019. For the 2019 financial year, the Chairman Marie Ehrling receives a director's fee, including committee work fee, of MSEK 2.3. The other Directors receive an aggregate director's fee, including committee work fee, of MSEK 5.6. The remuneration for each member of the Board of Directors is disclosed in the tables below. The Board of Directors is otherwise not entitled to any other compensation except for travel and lodging expenses.

President and Chief Executive Officer

The President and CEO Magnus Ahlqvist's salary for the 2019 financial year, amounted to MSEK 16.3. The compensation includes salary in lieu of pension amounting to MSEK 2.8 during the time Magnus Ahlqvist was resident in the United Kingdom. The President and CEO's pension benefits amounts to 30 percent of the base salary. As from Magnus Ahlqvist's move to Sweden during 2019, pension premiums are paid for a defined contribution pension plan and a defined benefit plan which in total amounts to 30 percent of the base salary. The change has not impacted the total compensation, only the allocation between salary and pension premiums. The pension costs for the financial year 2019 amounted to MSEK 1.3, which includes premiums to a Swedish defined benefit plan (ITP), limited to deductible amounts for tax purposes. The defined benefit plan guarantees a lifetime pension from the age of 65 and the pension compensation corresponds to a certain percentage of the final salary, the maximum pensionable income is currently MSEK 1.9. The pension cost for the defined benefit pension plan in 2019 amounted to MSEK 0.2 (included in the total pension cost for the President and CEO, see also the table below). No pension benefits are conditioned by future employment.

Other salary benefits amounted to MSEK 0.5. Magnus Ahlqvist has also continued as Divisional President for Security Services Europe for the period up to March 4, 2019, without separate compensation.

Upon dismissal, the notice period for the President and CEO amounts to twelve months with a right to a severance pay after the end of the notice period, equivalent to twelve months fixed salary.

The prior President and CEO until March 7, 2018, Alf Göransson, is according to an agreement up to March 2020, an advisor to Securitas' President and CEO Magnus Ahlqvist. In this role Alf Göransson will, among other things support in some client relations activities, acquisition related matters and industry specific topics. The compensation for the advisory engagement for the 2019 financial year amounted to MSEK 8.2. There are no other benefits, variable compensation or pension in this engagement.

Other members of Group Management

The other Group Management consisted by the end of 2019 of the following fifteen members: Bart Adam (Chief Financial Officer), Martin Althén (Chief Information Officer), Helena Andreas, as of February 1, 2019 (Senior Vice President, Group Brand and Communications), William

Barthelemy (Chief Operating Officer, Security Services North America), Tony Byerly, as of July 1, 2019 (President, Securitas Electronic Security), Jorge Couto, as from July 1, 2019 (Divisional President, Security Services Ibero-America), Santiago Galaz (Divisional President, Security Services North America), Peter Karlströmer, as of March 4, 2019 (Divisional President, Security Services Europe), Andreas Lindback, as of July 1, 2019 (Divisional President AMEA, Africa, Middle East and Asia), Jan Lindström (Senior Vice President Finance), Aimé Lyagre (Chief Operating Officer and Chief Technology Officer, Security Services Europe), Marc Pissens (President Aviation), Brian Riis Nielsen, as of July 1, 2019 (SVP for Global Clients and leader of Global Clients & Vertical Markets), Frida Rosenholm (Senior Vice President, General Counsel) and Henrik Zetterberg (Chief Operating Officer, Security Services Europe).

Luis Posadas (Divisional President, Security Services Ibero-America up to June 30) retired and left the Group Management as of June 30, 2019. Santiago Galaz (Divisional President Security Services North America up to December 31) was appointed Executive Chairman of Securitas North America and left the Group Management as of January 1, 2020. William Barthelemy (Chief Operating Officer Security Services North America up to December 31) retired from this role, left the Group Management as of January 1, 2020 and will assist as an advisor and continue working with select clients through 2021. Greg Anderson (appointed President, North American Guarding, Security Services North America as of January 1, 2020) and José Castejon (appointed Chief Operating Officer, North American Guarding, Security Services North America as of January 1, 2020), joined the Group Management as of January 1, 2020.

In the 2019 financial year the other members of Group Management have received the following remuneration during the time as members. Aggregate fixed salaries amounted to MSEK 95.3, and other salary benefits to MSEK 4.8.

The other members of Group Management have individual pension plans. The retirement age varies from country to country and pension plan. As described under Principles above, members can allocate part of their remuneration to a defined contribution pension plan. All members of Group Management have defined contribution pension plans for which pension premiums are allocated from the member's total remuneration and paid by the company during the term of employment. These premiums may vary but are limited to amounts deductible for tax purposes by the company. In 2019 the pension costs for other members of Group Management amounted to MSEK 17.1. No pension benefits are conditioned by future employment.

During 2019 six members had a Swedish defined benefit pension plan (ITP), but can also allocate part of their remuneration to a defined contribution plan. The Swedish defined benefit plan guarantees a lifetime pension from the age of 65. The pension compensation corresponds to a certain percentage of the final salary, and the maximum pensionable income is MSEK 1.9 per employee. This pension benefit is funded through annual premiums paid by the company during the term of employment, and the pension cost for these six members in 2019 was MSEK 3.3 (included in the total pension cost for other Group Management, see also the table below).

Upon dismissal, the notice period and a right to a severance pay after the end of the notice period, is equivalent to a maximum of 24 months fixed salary, for members of Group Management.

Short- and long-term incentives

Short-term as well as long-term incentives for eligible employees in Securitas include clearly measurable performance-based targets that are set as close to the local business as possible and aim for long-term profitability of the Group. The performance targets that are required to achieve maximum bonus vary depending on the position of the employee but are as a principle based on year-on-year improvement of the operating result (EBITA) in the area of responsibility and targets based on improvement of cash flow or development of real change earnings per share.

Securitas short-term share-based incentive scheme

Securitas' Annual General Meeting May 6, 2019 resolved on a share and cash bonus scheme, a similar incentive scheme that the Annual General Meeting 2018 resolved on. The participants in the scheme have a variable remuneration based on performance. Two thirds of the variable

remuneration/ bonus will, according to the incentive scheme, be settled in cash the year after the performance year, while shares will be purchased for the remaining one third. The bonus criteria is based on individual performance and / or the performance for the part of the Group that the individual is responsible for. For Securitas there are no other material costs than the allotted bonus and related social benefits.

The share purchase in Securitas will be handled by trading on the Nasdaq Stockholm exchange through a swap agreement. Shares are purchased corresponding to one third of the total achieved bonus amount. The purchased shares will be allotted to the participants in March, two years following the performance year, given that they are still employed by the Group, except where an employee has left his/her employment due to retirement, death or long-term disability, in which case the employee shall have a continued right to receive bonus shares. Securitas will not issue any new shares or similar due to this incentive scheme. The purpose is to replace cash bonus with shares in Securitas AB and thus increase the employees' ownership in Securitas.

The short-term share-based incentive scheme includes two participants from other Group Management that are entitled to receive the share part according to the scheme. In March 2020, shares in Securitas AB have been purchased corresponding to the value of the total share-based remuneration. The shares have been purchased through a swap agreement, based on the current market price at the time. The shares will be allotted to the participants during the first quarter 2021, provided that they are still employed by the Group or have retired.

Securitas long-term share-based incentive scheme

Securitas' Annual General Meeting May 6, 2019 resolved on a new share-based bonus scheme, LTI 2019/2021, for the President and CEO, other members of Group management and certain key employees all in all up to 80 participants. For the qualifying participants the scheme is intended to be an alternative to the short-term share-based incentive scheme described above. The new scheme will be based on different principles than the existing and previous share-based incentive schemes and participants in the new long-term scheme will not be entitled to participate in the short-term share-based incentive scheme. In order to participate in the scheme, which runs over the period 2019 to 2021, participants have to invest Securitas series B shares at market price or nominate already vested or currently vesting shares under the short-term incentive schemes.

The LTI 2019/2021 incentive includes the President and CEO Magnus Ahlqvist and 12 members of other Group Management.

For every share thus purchased or invested the company will grant so called performance awards free of charge in as per below:

Category 1 (the President and CEO): maximum five performance awards per each invested share.

Category 2 (Group Management): maximum four performance awards per each invested share.

The performance conditions are linked to the development of real change in earnings per share (if applicable excluding items affecting comparability) and the outcome is calculated yearly, whereby one third is measured against the outcome of the first year (2019), one third against the second year (2020) and one third against the third year (2021). The award of shares is in addition to the fulfilment of performance conditions contingent on the employment as per the vesting day in February 2022 and that the invested shares are kept during the whole vesting period. The number of shares awarded thus will also include compensation for dividend during the vesting period by increasing the number of shares awarded.

The cost for the service rendered under the long-term incentive program is spread over the vesting period and is based on a fair value on the grant date for Securitas series B share of SEK 161.40 per share for the program 2019 to 2021.

See further information in note 2 and 12. Information regarding the final allocation of shares to the Group Management in March 2020 under the 2018 share-based incentive scheme, as well as the potential allocation of shares in 2021 under the 2019 share-based incentive scheme and potential allocation of shares in 2022 under the long-term share-based incentive LTI 2019/2021 and the fair value of these shares, are disclosed in the tables below.

Short- and long-term variable compensation 2019

For the President and CEO Magnus Ahlqvist the variable short-term compensation relating to the 2019 performance amounted to MSEK 3.6, which will be paid in cash in 2020. Long-term variable compensation referring to the LTI 2019/2021 amounted to MSEK 0.4, which will be potentially allocated in shares in 2022.

The aggregate short-term variable compensation relating to the 2019 performance to the other members of Group management amounted to MSEK 44.0, whereof MSEK 6.6 will be allocated in shares under the short-term share-based incentive in 2021 and MSEK 37.4 will be paid in cash in 2020. Long-term variable compensation to the other members of Group Management relating to the 2019 performance under the LTI 2019/2021, amounted to MSEK 0.9, which will potentially be allocated as award shares in 2022.

During 2019 four members of other Group Management have had other long-term incentive plans, which are provided for during the performance year. Two plans are reconciled to the annual performance, paid in the following year 2020. For two plans a reconciliation of performance will be made including 2020, with a potential payment during 2021, conditioned by that the performance targets have been met. The provision for other long-term variable compensation relating to the 2019 performance

amounted to MSEK 11.0. The accumulated provision for other long-term bonus programs amounted to MSEK 14.5 as of December 31, 2019, whereof MSEK 11.8 is paid in 2020. At resignation by a management employee, any unpaid long-term bonus will stay with the company.

ALLOCATION OF SHARES TO GROUP MANAGEMENT RELATING TO SECURITAS SHORT-TERM AND LONG-TERM SHARE-BASED INCENTIVE SCHEMES 2019

	Number of shares ¹		Fair value ² , MSEK	
	2019	2019	2019	2019
Magnus Ahlqvist, President and CEO ³	2 197		0.4	
Other members of Group Management	57 624		7.6	
Total holdings	59 821		8.0	

- Potential allocation of shares 2021, according to Securitas short-term share-based incentive scheme 2019, according to purchase prices for Securitas Series B shares in March 2020, and for Securitas long-term share-based incentive LTI 2019/2021, to be allocated in 2022.
- Fair value of potential allocation of shares based for
 - Securitas short-term share-based incentive 2019 on currency rates as of February 28, 2020 and Securitas Series B share purchase prices in March 2020.
 - Securitas long-term share-based incentive LTI 2019/2021, SEK 161.40 per share.

Remuneration to the Board of Directors and Group Management

REMUNERATION RELATED TO 2019

KSEK	Base salary/fee	Other benefits	Variable compensation ⁴	Pension	Total remuneration
Marie Ehrling, Chairman of the Board ¹	2 300	-	-	-	2 300
Carl Douglas, vice Chairman ¹	895	-	-	-	895
Ingrid Bonde ¹	835	-	-	-	835
John Brandon	635	-	-	-	635
Anders Böös ¹	835	-	-	-	835
Fredrik Cappelen ¹	960	-	-	-	960
Sofia Schörling Högberg ¹	835	-	-	-	835
Dick Seger	635	-	-	-	635
Subtotal Board of Directors	7 930	-	-	-	7 930
Magnus Ahlqvist, President and CEO ²	16 253	479	3 959	1 300	21 991
Other members of Group Management ³	95 294	4 818	55 902	17 064	173 078
Subtotal President and CEO and Group Management	111 547	5 297	59 861	18 364	195 069
Total	119 477	5 297	59 861	18 364	202 999

Above information refers to full year remuneration for the current Group Management, unless stated otherwise. The Board of Directors has no pension benefits.

- Including remuneration for committee work.
- Base salary and 30% salary in lieu of pension contributions KSEK 2 773 and translation difference from GBP for part of salary paid in the United Kingdom according to agreement.

3 Other members of Group Management consisted as of December 31, 2019 of 15 persons. The compensation for member who left the Group Management during the year is included.

- Refer to the cost for 2019 for Securitas incentive scheme for cash and share-based bonus and long-term incentive plans, see also separate table for the share-based part.

REMUNERATION RELATED TO 2018

KSEK	Base salary/fee	Other benefits	Variable compensation ⁵	Pension	Total remuneration
Marie Ehrling, Chairman of the Board ¹	2 100	-	-	-	2 100
Carl Douglas, vice Chairman ¹	895	-	-	-	895
Ingrid Bonde ¹	760	-	-	-	760
John Brandon	580	-	-	-	580
Anders Böös ¹	760	-	-	-	760
Fredrik Cappelen ¹	865	-	-	-	865
Sofia Schörling Högberg ¹	760	-	-	-	760
Dick Seger	580	-	-	-	580
Subtotal Board of Directors	7 300	-	-	-	7 300
Magnus Ahlqvist, President and CEO (1 March - 31 December) ²	14 666	181	6 386	-	21 233
Alf Göransson, President and CEO (1 January - 28 February) ³	2 500	28	-	757	3 285
Other members of Group Management ⁴	71 456	3 269	63 318	10 639	148 682
Subtotal President and CEO and Group Management	88 622	3 478	69 704	11 396	173 200
Total	95 922	3 478	69 704	11 396	180 500

Above information refers to full year remuneration for the current Group Management, unless stated otherwise. The Board of Directors has no pension benefits.

- Including remuneration for committee work.
- Base salary and 30% salary in lieu of pension contributions KSEK 3 404 and translation difference from GBP for part of salary paid in the United Kingdom according to agreement.
- In addition, salary for the period March 1 to March 7, 2018 amounted to KSEK 288. Compensation for advisory engagement for the period March 8 to December 31, 2018 amounted KSEK 7 994. There are no other benefits, variable compensation or pension in this engagement.

4 Other members of Group Management consisted as of December 31, 2018 of ten persons. The compensation for Magnus Ahlqvist in the role as Divisional President Security Services Europe during the period January 1 to February 28, 2018 is included in this amount, as well as for one member who left the Group Management during 2018.

- Refer to the cost for 2018 for Securitas incentive scheme for cash and share-based bonus and long-term incentive plans, see also separate table for the share-based part.

Shareholdings

The Board of Directors' and Group Management's shareholdings through acquisitions on the stock market as of December 31, 2019, as well as the allocation of shares to the Group Management according to Securitas share-based incentive scheme in March 2020 are detailed in the table below.

BOARD OF DIRECTORS' AND GROUP MANAGEMENT'S HOLDINGS OF SECURITAS SERIES A AND B SHARES¹

	A shares	A shares	B shares	B shares	B shares
	2019	2018	2019 ⁸	2018 ⁸	Allocation March 2020 ⁹
Marie Ehrling, Chairman of the Board	-	-	10 000	7 000	-
Carl Douglas, vice Chairman ²	12 642 600	12 642 600	27 190 000	27 190 000	-
Ingrid Bonde	-	-	2 600	2 600	-
John Brandon	-	-	10 000	10 000	-
Anders Böös	-	-	25 000	25 000	-
Fredrik Cappelen	-	-	4 000	4 000	-
Sofia Schörling Högberg ³	4 500 000	4 500 000	10 419 039	12 076 798	-
Dick Seger	-	-	26	26	-
Magnus Ahlqvist, President and CEO ⁴	-	-	111 430	108 989	18 274
Bart Adam	-	-	43 555	37 027	17 213
Martin Althén	-	-	3 478	1 544	4 332
Helena Andreas ⁵	-	-	2 045	-	-
William Barthelemy	-	-	70 859	62 109	10 630
Tony Byerly ⁶	-	-	0	-	0
Jorge Couto ⁶	-	-	0	-	4 498
Santiago Galaz	-	-	91 670	238 406	40 407
Peter Karlströmer ⁶	-	-	6 196	-	-
Andreas Lindback ⁶	-	-	0	-	2 450
Jan Lindström	-	-	13 230	11 395	4 002
Aimé Lyagre	-	-	19 952	26 510	9 794
Marc Pissens	-	-	37 700	62 022	9 400
Luis Posadas ⁵	-	-	-	45 149	-
Brian Riis Nielsen ⁶	-	-	0	-	6 510
Frida Rosenholm	-	-	464	0	1 631
Henrik Zetterberg ⁷	-	-	4 091	2 544	4 853
Total holdings	17 142 600	17 142 600	38 065 335	39 911 119	133 994

1 Information refers to shareholdings as of December 31, 2019 and 2018.

2 Through family and Investment AB Latour.

3 Through family and Melker Schörling AB.

4 Holds in addition to B-shares according to the table, 200 000 share options regarding acquisition of Securitas series B-shares, issued by Melker Schörling AB and Investment AB Latour.

5 Has left the Group Management during 2019, why actual holdings is not applicable.

6 Has joined the Group Management during 2019, why earlier holdings is not applicable.

7 Holds in addition to B-shares according to the table, 45 000 share options regarding acquisition of Securitas series B-shares, issued by Melker Schörling AB and Investment AB Latour.

8 Holdings as of December 31 excluding potential allocation of shares according to Securitas sharebased incentive scheme (see footnote 9 below).

9 Actual allocation of shares in March 2020 according to Securitas share-based incentive scheme 2018, including shares corresponding to dividend decided related to potential allocation of shares during 2019. The gross number of allocated shares is stated, of which part of the shares may have been sold to cover tax on the benefit. Other holdings of Securitas Series B shares in March 2020 are not included.

NOTE 10 Segment reporting

Segment structure

The Group's operations are divided into three reportable segments: Security Services North America, Security Services Europe and Security Services Ibero-America.

All segments apply the accounting principles explained in note 2. The segment reporting follows the format of Securitas' financial model, which provides a foundation for financial planning and reporting from branch office level up to the Board of Directors. Acquisitions of subsidiaries are therefore excluded from the operating cash flow. All material acquisitions are stated at business segment level in the report of the Board of Directors under the heading Acquisitions and divestitures.

Security Services North America

Security Services North America provides protective services in the US, Canada and Mexico. The operations in the US are organized in four specialized units; Guarding, Electronic Security, Pinkerton Corporate Risk Management and Critical Infrastructure Services. Guarding includes on-site, mobile and remote guarding and the unit for global and national accounts, as well as Canada and Mexico. There are also specialized client segment units, such as aviation, healthcare, manufacturing and oil and gas. In total, there are approximately 700 branch managers and 121 000 employees.

Security Services Europe

Security Services Europe provides protective services across Europe with operations in 27 countries, whereof 15 countries provide airport security. The full range of protective services includes on-site, mobile and remote guarding,

electronic security, fire and safety services and corporate risk management. In addition there is a specialized unit for global client contracts. In total, the organization has approximately 730 branch managers and 124 000 employees.

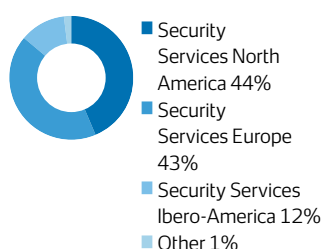
Security Services Ibero-America

Security Services Ibero-America provides protective services in nine Latin American countries as well as in Portugal and Spain in Europe. Airport security is offered in seven countries. The offered services include on-site, mobile and remote guarding, electronic security, fire and safety services and corporate risk management. Security Services Ibero-America has a combined total of approximately 160 branch managers and 64 000 employees.

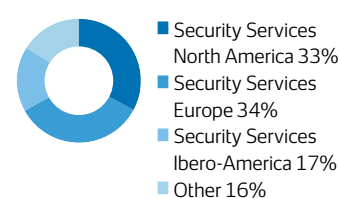
Other

Other includes all other operating segments as well as general administrative expenses, expenses for head offices and other central expenses. All other operating segments comprise the operations in Africa, the Middle East and Asia.

SALES PER SEGMENT



EMPLOYEES PER SEGMENT



JANUARY - DECEMBER 2019¹

MSEK	Security Services North America	Security Services Europe	Security Services Ibero-America	Other	Total segments	Eliminations	Group
Income							
Sales, external	48 480	47 247	13 098	2 074	110 899	-	110 899
Sales, intra-group	19	1	1	2	23	-23	-
Total sales	48 499	47 248	13 099	2 076	110 922	-23	110 899
<i>Organic sales growth, %</i>	4	2	14	-	-	-	4
Operating income before amortization²	3 003	2 582	614	-461	5 738	-	5 738
<i>of which share in income of associated companies</i>	-11	-	-	41	30	-	30
<i>Operating margin, %</i>	6.2	5.5	4.7	-	5.2	-	5.2
Amortization of acquisition related intangible assets	-68	-159	-23	-21	-271	-	-271
Acquisition related costs	-99	43	-1	-5	-62	-	-62
Items affecting comparability	-119	-54	-3	-33	-209	-	-209
Operating income after amortization	2 717	2 412	587	-520	5 196	-	5 196
Financial income and expenses	-	-	-	-	-	-	-578
Income before taxes	-	-	-	-	-	-	4 618
Taxes	-	-	-	-	-	-	-1 256
Net income for the year	-	-	-	-	-	-	3 362
Operating cash flow							
Operating income before amortization	3 003	2 582	614	-461	5 738	-	5 738
Investments in non-current tangible and intangible assets	-817	-1 487	-410	-296	-3 010	-	-3 010
Reversal of depreciation ²	627	1 418	472	173	2 690	-	2 690
Change in operating capital employed	-467	263	-30	-282	-516	-	-516
Cash flow from operating activities	2 346	2 776	646	-866	4 902	-	4 902
<i>Cash flow from operating activities, %</i>	78	108	105	-	-	-	85
Capital employed and financing							
Operating non-current assets	2 803	5 002	923	1 001	9 729	-	9 729
Accounts receivable	6 690	6 530	2 713	300	16 233	-113	16 120
Other assets	3 609	1 667	534	2 134	7 944	-162	7 782
Other liabilities	-6 169	-9 274	-2 044	-3 319	-20 806	275	-20 531
Total operating capital employed	6 933	3 925	2 126	116	13 100	-	13 100
<i>Operating capital employed as % of sales</i>	14	8	16	-	-	-	12
Goodwill	11 480	8 692	1 477	508	22 157	-	22 157
Acquisition related intangible assets	771	629	33	130	1 563	-	1 563
Shares in associated companies	18	38	-	264	320	-	320
Total capital employed	19 202	13 284	3 636	1 018	37 140	-	37 140
<i>Return on capital employed, %</i>	15	20	18	-	-	-	15
Net debt	-	-	-	-	-	-	17 541
Shareholders' equity	-	-	-	-	-	-	19 599
Total financing	-	-	-	-	-	-	37 140
<i>Net debt equity ratio, multiple</i>	-	-	-	-	-	-	0.89
Assets and liabilities							
Non-interest-bearing assets	25 371	22 558	5 680	2 498	56 107	-275	55 832
Unallocated non-interest-bearing assets ³	-	-	-	-	-	-	1 839
Unallocated interest-bearing assets	-	-	-	-	-	-	4 519
Total assets	-	-	-	-	-	-	62 190
Shareholders' equity	-	-	-	-	-	-	19 599
Non-interest-bearing liabilities	6 169	9 274	2 044	854	18 341	-275	18 066
Unallocated non-interest-bearing liabilities ³	-	-	-	-	-	-	2 465
Unallocated interest-bearing liabilities	-	-	-	-	-	-	22 060
Total liabilities	-	-	-	-	-	-	42 591
Total shareholders' equity and liabilities	-	-	-	-	-	-	62 190

1 Securitas has adopted IFRS 16 Leases as of January 1, 2019. As a consequence, certain lines in the consolidated financial statements and segment overviews as well as key ratios are not comparable with the preceding year. For further information refer to note 41.

2 Depreciation and amortization of tangible and non-acquisition related intangible assets per segment are specified on the line Reversal of depreciation in the statement of cash flow above. Further information regarding depreciation and amortization is provided in note 13.

3 Included in Other in the table Capital employed and financing.

JANUARY - DECEMBER 2018

MSEK	Security Services North America	Security Services Europe	Security Services Ibero-America	Other	Total segments	Eliminations	Group
Income							
Sales, external	42 360	45 040	12 313	1 754	101 467	-	101 467
Sales, intra-group	6	-	2	1	9	-9	-
Total sales	42 366	45 040	12 315	1 755	101 476	-9	101 467
<i>Organic sales growth, %</i>	<i>6</i>	<i>4</i>	<i>12</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>6</i>
Operating income before amortization¹	2 589	2 511	550	-346	5 304	-	5 304
<i>of which share in income of associated companies</i>	<i>-9</i>	<i>0</i>	<i>-</i>	<i>40</i>	<i>31</i>	<i>-</i>	<i>31</i>
<i>Operating margin, %</i>	<i>6.1</i>	<i>5.6</i>	<i>4.5</i>	<i>-</i>	<i>5.2</i>	<i>-</i>	<i>5.2</i>
Amortization of acquisition related intangible assets	-54	-158	-30	-18	-260	-	-260
Acquisition related costs	-84	-35	-	-1	-120	-	-120
Items affecting comparability	-155	-268	-	-32	-455	-	-455
Operating income after amortization	2 296	2 050	520	-397	4 469	-	4 469
Financial income and expenses	-	-	-	-	-	-	-441
Income before taxes	-	-	-	-	-	-	4 028
Taxes	-	-	-	-	-	-	-1 007
Net income for the year	-	-	-	-	-	-	3 021
Operating cash flow							
Operating income before amortization	2 589	2 511	550	-346	5 304	-	5 304
Investments in non-current tangible and intangible assets	-478	-1 169	-274	-267	-2 188	-	-2 188
Reversal of depreciation ¹	368	917	286	122	1 693	-	1 693
Change in operating capital employed	-660	-603	-235	-139	-1 637	-	-1 637
Cash flow from operating activities	1 819	1 656	327	-630	3 172	-	3 172
<i>Cash flow from operating activities, %</i>	<i>70</i>	<i>66</i>	<i>59</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>60</i>
Capital employed and financing							
Operating non-current assets	1 429	3 094	660	804	5 987	-	5 987
Accounts receivable	6 081	6 722	2 630	264	15 697	-94	15 603
Other assets	3 286	1 538	552	1 684	7 060	-1	7 059
Other liabilities	-5 865	-9 177	-1 937	-2 566	-19 545	95	-19 450
Total operating capital employed	4 931	2 177	1 905	186	9 199	-	9 199
<i>Operating capital employed as % of sales</i>	<i>11</i>	<i>5</i>	<i>15</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>9</i>
Goodwill	10 784	8 469	1 468	340	21 061	-	21 061
Acquisition related intangible assets	588	734	55	81	1 458	-	1 458
Shares in associated companies	192	37	-	223	452	-	452
Total capital employed	16 495	11 417	3 428	830	32 170	-	32 170
<i>Return on capital employed, %</i>	<i>16</i>	<i>23</i>	<i>17</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>15</i>
Net debt	-	-	-	-	-	-	14 513
Shareholders' equity	-	-	-	-	-	-	17 657
Total financing	-	-	-	-	-	-	32 170
<i>Net debt equity ratio, multiple</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>0.82</i>
Assets and liabilities							
Non-interest-bearing assets	22 360	20 594	5 365	1 853	50 172	-95	50 077
Unallocated non-interest-bearing assets ²	-	-	-	-	-	-	1 543
Unallocated interest-bearing assets	-	-	-	-	-	-	3 849
Total assets	-	-	-	-	-	-	55 469
Shareholders' equity	-	-	-	-	-	-	17 657
Non-interest-bearing liabilities	5 865	9 177	1 937	423	17 402	-95	17 307
Unallocated non-interest-bearing liabilities ²	-	-	-	-	-	-	2 143
Unallocated interest-bearing liabilities	-	-	-	-	-	-	18 362
Total liabilities	-	-	-	-	-	-	37 812
Total shareholders' equity and liabilities	-	-	-	-	-	-	55 469

¹ Depreciation and amortization of tangible and non-acquisition related intangible assets per segment are specified on the line Reversal of depreciation in the statement of cash flow above.

Further information regarding depreciation and amortization is provided in note 13.

² Included in Other in the table Capital employed and financing.

GEOGRAPHICAL INFORMATION¹

MSEK	Total sales from external clients ²		Non-current assets ³	
	2019	2018	2019	2018
US	44 558	38 728	14 120	12 341
Sweden ¹	5 061	4 973	2 269	1 525
All other countries ⁴	61 280	57 766	17 286	15 056
Total countries	110 899	101 467	33 675	28 922
Non-current assets not listed by country ³	-	-	1 449	1 496
Total non-current assets	-	-	35 124	30 418

1 Geographical information related to sales and non-current assets is disclosed for Sweden (which is Securitas' country of domicile) and for all individual countries where the sales or non-current assets exceed 10 percent of the total amount for the Group.

2 Based on the location of sales offices and corresponds in all material aspects to the geographical location of the clients.

3 Financial instruments, deferred tax assets and post-employment benefit assets are not specified by country. These are instead reported on the line Non-current assets not listed by country.

4 Including elimination of intra-group sales.

NOTE 11 Operating income**Statement of income**

The table below illustrates the statement of income in summary classified according to type of cost.

MSEK	2019	2018
Total sales	110 899	101 467
Other operating income	34	30
Salaries (note 12)	-70 879	-64 550
Social benefits (note 12)	-15 148	-13 982
Depreciation and amortization (notes 13, 18, 19, 20, 21)	-2 961	-1 953
Bad debt losses (note 26)	-159	-137
Other operating expenses	-16 590	-16 406
Total operating expenses	-105 737	-97 028
Operating income	5 196	4 469

Exchange rate differences

Exchange rate differences included in operating income amounted to MSEK -9 (9).

Exchange rate differences included in net financial items are specified in note 14.

Items affecting comparability

Items affecting comparability consists of two major parts. The first is the cost savings program in Security Services Europe that was executed in the second half of 2018. The total cost during 2018 amounted to MSEK -268 and mainly relate to organizational restructuring charges with the bulk relating to staff-related items. During 2019 no additional costs have been recognized in the statement of income.

The second part is in relation to two major transformation programs for the further digitization of the company. The first program relates to the global IS/IT foundation throughout the Group. The second program is driving business transformation of Security Services North America. Related to these two programs, MSEK -209 (-187) has been recognized as items affecting comparability in the income statement, of which MSEK -119 (-155) relate to Security Services North America and MSEK -90 (-32) to the other segments. Costs relate primarily to the impairment of assets, organizational restructuring charges and other non-recurring items.

ITEMS AFFECTING COMPARABILITY

MSEK	2019	2018
IS/IT transformation programs	-209	-187
Cost savings program, Security Services Europe	-	-268
Total items affecting comparability	-209	-455

ITEMS AFFECTING COMPARABILITY ALLOCATED PER FUNCTION

MSEK	2019	2018
Production expenses	-	-39
Selling and administrative expenses	-209	-416
Total items affecting comparability allocated per function	-209	-455

ITEMS AFFECTING COMPARABILITY ALLOCATED PER SEGMENT

MSEK	2019	2018
Security Services North America	-119	-155
Security Services Europe	-54	-268
Security Services Ibero-America	-3	-
Other	-33	-32
Total items affecting comparability allocated per segment	-209	-455

CASH FLOW IMPACT FROM ITEMS AFFECTING COMPARABILITY

MSEK	2019	2018
Items affecting comparability according to the statement of income	-209	-455
Cash flow	-303	-117
Adjustment for effect on cash flow from items affecting comparability	-94	338

Acquisition related costs

The tables below specify what acquisition related costs are related to and how they would have been classified per function in the statement of income if the items had not been disclosed separately on the face of the statement of income. The tables also specify how the acquisition related costs are split by segment. There is also a specification of the cash flow impact from acquisition related costs.

ACQUISITION RELATED COSTS

MSEK	2019	2018
Restructuring and integration costs	-18	-90
Transaction costs	-24	-25
Revaluation of deferred considerations	65	-5
Step acquisitions	-85	-
Total acquisition related costs	-62	-120

ACQUISITION RELATED COSTS ALLOCATED PER FUNCTION

MSEK	2019	2018
Production expenses	-5	-3
Selling and administrative expenses ¹	-57	-117
Total acquisition related costs allocated per function	-62	-120

¹ All transaction costs and revaluation of deferred considerations would have been classified as selling and administrative expenses in the statement of income if they had not been disclosed separately on the face of the statement of income.

ACQUISITION RELATED COSTS ALLOCATED PER SEGMENT

MSEK	2019	2018
Security Services North America	-99	-84
Security Services Europe	43	-35
Security Services Ibero-America	-1	-
Other	-5	-1
Total acquisition related costs allocated per segment	-62	-120

CASH FLOW IMPACT FROM ACQUISITION RELATED COSTS

MSEK	2019	2018
Acquisition related costs according to the statement of income	-62	-120
Cash flow	-80	-97
Adjustment for effect on cash flow from acquisition related costs	-18	23

Audit fees and reimbursements

The table below specifies what audit fees and reimbursements are related to.

MSEK	2019	2018
PwC		
Audit assignments ¹	59	42
Additional audit assignments ¹	3	6
Tax assignments ¹	16	12
Other assignments ^{1,2}	13	25
Total PwC	91	85
Other auditors		
Audit assignments	4	4
Total	95	89

¹ Audit assignments amounts to MSEK 59 whereof MSEK 11 to PwC Sweden. Additional audit assignments amounts to MSEK 3 whereof MSEK 2 to PwC Sweden. Tax assignments amounts to MSEK 16 whereof MSEK 1 to PwC Sweden. Other assignments amounts to MSEK 13 whereof MSEK 1 to PwC Sweden.

² In 2018, MSEK 19 pertained to advisory services regarding the acquisition of Kratos Public Safety and Security in North America.

Additional audit assignments mainly comprise review of the interim report for the second quarter as well as review of financial reporting and internal control in additional countries than those included in the agreed audit plan. Tax assignments mainly comprise tax return compliance, transfer pricing and questions related to tax legislation compliance. Other services mainly comprise services related to acquisitions, special IT audits and review of pension plans.

NOTE 12 Personnel

AVERAGE NUMBER OF YEARLY EMPLOYEES: DISTRIBUTION BETWEEN WOMEN AND MEN¹

	Women		Men		Total	
	2019	2018	2019	2018	2019	2018
Security Services North America	33 763	33 777	76 064	76 850	109 827	110 627
Security Services Europe	21 192	20 285	89 324	89 399	110 516	109 684
Security Services Ibero-America	9 419	9 052	53 641	53 429	63 060	62 481
Other	3 176	2 778	15 476	14 743	18 652	17 521
Total	67 550	65 892	234 505	234 421	302 055	300 313

In 2019, the number of Board members and Presidents was 102 (96), of whom 10 (7) were women.

STAFF COSTS FOR BOARD OF DIRECTORS AND PRESIDENTS

MSEK	2019			2018			Of which bonuses	
	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)	2019	2018
Security Services North America	165	38	(20)	148	32	(18)	69	69
Security Services Europe	103	35	(12)	101	27	(9)	28	33
Security Services Ibero-America	48	4	(0)	45	4	(0)	13	10
Other	100	28	(8)	102	25	(7)	23	33
Total	416	105	(40)	396	88	(34)	133	145

¹ Average number of yearly employees exclude employees in associated companies. A complete specification of the average number of yearly employees by country can be obtained from the Parent Company. Further information regarding the Group's pensions and other long-term employee benefits is provided in note 32.

STAFF COSTS FOR OTHER EMPLOYEES

MSEK	2019			2018		
	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)
Security Services North America	32 838	5 515	(482)	28 651	4 859	(429)
Security Services Europe	27 724	7 374	(866)	26 267	7 075	(793)
Security Services Ibero-America	8 302	1 949	(44)	7 848	1 814	(33)
Other	1 599	205	(76)	1 388	146	(55)
Total	70 463	15 043	(1 468)	64 154	13 894	(1 310)

TOTAL STAFF COSTS: BOARD OF DIRECTORS, PRESIDENTS AND OTHER EMPLOYEES

MSEK	2019			2018		
	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)
Security Services North America	33 003	5 553	(502)	28 799	4 891	(447)
Security Services Europe	27 827	7 409	(878)	26 368	7 102	(802)
Security Services Ibero-America	8 350	1 953	(44)	7 893	1 818	(33)
Other	1 699	233	(84)	1 490	171	(62)
Total	70 879	15 148	(1 508)	64 550	13 982	(1 344)

Securitas short-term share-based incentive scheme

Securitas' Annual General Meeting May 6, 2019 resolved on a share and cash bonus scheme, a similar incentive scheme that the Annual General Meeting 2018 resolved on. The participants in the scheme have a variable remuneration based on performance. Two thirds of the variable remuneration/bonus will, according to the incentive scheme, be settled in cash the year after the performance year, while shares will be purchased for the remaining one third. The bonus criteria is based on individual performance and/or the performance for the part of the Group that the individual is responsible for. For Securitas there are no other material costs than the allotted bonus and related social benefits.

The share purchase in Securitas will be handled by trading on the Nasdaq Stockholm exchange through a swap agreement. Shares are purchased corresponding to one third of the total achieved bonus amount. The purchased shares will be allotted to the participants in March, two years following the performance year, given that they are still employed by the Group, except where an employee has left his/her employment due to retirement, death or long-term disability, in which case the employee shall have a continued right to receive bonus shares. Securitas will not issue any new shares or similar due to this incentive scheme. The purpose is to replace cash bonus with shares in Securitas AB and thus increase the employees' ownership in Securitas.

The incentive scheme includes 1 175 participants (1 325) that are entitled to receive the share part according to the scheme. The total share-based remuneration for these participants amount to MSEK 121 (133) and is accounted for as a share-based remuneration in equity. In March 2020, shares in Securitas AB have been purchased corresponding to the value of the total share-based remuneration. The shares have been purchased through a swap agreement, based on the current market price at the time. The number of shares that have been purchased amount to a total of 847 035 (1 003 835) at a value of MSEK 110 (147). The shares will be allotted to the participants during the first quarter 2021, provided that they are still employed by the Group.

Securitas long-term share-based incentive scheme

Securitas' Annual General Meeting May 6, 2019 resolved on a new share-based bonus scheme, LTI 2019/2021, for the CEO, other members of Group management and certain key employees, approximately up to 80 participants. For the qualifying participants the scheme is intended to be an alternative to the short-term share-based incentive scheme described above. The new scheme will be based on different principles than the existing and previous share-based incentive schemes and participants in the new long-term scheme will not be entitled to participate in the short-term share-based incentive scheme. In order to participate in the scheme

which runs over the period 2019 to 2021 participants will have to invest in Securitas series B shares at market price or nominate already vested or currently vesting shares under the short-term incentive schemes. For every share purchased or invested the company will grant so called performance awards free of charge as per below:

- Category 1 (CEO): maximum five performance awards per each invested share.
- Category 2 (Group Management): maximum four performance awards per each invested share.
- Category 3 (other participants): maximum three performance awards per each invested share.

The performance condition is linked to the development of real change in earnings per share (if applicable excluding items affecting comparability) and the outcome is calculated yearly, whereby one third is measured against the outcome of the first year (2019), one third against the second year (2020) and one third against the third year (2021). The award of shares is in addition to the fulfilment of performance conditions contingent on the employment as per the vesting day in February 2022 and that the invested shares are kept during the whole vesting period. The number of shares awarded will also include compensation for dividend during the vesting period by increasing the number of shares awarded.

The cost for the service rendered under the long-term incentive program is spread over the vesting period and is based on a fair value on the grant date for Securitas series B share of SEK 161.40 per share for the program 2019 to 2021. The outcome for 2019 gives a potential total of 15 653 shares that would be allotted to the participants on vesting in 2022 (before any adjustment for leavers) which corresponds to a cost for Securitas of MSEK 2. The cumulative cost of the program for 2019 to 2021 thus also amounts to MSEK 2. For Securitas there are no other material costs than the allotted bonus and related social benefits.

The share purchase in Securitas may be handled by a swap agreement with a third party. Any share-swap agreement will be separate from those entered into for the short-term share-based incentive scheme.

COSTS FOR SHARE-BASED INCENTIVE SCHEMES: PRESIDENTS AND OTHER EMPLOYEES

MSEK	2019	2018
Bonus costs for incentive schemes ¹	123	133
Social benefits for incentive schemes ¹	18	24
Total	141	157

¹ Whereof the cumulative cost for the long-term incentive program 2019-2021 amounts to MSEK 2 plus estimated social security MSEK 0.

NOTE 13 Depreciation and amortization

MSEK	2019	2018
Software licenses	214	196
Other intangible assets	157	127
Right-of-use assets	1 025	128
Buildings	15	15
Machinery and equipment	1 279	1 227
Total depreciation and amortization	2 690	1 693

DEPRECIATION AND AMORTIZATION FOR THE YEAR IS DISTRIBUTED IN THE STATEMENT OF INCOME AS BELOW

MSEK	2019	2018
Amortization of intangible assets		
Production expenses	108	86
Selling and administrative expenses	263	237
Total amortization of intangible assets	371	323

Depreciation of right-of-use assets

Production expenses	575	128
Selling and administrative expenses	450	-
Total depreciation of right-of-use assets	1 025	128

Depreciation of tangible non-current assets

Production expenses	981	668
Selling and administrative expenses	313	574
Total depreciation of tangible non-current assets	1 294	1 242

Total depreciation and amortization	2 690	1 693
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NOTE 14 Net financial items

MSEK	2019	2018
Interest income from financial assets at fair value through profit or loss	13	28
Interest income from loans and receivables	28	29
Total interest income	41	57
Net monetary gain on remeasurement for hyperinflation	25	23
Revaluation of financial instruments	-	2
Other financial income	1	3
Total financial income	67	85
Interest expenses from financial liabilities at fair value through profit or loss	-84	-71
Interest expenses from financial liabilities designated as hedged item in a fair value hedge	-82	-182
Interest expenses from derivatives designated for hedging	-9	6
Interest expenses from lease liabilities	-158	-10
Interest expenses from other financial liabilities at amortized cost	-284	-247
Total interest expenses	-617	-504
Revaluation of financial instruments	-1	-
Other financial expenses	-26	-22
Exchange rate differences, net ¹	-1	0
Total financial expenses	-645	-526
Net financial items	-578	-441

¹ Exchange rate differences included in operating income are reported in note 11.

NOTE 15 Taxes

Statement of income

MSEK	2019	%	2018	%
Tax on income before taxes				
Current taxes	-1 200	-26.0	-962	-23.9
Deferred taxes	-56	-1.2	-45	-1.1
Total tax expense	-1 256	-27.2	-1 007	-25.0

The Swedish corporate tax rate was 21.4 percent (22.0). The Group's tax rate was 27.2 percent (25.0). The tax rate adjusted for tax on items affecting comparability was 27.2 percent (25.2).

DIFFERENCE BETWEEN STATUTORY SWEDISH TAX RATE AND ACTUAL TAX EXPENSE FOR THE GROUP

MSEK	2019	%	2018	%
Income before taxes according to the statement of income	4 618		4 028	
Tax based on Swedish tax rate	-988	-21.4	-886	-22.0
Difference between tax rate in Sweden and weighted tax rates for foreign subsidiaries	-240	-5.2	-154	-3.8
Tax related to previous years	1	0.0	-6	-0.2
Recognition of previously unvalued tax losses	50	1.1	49	1.2
Revaluation of deferred tax following a change in tax rate	-1	0.0	-12	-0.3
Other non-deductible items	-97	-2.1	-86	-2.1
Other tax exempt items	19	0.4	88	2.2
Actual tax expense	-1 256	-27.2	-1 007	-25.0

Tax expense that may arise from dividends out of the distributable earnings have not been provided for. If distributed the tax expense arising would amount to MSEK 16 (16).

Changes in deferred taxes between 2018 and 2019 are mainly explained by tax losses, acquisition related intangible assets and tax allocations reserve. There are no unrecognized temporary differences related to subsidiaries or associated companies.

Other comprehensive income
TAX ON OTHER COMPREHENSIVE INCOME

MSEK	2019	2018
Deferred tax on remeasurements of defined benefit pension plans	-11	25
Deferred tax on remeasurement for hyperinflation	-	-15
Deferred tax on cash flow hedges	-9	-17
Deferred tax on cost of hedging	-4	12
Deferred tax on net investment hedges	94	107
Deferred tax on other comprehensive income	70	112

Balance sheet

CURRENT TAX ASSETS/LIABILITIES		
MSEK	2019	2018
Current tax assets	922	581
Current tax liabilities	1 621	1 362
Current tax assets/liabilities, net	-699	-781

DEFERRED TAX ASSETS WERE ATTRIBUTABLE TO

MSEK	2019	2018
Pension provisions and employee-related liabilities	602	595
Lease liabilities	896	-
Tax loss carryforwards	108	158
Acquisition related intangible assets	50	68
Machinery and equipment	129	104
Other temporary differences	351	342
Total deferred tax assets	2 136	1 267
<i>Whereof deferred tax assets expected to be used within 12 months</i>	<i>829</i>	<i>776</i>
Net accounting ¹	-1 218	-306
Total deferred tax assets according to the balance sheet	918	961

DEFERRED TAX LIABILITIES WERE ATTRIBUTABLE TO

MSEK	2019	2018
Pension provisions and employee-related liabilities	57	49
Acquisition related intangible assets	464	450
Right-of-use assets	877	-
Machinery and equipment	48	46
Other temporary differences	396	332
Total deferred tax liabilities	1 842	877
<i>Whereof deferred tax liabilities expected to be used within 12 months</i>	<i>248</i>	<i>237</i>
Net accounting ¹	-1 218	-306
Total deferred tax liabilities according to the balance sheet	624	571
Deferred tax assets/liabilities, net	294	390

¹ Deferred tax assets and liabilities are reported in the balance sheet partly on a net basis after considering the set-off possibilities.

DEFERRED TAX ASSETS CHANGE ANALYSIS PER CATEGORY IN 2019

MSEK	Opening balance	Deferred tax recognized in the statement of income	Changed tax rate	Acquisitions	Recognized in other comprehensive income	Translation differences	Closing balance
Pension provisions and employee-related liabilities	595	7	-5	1	-5	9	602
Lease liabilities	-	896	-	-	-	-	896
Tax loss carryforwards	158	-43	-1	-	-	-6	108
Acquisition related intangible assets	68	-18	-	-	-	-	50
Machinery and equipment	104	21	-	-	-	4	129
Other temporary differences	342	7	-2	-	5	-1	351
Total deferred tax assets	1 267						2 136
Change during the year		870	-8	1	-	6	869

DEFERRED TAX ASSETS CHANGE ANALYSIS

MSEK	2019	2018
Opening balance deferred tax assets	1 267	1 161
Change due to:		
Deferred tax recognized in the statement of income	870	99
Changed tax rate	-8	-18
Acquisitions	1	-10
Recognized in other comprehensive income	-	-5
Translation differences	6	40
Closing balance deferred tax assets	2 136	1 267
Change during the year	869	106

DEFERRED TAX LIABILITIES CHANGE ANALYSIS

MSEK	2019	2018
Opening balance deferred tax liabilities	877	1 185
Change due to:		
Deferred tax recognized in the statement of income	898	162
Changed tax rate	-7	-4
Acquisitions	51	75
Recognized in other comprehensive income	-	-11
Reclassification	-	-546
Translation differences	23	16
Closing balance deferred tax liabilities	1 842	877
Change during the year	965	-308

Note

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DEFERRED TAX LIABILITIES CHANGE ANALYSIS PER CATEGORY IN 2019

MSEK	Opening balance	Deferred tax recognized in the statement of income	Changed tax rate	Acquisitions	Recognized in other comprehensive income	Translation differences	Closing balance
Pension provisions and employee-related liabilities	49	6	-3	-	-	5	57
Acquisition related intangible assets	450	-24	-4	49	-	-7	464
Right-of-use assets	-	877	-	-	-	-	877
Machinery and equipment	46	-1	-	-	-	3	48
Other temporary differences	332	40	-	2	-	22	396
Total deferred tax liabilities	877						1842
Change during the year		898	-7	51		23	965

Tax loss carryforwards

Tax loss carryforwards relate primarily to subsidiaries in Germany, Turkey and Singapore. The Group's total tax loss carryforwards on December 31, 2019 amounted to MSEK 1 183 (1 352). These tax loss carryforwards expire as follows:

TAX LOSS CARRYFORWARDS	
2020	15
2021	13
2022	24
2023-	346
Unlimited duration	785
Total tax loss carryforwards	1183

Deferred tax assets related to tax losses are accounted for when it is probable that they can be utilized by future profits. As of December 31, 2019, tax loss carryforwards for which deferred tax assets had been recognized amounted to MSEK 382 (572) and deferred tax assets related to the tax losses amounted to MSEK 108 (158). Tax losses can be used to reduce future taxable income and tax payments.

NOTE 16 Acquisitions and divestitures of subsidiaries

Acquisition calculations are subject to final adjustment up to one year after the date of acquisition. For further information refer to note 4.

MSEK	Purchase price paid/received ⁶	Acquired/divested net debt	Enterprise value	Goodwill	Acquisition related intangible assets	Shares in associated companies	Operating capital employed	Total capital employed	Shareholders' equity	Total
Global Elite Group, the US ³	-191	28	-163	123	70	-	-30	163	-	163
Allcooper Group, the UK ³	-65	6	-59	31	26	-	2	59	-	59
Staysafe, Australia ³	-84	1	-83	126	57	-	-100	83	-	83
MSM Security Services, the US ³	-6	-	-6	42	61	-	-97	6	-	6
Other acquisitions and divestitures ^{1,3}	-142	4	-138	108	118	-176	-25	25	113 ⁴	138
Adjustments ^{2,3}	-45	-	-45	-1	-	-	112	111	-66 ⁵	45
Total acquisitions and divestitures	-533	39	-494	429	332	-176	-138	447	47	494
Liquid funds according to acquisition analyses	47									
Total effect on Group's liquid funds	-486									

1 Related to other acquisitions and divestitures for the period: Iverify (step acquisition), the US, Nortrax Veg og Trafikk, Norway, Wach- und Schließgesellschaft Hof Inh. I Müller, Germany, Securitas Interim (divestiture), Cezzam, France, 4CS Security (contract portfolio), Austria, Installfago, Portugal and Beijing Saikudasi Consultancy Management, China.

2 Related to updated previous year acquisition calculations and adjustments for the following entities: WHD Wachdienst Heidelberg, Germany, Automatic Alarm, France, Services in Safety, Belgium, Pronet, DAK, Sensormatic, Turkey, PSGA, Australia. Related also to deferred considerations paid in Sweden, Germany, France, Austria, Czech Republic, Australia, China and Hong Kong.

3 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 was MSEK 147. Total deferred considerations, short-term and long-term, in the Group's balance sheet amount to MSEK 425.

4 Income statement amounts to MSEK 113 and retained earnings to MSEK 0.

5 Income statement amounts to MSEK -66 and retained earnings to MSEK 0.

6 No equity instruments have been issued in connection with the acquisitions.

The following definitions are used in the tables below

Full year sales: What the contribution to total sales would have been if the acquisition had been consolidated from January 1, 2019.

Contribution to total sales: What the acquisition has contributed to total sales for the year.

Full year net income: What the contribution to net income would have been if the acquisition had been consolidated from January 1, 2019.

Contribution to net income: What the acquisition has contributed to net income for the year.

Acquisition of the business in 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. 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. The number of employees is approximately 1 050.

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. Goodwill, which amounts to MSEK 123 is mainly related to operational expansion. The acquisition is included in the segment Security Services North America.

SUMMARY BALANCE SHEET AS OF ACQUISITION DATE JANUARY 10, 2019

MSEK	Fair value acquisition balance
Operating non-current assets	7
Accounts receivable	40
Other assets	28
Other liabilities	-54
Contingent considerations ¹	-51
Total operating capital employed	-30
Goodwill from the acquisition	123
Acquisition related intangible assets	70
Total capital employed	163
Net debt	28
Total acquired net assets	191

Purchase price paid	-191
Liquid funds in accordance with acquisition analysis	36
Total impact on the Group's liquid funds	-155

¹ Contingent consideration has been recognized mainly based on assessment of the profitability development of an agreed period. The recognized amount is the maximum amount of the final outcome of the payment.

OTHER DISCLOSURES GLOBAL ELITE GROUP, THE US

Acquired share, %	100
Full year sales, MSEK ¹	290
Contribution to total sales, MSEK	350
Full year net income, MSEK	29
Contribution to net income, MSEK	28
Provision for bad debt included in accounts receivable, MSEK	-1
Transaction costs, MSEK	9

¹ As per pressrelease estimate.

Acquisition of the business in Allcooper Group, the UK

Securitas has acquired all shares in the electronic security company Allcooper Group in the United Kingdom. Allcooper Group, founded in 1987, specializes in the installation, maintenance and monitoring of a wide range of security and fire systems. It operates from bases in Gloucestershire, the West Midlands and London with around 100 employees. Allcooper's expertise in electronic security and its portfolio of long-term customers will provide excellent support in Securitas' pursuit of its strategic objectives. The acquisition was consolidated in Securitas as of April 1, 2019. Goodwill, which amounts to MSEK 31 is mainly related to operational expansion. The acquisition is included in the segment Security Services Europe.

SUMMARY BALANCE SHEET AS OF ACQUISITION DATE APRIL 1, 2019

MSEK	Fair value acquisition balance
Operating non-current assets	9
Accounts receivable	8
Other assets	10
Other liabilities	-18
Contingent considerations ¹	-7
Total operating capital employed	2
Goodwill from the acquisition	31
Acquisition related intangible assets	26
Total capital employed	59
Net debt	6
Total acquired net assets	65

Purchase price paid	-65
Liquid funds in accordance with acquisition analysis	6
Total impact on the Group's liquid funds	-59

¹ Contingent consideration has been recognized mainly based on assessment of the profitability development of an agreed period. The recognized amount is the maximum amount of the final outcome of the payment.

OTHER DISCLOSURES ALLCOOPER GROUP, THE UK

Acquired share, %	100
Full year sales, MSEK	88
Contribution to total sales, MSEK	56
Full year net income, MSEK	4
Contribution to net income, MSEK	2
Provision for bad debt included in accounts receivable, MSEK	0
Transaction costs, MSEK	1

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Acquisition of the business in Staysafe, Australia

Securitas is strengthening its client value proposition in the Australian security market through the acquisition of Staysafe, a leading alarm monitoring company in Australia. Founded in 1987 and based in Melbourne, Staysafe is today one of the largest monitoring companies in Australia with 73 employees and 28 000 monitoring connections managed through two grade A1 monitoring centers located in Melbourne, Victoria and Adelaide in South Australia. Since entering the Australian market in 2017 Securitas has experienced strong growth and expanded its geographical footprint and capabilities across the country. The acquisition was consolidated in Securitas as of April 4, 2019. Goodwill, which amounts to MSEK 126 is mainly related to operational and geographical expansion. The acquisition is included in the segment Other.

SUMMARY BALANCE SHEET AS OF ACQUISITION DATE APRIL 4, 2019

MSEK	Fair value acquisition balance
Operating non-current assets	2
Accounts receivable	6
Other assets	2
Other liabilities	-26
Contingent considerations ¹	-84
Total operating capital employed	-100
Goodwill from the acquisition	126
Acquisition related intangible assets	57
Total capital employed	83
Net debt	1
Total acquired net assets	84

Purchase price paid	-84
Liquid funds in accordance with acquisition analysis	1
Total impact on the Group's liquid funds	-83

1 Contingent consideration has been recognized mainly based on assessment of the profitability development of an agreed period. The recognized amount is the maximum amount of the final outcome of the payment.

OTHER DISCLOSURES STAYSAFE, AUSTRALIA

Acquired share, %	100
Full year sales, MSEK	72
Contribution to total sales, MSEK	58
Full year net income, MSEK	4
Contribution to net income, MSEK	4
Provision for bad debt included in accounts receivable, MSEK	-
Transaction costs, MSEK	4

Acquisition of the business in MSM Security Services, the US

Securitas subsidiary Securitas Critical Infrastructure Services, Inc (SCIS), under the independent direction of its Board, has acquired certain inspection and background investigations assets of MSM Security Services. Securitas Critical Infrastructure Services, Inc is an independent US subsidiary of Securitas AB, which specializes in providing a wide range of security services to federal agencies, aerospace and defense contractors, and federally regulated energy and aviation facilities. The transaction will expand SCIS' federal background investigations business and is anticipated to add MUSD 15 (MSEK 140) of annual sales. The acquisition closed following regulatory approval and was consolidated in Securitas as of October 5, 2019. Goodwill, which amounts to MSEK 42 is mainly related to operational expansion. The acquisition is included in the segment Security Services North America.

SUMMARY BALANCE SHEET AS OF ACQUISITION DATE OCTOBER 5, 2019

MSEK	Fair value acquisition balance
Operating non-current assets	0
Accounts receivable	-
Other assets	-
Other liabilities	-
Contingent considerations ¹	-97
Total operating capital employed	-97
Goodwill from the acquisition	42
Acquisition related intangible assets	61
Total capital employed	6
Net debt	-
Total acquired net assets	6

Purchase price paid	-6
Liquid funds in accordance with acquisition analysis	-
Total impact on the Group's liquid funds	-6

1 Contingent consideration is conditioned on the renewal of certain customer contracts. The recognized amount is the maximum amount of the final outcome of the payment.

OTHER DISCLOSURES MSM SECURITY SERVICES, THE US

Acquired share, %	-
Full year sales, MSEK	140
Contribution to total sales, MSEK	19
Full year net income, MSEK	22
Contribution to net income, MSEK	4
Provision for bad debt included in accounts receivable, MSEK	-
Transaction costs, MSEK	3

Other acquisitions and divestitures

SUMMARY BALANCE SHEET

MSEK	Fair value acquisition balance
Operating non-current assets	4
Accounts receivable	30
Other assets	20
Other liabilities	-62
Deferred considerations ¹	-17
Total operating capital employed	-25
Goodwill from the acquisitions ²	108
Acquisition related intangible assets ³	118
Shares in associated companies	-176
Total capital employed	25
Net debt	4
Total acquired/divested net assets⁴	29

Purchase price paid/received ⁴	-142
Liquid funds in accordance with acquisition analyses	4
Total impact on the Group's liquid funds	-138

1 Deferred considerations for acquisitions made during 2019 have been recognized mainly based on assessment of the future profitability development for an agreed period. The recognized amount is Securitas' best estimate of the final outcome. Thus, no estimate of the range of outcomes has been calculated. Deferred consideration is linked to the future development of profitability in the acquired companies and the final outcome of the payment may consequently exceed the estimated amount.

2 Mainly related to acquisition of Iverify, the US, Cezzam, France, Beijing Saikudasi Consultancy Management, China.

3 Mainly related to acquisition of Iverify, the US, Cezzam, France, Beijing Saikudasi Consultancy Management, China.

4 Purchase price paid/received differs to total acquired/divested net assets due to an income statement effect from a step acquisition of MSEK 113.

Transaction costs amount to MSEK 6.

Adjustments and payments of deferred considerations

SUMMARY BALANCE SHEET

MSEK	Fair value acquisition balance
Operating non-current assets	-
Accounts receivable	-
Other assets	3
Other liabilities	1
Deferred considerations ¹	108
Total operating capital employed	112
Goodwill from the acquisitions ²	-1
Acquisition related intangible assets	-
Total capital employed	111
Net debt	-
Total acquired/divested net assets³	111
Purchase price paid/received ³	-45
Liquid funds in accordance with acquisition analyses	-
Total impact on the Group's liquid funds	-45

1 Mainly related to payments and revaluation of deferred considerations for Automatic Alarm, France, Microtech, Czech Republic, PSGA, Australia, Johnson & Thomson, Hong Kong.

2 Mainly related to update of the acquisition calculation for WHD Wachdienst Heidelberg, Germany and Pronet, Turkey.

3 Purchase price paid/received differs to total acquired/divested net assets due to revaluation of deferred consideration of MSEK -66.

Transaction costs amount to MSEK 1.

NOTE 17 Goodwill and impairment testing

MSEK	2019	2018
Opening balance	21 470	19 112
Acquisitions and divestitures	429	1 214
Translation differences and remeasurement for hyperinflation	674	1 144
Closing accumulated balance	22 573	21 470
Opening impairment losses	-409	-393
Translation differences	-7	-16
Closing accumulated impairment losses	-416	-409
Closing residual value	22 157	21 061

GOODWILL ALLOCATED PER SEGMENT

MSEK	2019	2018
Security Services North America	11 480	10 784
Security Services Europe	8 692	8 469
Security Services Ibero-America	1 477	1 468
Other	508	340
Total goodwill	22 157	21 061

Impairment testing

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Unit), that is, before 2019 on country level and thereafter per segment. The Group changed the level of impairment testing for goodwill from the country level to the segment level as a consequence of adopting IFRS 16, that resulted in that complete financial information that is reviewed and used for control is available only on the segment level.

Goodwill and intangible assets with indefinite useful life

Goodwill is tested on an annual basis for possible impairment. Securitas also carries out impairment testing for other intangible assets for which there is an indefinite useful life. Currently these assets are limited to MSEK 16 (16) and relates to the consideration paid for the brand Securitas in one of the Group's countries of operations. The annual impairment test of all Cash Generating Units (CGUs), which is required under IFRS, took place during the third quarter of 2019 in conjunction with the business plan process for 2020. During this year's assessment a total number of 4 CGUs were tested for impairment of goodwill.

Valuation methodology and material assumptions

Value in use is measured as expected future discounted cash flows and is based upon a five year discounted cash flow model. The cash flows have been calculated based on financial plans developed in each segment. The financial plans are built upon the regular business plan for the next financial year which has been ascertained by Group Management and has been presented to the Board of Directors.

The calculation of the value in use is based on certain material assumptions and assessments. The most significant of these relate to the organic sales growth, the development of the operating margin, the change in operating capital employed, long-term growth rate as well as the relevant WACC (Weighted Average Cost of Capital) for the valuation, that is, WACC after tax used to discount the future cash flows. These assumptions and judgments are also based on financial plans developed in each business segment and are built upon the regular business plan for the next financial year which has been ascertained by Group Management and presented to the Board of Directors. In addition to this, the assumptions and judgments are based on each business segment growth and profitability level.

In terms of long-term growth rate a rate of 2 percent for guarding services in mature markets is at present regarded as being a reasonable estimate in view of the business areas' historical organic growth rate and also taking into consideration external estimates of the future. Freedonia for example, estimates that the market for guarding services in Europe and North America will grow at an average rate of some 3 percent per annum during the period 2015 to 2025. The market for integrated security solutions is estimated to grow faster than traditional guarding. In developing markets such as Eastern Europe, Latin America, Africa, the Middle East and Asia the growth rate for guarding services is estimated at 5 percent. Since the CGUs consist of countries from both mature and developing markets the long-term growth rate for the CGU has been calculated as the weighted average of the mature or developing markets share of the segment operating result. Assumptions relating to WACC are calculated individually for each country and weighted to an average for each CGU based on the countries share of the segment operating result.

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The table below shows the assumptions and estimates that have formed the base for the impairment testing in summary and by segment.

	<i>Estimated growth rate beyond forecasted period, %</i>	<i>WACC, %</i>	<i>WACC before tax, %</i>
2019			
Security Services North America	2.0	6.6	8.6
Security Services Europe	2.3	6.5	8.0
Security Services Ibero-America	2.8	10.3	13.2
Other ²	4.0	10.1	12.3
2018			
Security Services North America ¹	2.0	7.0-12.1	9.1-15.4
Security Services Europe ¹	2.0	4.9-20.9	5.8-25.8
Security Services Ibero-America	2.0-5.0	6.2-31.0	7.7-38.0
Other ²	2.0-5.0	7.1-22.1	8.2-27.2

1 Mexico and Eastern Europe is considered to have a higher growth rate beyond forecasted period (2.0-5.0%). These regions represent a minority of the respective segments, hence the growth rate of the segments are reported as 2.0%.

2 The operations in Africa, the Middle East, Asia and Australia are included in Other.

Impairment testing of goodwill and intangible assets with indefinite useful life

The 2019 impairment test showed that none of the CGUs tested for impairment had a carrying amount that exceeded the recoverable amount. Thus no impairment losses have been recognized in 2019. No impairment losses of goodwill or other acquisition related intangible assets were recognized in 2018 either.

Sensitivity analysis

The following sensitivity analyses have been made of the estimates of value in use in connection with impairment testing, assumption by assumption: general reduction of 1 percentage point in the organic sales growth rate during the forecasting period; general reduction of 0.5 percentage points in the operating margin; general increase of 0.5 percentage points in the WACC and general decrease of the estimated growth after the forecasted period by 0.5 percentage points. A sensitivity analysis for changes in the assumptions used in the impairment testing has been established for all CGUs.

For conducted sensitivity analyses, the conclusion is that none of the adjustments of assumptions stand alone would result in an impairment loss in any CGU.

NOTE 18 Acquisition related intangible assets¹

MSEK	2019	2018
Opening balance	3 439	2 971
Acquisitions and divestitures	332	499
Derecognition of fully amortized assets ²	-204	-112
Translation differences and remeasurement for hyperinflation	103	81
Closing accumulated balance	3 670	3 439
Opening amortization	-1 981	-1 798
Reversal of amortization on derecognized assets ²	204	112
Amortization for the year	-271	-260
Translation differences and remeasurement for hyperinflation	-59	-35
Closing accumulated amortization	-2 107	-1 981
Closing residual value	1 563	1 458

1 The balance consists mainly of contract portfolios and related client relations.

2 The Group derecognizes fully amortized acquisition related intangible assets if a reliable estimate of future cash flows cannot be established. The net impact of such derecognition on the closing residual value is nil.

NOTE 19 Other intangible assets

MSEK	Software licenses and similar assets		Other intangible assets ¹	
	2019	2018	2019	2018
Opening balance	2 394	1 515	931	736
Acquisitions and divestitures	1	4	-	-
Capital expenditures	498	415	256	226
Disposals/write-offs	-141	-136	-26	-38
Reclassification	30	547	-2	1
Translation differences and remeasurement for hyperinflation	55	49	8	6
Closing accumulated balance	2 837	2 394	1 167	931
Opening amortization	-1 530	-927	-345	-245
Acquisitions and divestitures	0	-4	-	-
Disposals/write-offs	108	63	19	32
Reclassification	-33	-427	5	-1
Amortization for the year	-214	-196	-157	-127
Translation differences and remeasurement for hyperinflation	-39	-39	-5	-4
Closing accumulated amortization	-1 708	-1 530	-483	-345
Closing residual value	1 129	864	684	586

¹ Mainly related to individual client contracts within Security Services Europe.
Furthermore the brand name Securitas in one of the Group's countries of operations is included with MSEK 16 (16).

NOTE 20 Right-of-use assets

MSEK	Buildings	Vehicles	Other right-of-use assets	Total right-of-use assets
	2019	2019	2019	2019
Lease liability under IFRS 16 at January 1, 2019 (note 41)	2 965	644	46	3 655
New/terminated/changed lease contracts	353	405	11	769
Depreciation	-613	-394	-18	-1 025
Translation differences	74	15	1	90
Closing balance	2 779	670	40	3 489
Expenses for short-term lease contracts	-	-	-	296
Expenses for lease contracts of low value	-	-	-	15
Principal payments for lease liabilities	-	-	-	-1 285
Interest expense payments for lease liabilities	-	-	-	-158

References to other notes

For further information regarding right-of-use assets, refer to:

- Note 2 Accounting principles
- Note 4 Critical estimates and judgments
- Note 7 Financial risk management (maturity profile in table Liquidity report)
- Note 13 Depreciation and amortization
- Note 14 Net financial items
- Note 15 Taxes
- Note 41 Adoption and impact of IFRS 16 Leases

NOTE 21 Tangible non-current assets

MSEK	Buildings and land ¹		Machinery and equipment ²	
	2019	2018	2019	2018
Opening balance	680	662	12 242	11 732
Acquisitions and divestitures	-	-	37	105
Capital expenditures	-	12	1 333	1 724
Disposals/write-offs	-53	-9	-789	-684
Reclassification to right-of-use assets (note 20) ³	-	-9	-	-593
Other reclassification	-2	-7	5	-522
Translation differences and remeasurement for hyperinflation	9	31	192	480
Closing accumulated balance	634	680	13 020	12 242
Opening depreciation	-362	-338	-9 007	-8 547
Acquisitions and divestitures	-	-	-20	-68
Disposals/write-offs	19	4	702	561
Reclassification to right-of-use assets (note 20) ³	-	0	-	380
Other reclassification	3	3	-1	406
Depreciation for the year	-15	-15	-1 279	-1 227
Depreciation for the year, right-of-use assets	-	-1	-	-127
Translation differences and remeasurement for hyperinflation	-4	-15	-123	-385
Closing accumulated depreciation	-359	-362	-9 728	-9 007
Opening impairment losses	-21	-20	-	-
Translation differences	0	-1	-	-
Closing accumulated impairment losses	-21	-21	-	-
Closing residual value	254	297	3 292	3 235

1 The closing residual value of land included in buildings and land above was MSEK 57 (60).

2 Machinery and equipment comprise vehicles, equipment, security equipment (including alarm systems) and IT and telecom equipment.

3 Finance leases amounting to MSEK 222 according to IAS 17 were in 2018 included in buildings and land as well as in machinery and equipment. In this Annual Report, they have been reclassified to right-of-use assets. Refer to notes 20 and 41 for further information.

NOTE 22 Shares in associated companies¹

MSEK	2019	2018
Opening balance	452	420
Share in income of associated companies	30	31
Dividend	-14	-18
New issue/contributions	14	-
Step acquisitions	-176	-
Translation differences	14	19
Closing balance²	320	452

1 A complete specification of associated companies can be obtained from the Parent Company.

2 Of which goodwill MSEK 143 (367) and acquisition related intangible assets MSEK 0 (16).

Financial information associated companies

Summarized financial information regarding the Group's associated companies is specified in the table below. The information is on 100 percent basis.

The Group's share of capital in associated companies amounts to 17-49 percent.

MSEK	2019	2018
Sales	2 207	2 185
Net income	30	43
Assets ¹	602	1 171
Liabilities ¹	248	783

1 The previous associated company Iverify is not included 2019 since it was acquired in a step acquisition and consolidated in 2019.

NOTE 23 Interest-bearing financial non-current assets¹

MSEK	2019	2018
Derivatives with positive fair value, long-term		
Derivatives in fair value hedges ²	162	166
Derivatives in cash flow hedges ²	356	283
Derivatives in net investment hedges ²	-278	-56
Other derivatives ³	-27	-39
Total derivatives with positive fair value, long-term	213	354
Other items ⁴	224	145
Total interest-bearing financial non-current assets	437	499

1 Further information regarding financial instruments is provided in note 7.

2 Related to derivatives designated for hedging. The EUR/USD cross currency interest rate swaps are bifurcated for hedging purposes. The EUR/SEK element, amounting to MSEK 356 (283), is accounted for under cash flow hedge accounting. The SEK/USD element, amounting to MSEK -278 (-56), is accounted for under net investment hedge accounting.

3 Cross currency interest rate swaps are split into different components, of which some elements are negative when the overall fair value is positive.

4 Related to loans and receivables.

NOTE 24 Other long-term receivables

MSEK	2019	2018
Pension balances, defined contribution plans ¹	124	128
Pension balances, defined benefit plans ²	95	36
Reimbursement rights ³	181	138
Other long-term receivables	481	481
Total other long-term receivables	881	783

1 Refers to assets relating to insured pension plans excluding social benefits.

2 Refers to assets related to pensions and other long-term employee benefit plans. Further information is provided in note 32.

3 Refers to assets relating to defined benefit pension plans where compensation is received from another party.

NOTE 25 Inventories

MSEK	2019	2018
Material and consumables	470	434
Advance payments to suppliers	38	26
Total inventories	508	460

NOTE 26 Accounts receivable

MSEK	2019	%	2018	%
Accounts receivable before deduction of provisions for bad debt losses	16 699	100	16 112	100
Provisions for bad debt losses	-579	-3	-508	-3
Total accounts receivable	16 120	97	15 604	97

Opening balance provision for bad debt losses	-508	-490
Provision for expected losses	-268	-274
Reversed provisions	109	127
Actual losses	131	164
Acquisitions and divestitures	-15	-15
Translation differences	-28	-20
Closing balance provision for bad debt losses¹	-579	-508

1 Expenses for bad debt losses amounted to MSEK 159 (137).

AGEING OF ACCOUNTS RECEIVABLE BEFORE DEDUCTION OF PROVISION FOR BAD DEBT LOSSES

MSEK	2019	%	2018	%
Overdue 1-30 days	3 282	20	3 255	20
Overdue 31-60 days	1 013	6	764	5
Overdue 61-90 days	436	3	415	3
Overdue 91-180 days	366	2	459	3
Overdue 181-365 days	162	1	146	1
Overdue >365 days	383	2	367	2
Total overdue	5 642	34	5 406	34

SPECIFICATION OF PROVISION FOR BAD DEBT AS OF DECEMBER 31, 2019 AND 2018

MSEK	Expected loss rate, %	Accounts receivable before deduction of provisions for bad debt losses	Provision for bad debt losses
December 31, 2019			
Current	0.14%	11 057	16
Up to 30 days past due	0.14%	3 282	4
More than 30 days past due	2.5%	1 013	25
More than 60 days past due	4.0%	436	18
More than 90 days past due	8.5%	366	31
More than 180 days past due	63.0%	162	102
More than 365 days past due	100.0%	383	383
Total		16 699	579
December 31, 2018			
Current	0.14%	10 706	15
Up to 30 days past due	0.14%	3 255	5
More than 30 days past due	2.5%	764	19
More than 60 days past due	4.0%	415	17
More than 90 days past due	6.5%	459	30
More than 180 days past due	38.0%	146	55
More than 365 days past due	100.0%	367	367
Total		16 112	508

NOTE 27 Other current receivables

MSEK	2019	2018
Accrued sales income	3 424	3 224
Prepaid expenses	1 233	1 149
Other accrued income	38	38
Insurance-related receivables	16	16
Value added tax	267	238
Other items	456	391
Total other current receivables	5 434	5 056

NOTE 28 Other interest-bearing current assets¹

MSEK	2019	2018
Derivatives with positive fair value, short-term		
Derivatives in net investment hedges ²	-	1
Other derivatives ³	13	16
Total derivatives with positive fair value, short-term	13	17
Other interest-bearing current assets	121	104
Total other interest-bearing current assets	134	121

1 Further information regarding financial instruments is provided in note 7.

2 Related to derivatives designated for hedging.

3 Related to financial assets at fair value through profit or loss.

NOTE 29 Liquid funds¹

MSEK	2019	2018
Short-term investments ²	2 078	1 598
Cash and bank deposits ³	1 870	1 631
Total liquid funds	3 948	3 229

1 Liquid funds include short-term investments with a maximum duration of 90 days that are readily convertible to a known amount of cash and subject to an insignificant risk of change in value.

Liquid funds also include cash and bank deposits.

2 Short-term investments refer to fixed interest rate bank deposits.

3 The net position in Group country cash-pool accounts is reported as cash and bank deposits where netting reflects the legal structure of the arrangement.

NOTE 30 Shareholders' equity
Number of shares December 31, 2019

	Number of shares	MSEK
Series A	17 142 600	17
Series B	347 916 297	348
Total number of shares/share capital	365 058 897	365
Less: Treasury shares	-125 000	-
Total number of shares outstanding¹	364 933 897	-

1 The quota value is SEK 1.00 per share.

The number of Series A shares is unchanged in relation to December 31, 2018. During the year, 125 000 Series B shares have been repurchased as a hedge for the long-term incentive scheme. As of December 31, 2019 there were no outstanding convertible debenture loans that could result in any dilution of the share capital.

Each Series A share carries ten votes and each Series B share one vote. This is the only difference between the two series of shares.

Shareholders with more than 10 percent of the votes

The principal shareholders are Investment AB Latour with 10.9 percent of the capital and 29.6 percent of the votes, and Melker Schörling AB with 4.1 percent of the capital and 10.7 percent of the votes.

Dividend

The Board of Directors propose a dividend to the shareholders of the Parent Company of SEK 4.80 per share, or a total of MSEK 1 752. The dividend to the shareholders for the financial year 2018, which was paid in 2019, was SEK 4.40 per share, or a total of MSEK 1 606.

Presentation of shareholders' equity

According to IAS 1 a company should as a minimum present issued capital and other reserves in the balance sheet. Securitas has chosen to specify shareholders' equity into further components as per below:

- Share capital
- Other capital contributed
- Other reserves
- Retained earnings

Share capital shows the registered share capital of the Parent Company. There were no changes in the share capital in 2019. Repurchase of treasury shares that have not been cancelled has reduced retained earnings.

In other capital contributed, the total amount of all transactions Securitas AB has had with its shareholders is included. Transactions that have taken place with shareholders are issued capital to premium. The amount presented in this sub-component corresponds to capital received (reduced by commission costs) in excess of par value of issued capital. There were no changes in other capital contributed in 2019.

Other reserves show income and expense items that according to certain standards should be recognized in other comprehensive income. In the case of Securitas, other reserves consist of translation differences attributable to the translation of foreign subsidiaries and associated companies according to IAS 21, the cost of hedging reserve and the cash flow hedge reserve. The amount in the hedging reserve will be transferred to the statement of income over the following six years.

Retained earnings corresponds to the accumulated profits earned and losses incurred in total for the Group. Retained earnings also include effects of the Group's share-based incentive schemes, repurchase of treasury shares, remeasurements for hyperinflation and remeasurements of post-employment benefits posted in other comprehensive income. Retained earnings are further reduced by dividend paid to shareholders of the Parent Company. Transactions with non-controlling interests are also recorded in retained earnings.

Share-based incentive schemes

Securitas' share-based incentive schemes have had the following impact on retained earnings:

MSEK	2019	2018
Swap agreement 2018 (2017) ¹	-147	-140
Share-based remuneration to employees 2019 (2018)	121	133
Non-vested shares 2017 (2016)	1	0
Total short-term incentive schemes	-25	-7
Share-based remuneration to employees 2019 ²	2	-
Total long-term incentive scheme	2	-
Repurchase of shares ³	-21	-
Total impact on retained earnings	-44	-7

1 The number of shares that have been hedged in this swap agreement amount to a total of 1 003 835 (999 831) and have been allotted to the participants during the first quarter 2020, provided that they were still employed by the Group at that time. Swap agreements are used for delivery of shares for the short-term incentive schemes.

2 Number of shares granted amounts to 15 653. The grant date value per share was SEK 161.40. The cumulative cost for the long-term incentive scheme 2019-2021 amounts to MSEK 2 plus estimated social security MSEK 0.

3 Number of shares repurchased amounts to 125 000. Repurchased shares services as a hedge for the long-term incentive scheme.

Non-controlling interests

The table below specifies the Group's non-controlling interests:

MSEK	2019	2018
Opening balance	25	21
Disposals / liquidations	-	1
Dividend	-1	-2
Total transactions with non-controlling interests	-1	-1
Share in net income	5	5
Share in other comprehensive income, translation differences	1	0
Total comprehensive income for the year	6	5
Closing balance	30	25

NOTE 31 Long-term liabilities excluding provisions¹

MSEK	2019	2018
Long-term lease liabilities	2 610	116
Total long-term lease liabilities	2 610	116
EMTN Nom MEUR 300, 2018 / 2025, Annual 1.25% ²	3 143	3 066
EMTN Nom MEUR 350, 2017 / 2024, Annual 1.125% ²	3 683	3 589
EMTN Nom MEUR 350, 2016 / 2022, Annual 1.25% ²	3 647	3 577
EMTN Nom MEUR 350, 2013 / 2021, Annual 2.625% ²	3 721	3 707
EMTN Nom MUSD 105, 2019 / 2024, FRN Quarterly ²	977	-
EMTN Nom MUSD 50, 2019 / 2024, FRN Quarterly ²	465	-
EMTN Nom MUSD 40, 2015 / 2021, FRN Quarterly ²	373	357
EMTN Nom MUSD 40, 2015 / 2021, FRN Quarterly ²	373	357
EMTN Nom MUSD 60, 2014 / 2021, FRN Quarterly ²	559	536
EMTN Nom MUSD 40, 2014 / 2020, FRN Quarterly ²	-	358
Other long-term loans	91	195
Derivatives with negative fair value, long-term ³	184	116
Total other long-term loan liabilities	17 216	15 858
Pensions balances, defined contribution plans ⁴	124	128
Deferred considerations ⁵	223	195
Other long-term liabilities	14	13
Total other long-term liabilities	361	336
Total long-term liabilities	20 187	16 310

1 For further information regarding financial instruments, refer to note 7.

2 Issued by the Parent Company.

3 Related to derivatives designated for hedging with negative fair value. The EUR / USD cross currency interest rate swaps are bifurcated for hedging purposes. The EUR / SEK element, amounting to MSEK -119 (-67), is accounted for under cash flow hedge accounting. The SEK / USD element, amounting to MSEK 288 (165), is accounted for under net investment hedge accounting.

4 Refers to liability for insured pension plan excluding social costs.

5 Recognized at fair value.

LONG-TERM LIABILITIES FALL DUE FOR PAYMENT AS FOLLOWS

MSEK	2019	2018
Maturity < 5 years	16 015	13 106
Maturity > 5 years	4 172	3 204
Total long-term liabilities	20 187	16 310

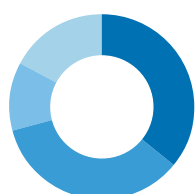
NOTE 32 Provisions for pensions and similar commitments

Overview

The Group operates or participates in a number of defined benefit and defined contribution pension and other long-term employee benefit plans throughout the world. These plans are structured in accordance with local rules and practices.

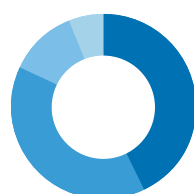
The graphs below provide an overview of the Group's defined benefit plans.

Defined benefit obligations



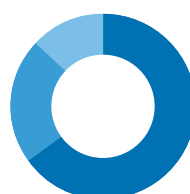
■ Switzerland MSEK 1 542, 36%
 ■ US MSEK 1 513, 35%
 ■ Canada MSEK 525, 12%
 ■ Other countries¹ MSEK 759, 17%
Total MSEK 4 339

Plan assets



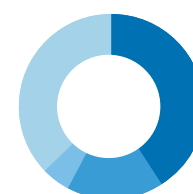
■ Switzerland MSEK 1 413, 43%
 ■ US MSEK 1 280, 39%
 ■ Canada MSEK 407, 12%
 ■ Other countries¹ MSEK 193, 6%
Total MSEK 3 293

Pension costs



■ Switzerland MSEK 64, 65%
 ■ US MSEK 22, 22%
 ■ Canada MSEK 13, 13%
Total MSEK 99

Employer contributions



■ Switzerland MSEK 63, 41%
 ■ US MSEK 26, 17%
 ■ Canada MSEK 8, 5%
 ■ Other countries¹ MSEK 57, 37%
Total MSEK 154

¹ In total 18 countries. Most of these countries have unfunded plans. Further information is provided in the section Other countries below.

The table below shows a specification of the members in the Group's significant defined benefit plans, the plans' duration and life expectancy for the members.

DECEMBER 31, 2019

	Switzerland	US	Canada
Active members	2 186	134	189
Deferred members	-	1 119	31
Pensioner members	193	4 011	218
Total number of members	2 379	5 264	438
Duration of plans (years)	14	9	18
Number of years current pensioners are expected to live beyond age 65:			
Men	23	20	21
Women	25	22	24
Number of years future pensioners currently aged 45 are expected to live beyond age 65:			
Men	24	21	22
Women	27	23	25

The Group's significant defined benefit plans are described below.

Switzerland

The Group's Swiss operations participate in a plan that is a defined benefit plan according to IAS 19 as a result of the residual risk described below. The Swiss operations have chosen to set up an own-foundation, which means that the foundation only covers employees of Securitas' Swiss operations. The plan is open to new employees of Securitas' Swiss operations and benefits are being accrued under the plan. There are no terminated vested members in the plan since pension obligations are transferred to the new employer upon termination.

The benefits provided constitute pension benefits, disability benefits and death-in-service pension to previous employees and their spouses. The pension benefits are normally paid as an annuity based on capital conversion rates that differ between men and women. The disability benefits are calculated as a maximum of the pensionable salary and the death-in-service benefit is in its turn calculated as a percentage of the disability pension. Plan contributions are subject to legal minimum requirements. Rates increase with age and at least half must be paid by the employer while the employee pays the remainder. In the case of Securitas' Swiss subsidiary, the contributions in the plan are split equally with half paid by the company and the other half by the employee. Contributions payable to the plan are calculated each month as a fixed percentage based on the annual salary and age.

Although the contribution levels are defined, there is still a risk of a shortfall in the pension fund as the minimum requirements for interest on capital and conversion to pension need to be met. If there is a shortfall the fund will take steps before asking the company for additional contributions. These steps could include changing plan benefits, lowering returns credited to employees or changing the conversion rate, where possible. The fund has several years to balance a shortfall and payments will never be required from the company for past periods. This means that the actions can be planned and budgeted for. If additional contributions are required from the company, this is also required from the employees.

The pension plan is covered under federal Swiss law that regulates the so called second pillar of the pension system, the pension benefits arising from employment. The pension plan is governed by the board of the pension fund, which is made up of an equal number of employer and employee representatives. The administration is run in-house by a pension fund expert. The pension fund chooses how and where to invest the assets. Swiss law limits both the total share of assets that should be held in certain categories, and for individual asset holdings. The fund has given mandates to manage the investments to three banks and retains

an investment committee, a sub-committee of the main fund board. The investment committee compares and reviews the performance of these mandates on a regular basis. In addition, the pension fund engages an external independent advisor as support for the investment committee regarding investments.

The latest funding valuation was carried out on December 31, 2018 and resulted in a funding ratio of 107 percent based on a defined benefit obligation for funding purposes of MCHF 117 and plan assets for funding purposes of MCHF 125.

The US

The Group's US operations participate in two defined benefit pension plans as the named plan sponsor. One of these plans is funded and the other is unfunded. Both plans are closed to new entrants and any future benefit accrual.

The benefits provided constitute pension payments to previous employees and their spouses in the form of annuities or lump sums. The particulars of the benefits and the benefit calculations depend on the original plan to which the plan participant belonged as the current funded plan is an amalgamation of several previous pension plans. The unfunded plan is constituted by a formally adopted and documented plan plus some individual arrangements that, for the purpose of this disclosure, are treated as one plan. In general the benefits are monthly pensions based on earnings and years of service. These benefits are defined with the only uncertainties being how long they will be paid, whether benefits will be paid as a lump sum or as an annuity and, in the case of the funded plan, also regarding investment return on plan assets. Plan contributions are determined annually.

The pension plans are covered under the US Employee Retirement Income Security Act of 1974 (ERISA). Various parts of the ERISA legislation are governed by the Department of Labor, the Internal Revenue Service and the Department of Treasury. The funded plan also pays required premiums to the Pension Benefit Guaranty Corporation, which insures private pension plans in the case the sponsor defaults.

Both pension plans are governed by the Executive Compensation and Benefits Review Committee (ECBRC), which is made up of local Securitas US management representatives. Administration is outsourced to an external service provider. Independent investment managers are utilized and evaluated by independent investment advisors.

Since the US pension plans are closed to new entrants and any future benefit accrual and are in a run-off mode, a liability matching approach is applied by the ECBRC in order to de-risk the funded plan. The strategy is that as the funding percentage increases, the asset allocation will gradually shift from growth assets, such as equities, into fixed income investments. As a result, the plan has been substantially de-risked. The plan is now over 95 percent invested in liability matching fixed income investments.

Under IAS 19 the funded ratio was 101 percent based on a defined benefit obligation of MUSD 135 and plan assets of MUSD 137. A funding valuation would result in a higher funding percentage since funding valuations are required by US law to be based on higher discount rates. On a plan termination basis, the plan's funded ratio would be expected to be lower than both the minimum funding and accounting funded ratios as it would incorporate the use of lower interest rates as well as other factors which would be assumed to come into play in the event of a complete plan termination and settlement. The book value under IAS 19 for the defined benefit obligation for the unfunded plan was MUSD 27 as of December 31, 2019.

The US operations also participate in a defined contribution plan, generally known as a 401(k) plan. There are also a few multi-employer plans, which are governed by collective bargaining agreements. These plans, in most cases, require the employees to contribute to the plan, typically with the employee contributions being partially matched by the employer. In relation to the overall workforce the take up rates are generally low, with voluntary participation rates of approximately five percent. In the federal government sector, Securitas' subsidiary participates on a modified basis, subject to special rules, in the same 401(k). Securitas' subsidiary in the federal government sector also participates in a few union-sponsored defined contribution plans of a similar type. Due to the federal Service Contract Act, under which Securitas' subsidiary in the federal government

sector operates, hourly allowances must be paid to employees that can be used for various elected benefits, such as health and disability, with unused portions of the allowances contributed to the 401(k) plan, without additional employer contributions.

Canada

The Group's Canadian operations participate in one defined benefit pension plan as the named plan sponsor. This plan is a funded plan and is closed to new entrants. Current active participants receive future benefit accruals.

The benefits provided constitute pension payments to previous employees and their spouses in the form of annuities or lump sums. In general, the benefits are monthly pensions based on the greater of (i) a formula based on earnings and years of service, and (ii) a minimum benefit expressed as a dollar amount per month for each year of service. These benefits are defined with the only uncertainties being how long they will be paid, whether benefits will be paid as a lump sum or as an annuity and if paid as lump sums, the prescribed discount rate used for the present value calculation. Plan contributions are determined annually or triennially, if the plan is funded in excess of certain regulatory thresholds.

The pension plan is subject to regulations under the Pension Benefits Act (Ontario) and the Income Tax Act (the "Acts"). Various parts of the Acts are governed by the Financial Services Regulatory Authority of Ontario and the Canada Revenue Agency. The plan also pays required premiums to the Pension Benefits Guarantee Fund, which insures certain pension plans up to certain limits in the case the sponsor defaults in respect of members reporting to work in Ontario, Canada, which is where all active members currently are employed.

The pension plan is governed by the Pension Committee, which is made up of Securitas US management representatives and local Canadian representatives. Administration is outsourced to an external service provider. Independent investment managers are utilized and evaluated by independent investment advisors.

Under IAS 19 the funded ratio was 132 percent based on a defined benefit obligation of MCAD 47 and plan assets of MCAD 62. The effect of the asset ceiling amounted to MCAD 5. A funding going-concern valuation would typically result in a higher funding percentage, since funding going-concern valuations are permitted to take into consideration future expected returns on the plan's asset portfolio when setting the discount rate. On a plan termination basis, the plan's funded ratio would be expected to be lower than both the funding going-concern and accounting funded ratios as it would incorporate the use of lower interest rates as well as other factors which would be assumed to come into play in the event of a complete plan termination and settlement.

The Canadian operations also participate in a group savings plan, known as the Group Retirement Savings Plan and Deferred Profit Sharing Plan for the Employees of Securitas Canada. The plan is voluntary in nature. Employees are eligible to join after six months of employment. Employee contributions can be made via payroll deduction or lump-sum and are directed to the Group Retirement Savings Plan. Employees can contribute up to the prescribed limit as per the Canada Revenue Agency. Securitas contributes between one and five percent depending on the position of the employee. Employer contributions are directed to the Deferred Profit Sharing Plan and are fully vested upon two years of plan membership.

The Canadian operations offer a non-pension post-employment benefit plan that provides retiree medical, dental, and life insurance benefits to a small group of employees at a client site where Securitas provide security services. The plan is open to new entrants. The plan reimburses benefit expenses incurred by retirees and their dependents, including prescription drugs, semi-private hospital, nursing home, vision care, other medical care, and dental care. It also pays the premiums for life insurance in retirement. The non-pension post-employment benefits are funded on a pay-as-you-go basis and no assets are set aside for the purposes of paying benefits under the plan. The costs for this plan are carried by Securitas who, in turn, are reimbursed by the client. This reimbursement right, amounting to MCAD 25 as per December 31, 2019, is accounted for under other long-term receivables in note 24. Under IAS 19 the defined benefit obligation of the non-pension post-employment benefit plan is MCAD 26.

Norway

The Group's Norwegian operations have in 2019 settled the majority of the defined benefit plans. The remaining defined benefit plans are an unfunded plan that is insignificant for the Group as well as the AFP-plan. New employees are covered by defined contribution plans.

The AFP-plan (collective pension agreement) is a multi-employer defined benefit plan covering all employees. Since the administrator is unable to separately identify the company's share of the total plan assets and total defined benefit obligations, it is accounted for on a defined contribution basis. Premiums paid to the plan in 2019 amounted to MNOK 27 (25). The contribution for the next annual reporting period is expected to be broadly in line with the current year's premium. Securitas' share of total premiums to the plan is approximately 0.4 percent. The latest available funding ratio in this plan, calculated under the plan rules, was 67 percent (70) as of December 31, 2018.

Other countries

There are also less significant defined benefit arrangements in countries other than those accounted for above. These plans are located in France (unfunded plans providing retirement indemnities under French law), Germany (unfunded arrangements for pensions and jubilee plans), the Netherlands (funded and unfunded plans providing pension and jubilee benefits for our consultancy operations only) and the UK (funded plan providing pension and death-in-service benefits). The Group also currently has plans that are not significant in 13 other countries.

The defined benefit arrangement for clerical staff in the guarding operations in the Netherlands is accounted for as a defined contribution plan, which is closed to new entrants. New employees are enrolled in another defined contribution plan. The security officers in the guarding operations in the Netherlands participate in a multi-employer defined benefit plan that is mandatory for all guards from the age of 21 and up. The supervision and administration of the plan is carried out by a collective pension foundation for the security industry. This foundation determines the annual premium. Premiums paid to the plan in 2019 amounted to MEUR 8 (8). The contribution for the next annual reporting period is expected to be in line with the pension premiums in 2019. Securitas' share of total premiums to the plan is approximately 19 percent. This plan covers around 3 700 active employees. Since the administrator is unable to separately identify the company's share of the total plan assets and total defined benefit obligations for this arrangement, the plan is accounted for on a defined contribution basis. The funding ratio in this plan, calculated under the plan rules, was 106 percent (107) as of December 31, 2019.

Sweden

Security officers in Sweden are covered by the SAF-LO collective pension plan, an industry-wide multi-employer defined contribution arrangement. Clerical workers are covered by the ITP plan, which is also based on a collective agreement and operated industry-wide on a multi-employer basis. According to a statement (UFR 10) issued by the Swedish Financial Reporting Board this is a multi-employer defined benefit plan. Alecta, the insurance company that operates this plan, has been unable to provide Securitas, or other Swedish companies, with sufficient information to determine its share of the total assets and liabilities for this arrangement. Consequently this arrangement is accounted for on a defined contribution basis. The cost for 2019 amounts to MSEK 29 (28). The contribution for the next annual reporting period is expected to be broadly in line with the current year's premium. Securitas' share of Alecta's total premiums amounts to less than 0.1 percent. The surplus in Alecta can be allocated to the insured employer and/or the insured employees. Alecta's funding ratio, calculated under the plan rules, was 148 percent (142) as of December 31, 2019.

Consolidated statement of income

The table below shows expense (+) and income (-) from the Group's defined benefit and defined contribution plans.

MSEK	2019	2018
Current service cost	121	115
Administration cost	19	18
Interest income or expense ¹	23	17
Remeasurements of other long-term employee benefits	0	-1
Past service cost and gains and losses arising from settlements ²	-64	-26
Total pension costs for defined benefit plans	99	123
Pension costs for defined contribution plans	1 409	1 221
Total pension costs	1 508	1 344

¹ Whereof MSEK 2 (1) is related to interest on the effect of the asset ceiling.

² Related to settlement gains in Norway 2019 and 2018.

The table below shows costs for defined benefit plans allocated per function.

MSEK	2019	2018
Production expenses	107	106
Selling and administrative expenses	-8	17
Total pension costs for defined benefit plans	99	123

Consolidated balance sheet

The table below shows how the net defined benefit obligations have been determined. It also shows the Group's reimbursement rights.

MSEK	2019	2018
Present value of the defined benefit obligations	4 339	4 166
Fair value of plan assets ¹	-3 293	-3 086
Defined benefit obligations, net²	1 046	1 080
Reimbursement rights (note 24)	181	138

¹ Includes effect of the asset ceiling amounting to MSEK 41 (41). The effect is related to Canada and the UK.

² Related to the net of plans reported under provisions for pensions and similar commitments, MSEK 1 141 (1 116), and plans reported under other long-term receivables (note 24), MSEK -95 (-36).

The reimbursement rights are related to a contractual agreement where Securitas provide security services at a client site in Canada. The agreement requires Securitas to make provisions for post-retirement medical benefits. The costs of this benefit are carried by Securitas who, in turn, are reimbursed by the client. This reimbursement right is accounted for as an other long-term receivable in note 24.

The table below shows how remeasurements net of taxes recognized in other comprehensive income have been determined.

MSEK	2019	2018
Remeasurements of provisions for pensions and similar commitments before taxes	-16	79
Remeasurements of reimbursement rights before taxes	-26	18
Taxes	11	-25
Total remeasurements recognized in other comprehensive income	-31	72

Movement in provisions for pensions and similar commitments

MSEK	2019			2018		
	Obligations	Plan assets	Net	Obligations	Plan assets	Net
Opening balance	4 166	-3 086	1 080	4 050	-3 076	974
Current service cost	121	-	121	115	-	115
Administration cost	19	-	19	18	-	18
Interest income (-) or expense (+) ¹	99	-76	23	86	-69	17
Remeasurements of other long-term employee benefits	0	-	0	-1	-	-1
Past service cost and gains and losses arising from settlements ²	-379	315	-64	-68	42	-26
Total pension costs included in the consolidated statement of income	-140	239	99	150	-27	123
Remeasurements of post-employment benefits:						
Return on plan assets, excluding amount included in interest income or expense	-	-348	-348	-	163	163
Changes in the effect of the asset ceiling, excluding amount included in interest income or expense ³	-	-2	-2	-	22	22
Actuarial gains (-) and losses (+) from changes in demographic assumptions	-4	-	-4	23	-	23
Actuarial gains (-) and losses (+) from changes in financial assumptions	374	-	374	-134	-	-134
Actuarial gains (-) and losses (+) due to experience	-36	-	-36	5	-	5
Total remeasurements of post-employment benefits⁴	334	-350	-16	-106	185	79
Contributions by employers ⁵	-	-154	-154	-	-151	-151
Contributions by plan participants	61	-61	-	55	-55	-
Benefits paid to plan participants	-253	253	-	-221	221	-
Administration costs paid	-19	19	-	-18	18	-
Acquisitions/divestitures/reclassifications	0	-	0	13	0	13
Translation difference	190	-153	37	243	-201	42
Closing balance	4 339	-3 293	1 046⁶	4 166	-3 086	1 080⁶

1 Whereof MSEK 2 (1) is related to interest on the effect of the asset ceiling.

2 Related to settlement gains in Norway 2019 and 2018.

3 Related to Canada and the UK.

4 Included net of taxes in other comprehensive income.

5 Contributions by employers are estimated to be on approximately the same level in 2020 as in 2019.

6 Related to the net of plans reported under provisions for pensions and similar commitments, MSEK 1 141 (1 116), and plans reported under other long-term receivables (note 24), MSEK -95 (-36).

Plan assets

The table below presents a breakdown of the various types of investments in which the assets of the Group's funded benefit arrangements are invested.

MSEK	2019	%	2018	%
Equity instruments				
Switzerland	279		195	
US	247		212	
Canada	56		46	
Other countries	190		330	
Total equity instruments	772	23	783	25
Debt instruments				
Government bonds	732		515	
Corporate bonds, investment grade (AAA to BBB-)	1 203		989	
Corporate bonds, non-investment grade (below BBB-)	8		8	
Total debt instruments	1 943	59	1 512	49
Property	302	10	269	9
Qualifying insurance policies	143	4	447	14
Cash and cash equivalents	174	5	116	4
Effect of the asset ceiling	-41	-1	-41	-1
Total plan assets	3 293	100	3 086	100

The plan assets are well diversified on countries and industries, so the failure of any single investment is not estimated to have a material impact on the overall level of assets.

The plan assets do not include any property owned by Securitas or financial instruments issued by Securitas. The share of unquoted plan assets is non-material.

Actuarial assumptions and sensitivity analysis

The table below shows the significant financial actuarial assumptions used for determining the defined benefit obligations at the end of the year as well as in determining the pension costs for the coming year.

% per annum	Discount rate	Salary increases	Inflation	Pension increases	Mortality
2019					
Switzerland	0.20	1.00	1.00	0.00	LPP 2015
US	2.60-2.80	n/a	n/a	n/a	RP 2006 white collar/blue collar with MP-2019 improvements
Canada	3.10-3.20	1.00	2.00	n/a	CPM-RPP 2014 Private Sector Table, CPM-B scale 110% males, 100% females
Norway	1.70	2.25	n/a	0.50-2.00	K 2013
Eurozone	0.50-1.10	2.00-2.75	1.75-2.00	1.25-1.75	-
UK	2.00	3.00	2.30-3.30	2.30-3.30	SAPS (S3NA), CMI 2018 with a smoothing factor of 7.0, an initial adjustment of 0.50% p.a. and a long term improvement rate of 1.25% p.a.
2018					
US	3.80-3.90	n/a	n/a	n/a	RP 2006 white collar/blue collar with MP-2018 improvements
Switzerland	0.70	1.00	1.00	0.00	LPP 2015
Norway	2.00	2.75	n/a	0.80-2.50	K 2013
Eurozone	1.10-1.90	2.00-2.75	1.75-2.00	1.25-1.75	-
Other countries	2.90-4.00	1.00-3.00	2.00-3.50	2.50-3.50	-

The table below shows the methods used to set significant actuarial assumptions for the Group's main defined benefit plans.

	Discount rate	Salary increases	Inflation	Pension increases	Mortality
Switzerland	Chamber of Pensions Actuaries	Company's best estimate	Long-term expectations in Switzerland	When financially bearable by pension plan	Latest tables available
US	Cash flow matching approach applied to the Citigroup yield curve	n/a	n/a	n/a	Latest tables available
Canada	Canadian Institute of Actuaries	Company's best estimate	Long-term expectations in Canada	n/a	Latest tables available
Norway	NRS guidance	NRS guidance	n/a	NRS guidance	Latest tables available

Assumptions are set by the company based on actuarial advice and the company's experience in each territory.

The table below indicates the sensitivity to changes in significant assumptions for provisions for pensions and similar commitments.

MSEK		Increase (+)/decrease (-) in provision
Discount rate - pension plans	increase of 0.1 percentage points	-48
	decrease of 0.1 percentage points	48
Inflation - pension plans	increase of 0.1 percentage points	8
	decrease of 0.1 percentage points	-8
Life expectancy - pension plans	one year increase	119
Health-care cost rate - medical plans	increase of 1 percentage point	31 ¹
	decrease of 1 percentage point	-24 ²

¹ The corresponding effect on the statement of income is an increase of costs of MSEK 1.

² The corresponding effect on the statement of income is a decrease of costs of MSEK -1.

The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period and may not be representative of the actual change. The sensitivity analysis is further based on a change in one assumption while holding all other assumptions constant, although in reality changes in some assumptions may be correlated.

The same method used to calculate the provisions for pensions and similar commitments, that is the projected unit credit method, is used for calculating the sensitivities.

There have been no changes in the methods and assumption changes used in preparing the sensitivity analysis compared to the previous year.

Risks

The table below shows significant risks that the Group is exposed to through its defined benefit plans.

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, a deficit will be created. In a long-term perspective, equities are expected to outperform corporate bonds, but in the short-term perspective the yield on the Group's investments in equity instruments may cause volatility.
Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings. In the US, an asset-liability matching approach is practiced to mitigate the risks associated with changes in bond yields as far as possible.
Inflation risk	Some of the Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. However, the Group's plans in the US are not linked to inflation, which makes the inflation risk less significant for the Group.
Life expectancy	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. In some countries, the benefit provided at retirement is a lump sum payment and therefore increases in life expectancy do not impact liabilities in these countries.

NOTE 33 Other long-term provisions

The movement in the balance sheet for provisions for pensions and similar commitments is provided in note 32. The movement in the balance sheet for deferred tax liabilities is provided in note 15.

DECEMBER 31, 2019

MSEK	Claims reserves	Other provisions	Total
Opening balance	624	216	840
Reclassification	-2	0	-2
New/increased provisions	7	16	23
Utilized provisions	-	-64	-64
Reversal of unutilized provisions	-107	-4	-111
Translation differences	27	6	33
Closing balance	549	170	719

Claims reserves

Liability insurance-related claims reserves primarily consist of provisions for the portion of claims payable by the Group, that is its self-retention. Claims reserves comprise a large number of individual insurance cases where some cases are compensated with a lump sum payment and others are paid over a longer period of time. It is thus not possible to disclose any detailed information regarding the timing of outflows from claims reserves.

Other provisions

Other provisions include various long-term items, among them provisions related to litigations. Other provisions are difficult to assess from a timing perspective. It is thus not possible to disclose any detailed information regarding the timing of outflows from other provisions.

NOTE 34 Short-term loan liabilities¹

MSEK	2019	2018
Current lease liabilities	944	106
Total current lease liabilities	944	106
EMTN Nom MUSD 40, 2014/2020, FRN Quarterly ²	373	-
EMTN Nom MUSD 85, 2013/2019, FRN Quarterly ²	-	759
Commercial paper issued ³	750	950
Other short-term loans	144	552
Derivatives in net investment hedges ⁴	9	11
Other derivatives ⁵	14	10
Total other short-term loan liabilities	1 290	2 282
Total short-term loan liabilities	2 234	2 388

1 For further information regarding financial instruments refer to note 7.

2 Issued by the Parent Company.

3 Commercial paper is issued by the Parent Company within the framework of a MSEK 5 000 Swedish commercial paper program. Commercial paper is accounted for at the issued amount.

4 Related to derivatives designated for hedging with negative fair value.

5 Related to financial liabilities at fair value through profit or loss with negative fair value.

NOTE 35 Other current liabilities

MSEK	2019	2018
Employee-related items ¹	8 134	7 511
Accrued interest and financial expenses	220	210
Deferred revenue	965	951
Other accrued expenses and prepaid income	1 267	1 122
Value added tax	1 466	1 484
Deferred considerations	202	78
Other items	682	672
Total other current liabilities	12 936	12 028

1 Related to accrued salaries, vacation pay, payroll overhead, bonus and similar items. Accounted for net of government grants when applicable.

NOTE 36 Short-term provisions

DECEMBER 31, 2019

MSEK	Claims reserves	Other provisions	Total
Opening balance	578	786	1 364
Reclassification	-1	3	2
New/increased provisions	311	542 ¹	853
Utilized provisions	-309	-736	-1 045
Reversal of unutilized provisions	-9	-79	-88
Translation differences	25	17	42
Closing balance	595	533	1 128

¹ The change in new and increased provisions classified under the heading Other provisions are impacted mainly by the recognition of provisions related to the two transformation programs for the digitization of the company.

Claims reserves

Liability insurance-related claims reserves primarily consist of provisions for the portion of claims payable by the Group, that is its self-retention.

NOTE 37 Pledged assets

MSEK	2019	2018
Pension balances, defined contribution plans	124	128
Finance leases according to IAS 17	n/a	222
Total pledged assets	124	350

NOTE 38 Contingent liabilities

MSEK	2019	2018
Guarantees ¹	-	1
Guarantees related to discontinued operations	16	15
Total contingent liabilities	16	16

¹ Guarantees on behalf of related parties are disclosed in note 8.

In addition to the contingent liabilities accounted for in the table, the following contingent liabilities, for which no amount can be determined, also exist:

Brazil - Estrela Azul

In connection with the efforts of Securitas to expand its activities in Latin America, Securitas entered into an agreement in 2005 with respect to the possible acquisition of a guarding company in Brazil, Estrela Azul (the EA Group). The governmental approvals took much longer than anticipated to obtain and during such period the financial condition of the target group substantially deteriorated. Given the decline in the financial condition of the group, Securitas exercised its right to withdraw from the acquisition process in December 2006.

The companies within the EA Group filed for protection from its creditors under Brazilian legislation in 2007 providing for a judicial restructuring process. The companies within the group were declared bankrupt in 2009 and the restructuring process was replaced by bankruptcy proceedings. The bankruptcy process continues led by the trustee in the bankruptcy court. Various attempts by the trustee to increase the liability of Securitas in the bankruptcy has been vigorously rejected.

The EA Group in bankruptcy has asserted claims against Securitas in the bankruptcy court trying to extend liability to Securitas for the bankruptcy and the claims in the bankruptcy. The estate has not quantified its claims. The cases are slowly moving through the Brazilian legal system.

The EA Group in bankruptcy also asserted a claim of MBRL 314, which as of December 31, 2019 was equivalent to MSEK 724 in the civil court against Securitas, alleging that Securitas is responsible for the company's financial failure. Securitas denies all allegations. The defense of this case has been entrusted to one of the leading law firms in Brazil. In a decision by the first instance court in Brazil the case was fully rejected. The judgment was appealed by the bankruptcy estate to the Brazilian Court of Appeals and the Court of Appeals decided on formal grounds to nullify the judgment and to remand the case to the first instance court for retrial (and production of evidence). The case is slowly moving through the Brazilian legal system and Securitas maintains its previous position to the claims.

In addition, several former employees of the EA Group have sued Securitas and other parties in labor courts and claimed inter alia wages and other compensations. The number of labor law cases involving Securitas continued to decrease and the claimed amounts are in average relatively low. Securitas denies all responsibility for such labor claims.

Spain - tax audit

The Spanish tax authority has, in connection with audits of Securitas Spain, challenged certain interest payments in 2009, 2012 and 2014, and decided to reject interest deductions made for the financial years 2003-2005, 2006-2007 and 2008-2009 respectively. The years 2003-2005 are finally resolved by the Supreme Court and paid in 2016. For years 2006-2007 Securitas has in 2018 requested a leave for appeal to the Supreme Court, but has not yet received any decision. The years 2008-2009 have been resolved by the court, which Securitas has accepted, see further below.

The Spanish Supreme Court issued their judgment during 2016 regarding the years 2003-2005, implying that the years 2003-2004 were resolved as time barred and the majority of the interest deductions for 2005 were disallowed. Securitas closed the years 2003-2005 in 2016 by payment of tax and interest of MEUR 4.3 (equivalent to MSEK 41).

In June 2017 the superior court Audiencia Nacional issued a negative judgment concerning the years 2006-2007, implying that all interest was disallowed, in contradiction to the 2016 judgment by the Supreme Court on the same matter for the years 2003-2005. This is also contradictory to the lower court Tribunal Económico Administrativo Central's earlier judgment for the years 2008-2009, a judgment that Securitas has accepted as final.

If finally upheld by Spanish courts, the resolution by the Spanish tax authorities regarding rejected interest deductions for the years 2006-2007, and the accepted judgment regarding years 2008-2009, would result in a tax of MEUR 29, equivalent to MSEK 300, including interest up to December 31, 2019 (as of December 31, 2018 this exposure was estimated to MEUR 28, equivalent at the time to MSEK 287). No further exposure exists for similar rejected interest deductions after the financial year 2009, as the Group adjusted the capitalization of Securitas Spain in 2009 to avoid future challenges of interest deductions.

Further, the Spanish tax authority decided, in connection with an audit of Securitas Spain in 2013, to reject a tax exemption for a demerger of the Spanish Systems company, in connection with Securitas AB's distribution of the shares in Securitas Systems AB to its shareholders and the listing on the Stockholm Stock Exchange in 2006. In June 2017, Securitas received a negative judgment from the superior court Audiencia Nacional and has been granted a leave for appeal with the Supreme Court in May 2018.

If finally upheld by Spanish courts, the resolution by the Spanish tax authorities, concerning the demerger case, would result in a tax of MEUR 22, equivalent to MSEK 226, including interest up to December 31, 2019 (as of December 31, 2018 this exposure was estimated to MEUR 21, equivalent at the time to MSEK 217).

Further, in 2014 the tax authority decided to reject a deduction for a currency related liquidation loss in the financial year 2010, relating to a company that was acquired in 2004. In 2017 the lower court TEAC issued a negative judgment, which was in contradiction to the 2016 Supreme Court judgment regarding the basis for disallowing the deduction. Securitas has appealed the case to the superior National court Audiencia Nacional.

If finally upheld by Spanish courts, the resolution by the Spanish tax authorities regarding the liquidation loss would result in a tax of MEUR 18, equivalent to MSEK 191, including interest up to December 31, 2019 (as of December 31, 2018 this exposure was estimated to MEUR 18, equivalent at the time to MSEK 183).

Provided that the courts decide in Securitas cases in accordance with the 2016 Supreme Court judgment, the exposure for the currency related liquidation loss for the financial year 2010 is expected to cease.

Securitas believes it has acted in accordance with applicable law and will defend its position in the courts. However, the tax resolutions cause some uncertainty and it may take several years until all final judgments have been received.

Spain - Mutua

Securitas in Spain has received a claim of MEUR 6.3 from the social security authorities relating to services allegedly received from Mutua Universal in the period 1998 to 2007. The authorities are questioning whether such services, in such case, were allowed to be provided under applicable regulations. This is a consequence of a lawsuit against some of Mutua Universal's former employees. Securitas is affected, as over 2 000 other companies, as an indirect beneficiary of the services rendered. Securitas is convinced that it has acted in accordance with applicable law.

Other proceedings

Over the years, Securitas has made a number of acquisitions in different countries. As a result of such acquisitions, certain contingent liabilities of the businesses acquired have been assumed. The risks relating to such contingent liabilities are covered by contractual indemnification, insurance or adequate reserves.

Companies within the Securitas Group are also involved in a number of proceedings, including legal proceedings and tax audits arising out of the business. Any liabilities arising out of such proceedings are not expected to be material to the business operations or the financial position of the Group.

Note

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NOTE 39 Financial five year overview¹

MSEK	2015	2016	2017	2018	2019 ²
INCOME					
• Total sales	80 860	88 162	92 197	101 467	110 899
of which acquired business	270	3 136	718	1 760	1 339
• <i>Acquired sales growth, %</i>	0	4	1	2	1
• <i>Organic sales growth, %</i>	5	7	5	6	4
• <i>Real sales growth, %</i>	6	11	5	8	6
Operating income before amortization	4 089	4 554	4 697	5 304	5 738
• <i>Operating margin, %</i>	5.1	5.2	5.1	5.2	5.2
Amortization and impairment of acquisition related intangible assets	-275	-288	-255	-260	-271
Acquisition related costs	-30	-113	-48	-120	-62
Items affecting comparability	-	-	-	-455	-209
Financial income and expenses	-308	-389	-376	-441	-578
• Income before taxes	3 476	3 764	4 018	4 028	4 618
Taxes	-1 032	-1 118	-1 267	-1 007	-1 256
Net income for the year	2 444	2 646	2 751	3 021	3 362
- whereof attributable to non-controlling interests	7	4	2	5	5
Average number of shares after dilution ('000)	365 059	365 059	365 059	365 059	364 993
• <i>Earnings per share after dilution (SEK)</i>	6.67	7.24	7.53	8.26	9.20
CASH FLOW					
Operating income before amortization	4 089	4 554	4 697	5 304	5 738
Investments in non-current tangible and intangible assets	-1 329	-1 659	-1 808	-2 188	-3 010
Reversal of depreciation	1 072	1 229	1 445	1 693	2 690
Change in accounts receivable	-707	-1 039	-449	-1 575	-239
Changes in other operating capital employed	274	-46	-48	-62	-277
Cash flow from operating activities	3 399	3 039	3 837	3 172	4 902
• <i>as % of operating income before amortization</i>	83	67	82	60	85
Financial income and expenses paid	-322	-301	-425	-432	-443
Current taxes paid	-914	-1 017	-1 122	-856	-1 191
• Free cash flow	2 163	1 721	2 290	1 884	3 268
<i>as % of adjusted income</i>	78	52	68	48	83
<i>Free cash flow per share</i>	5.9	4.7	6.3	5.2	9.0
Cash flow from investing activities, acquisitions and divestitures	-147	-3 566	-304	-1 755	-574
Cash flow from items affecting comparability	-27	-17	-	-117	-303
Cash flow from financing activities	-3 303	2 146	-743	-376	-1 699
Cash flow for the year	-1 314	284	1 243	-364	692
Interest-bearing net debt at beginning of year	-10 421	-9 863	-13 431	-12 333	-14 513
Change in lease liabilities	-28	-92	28	-31	-3 332
Change in loans	2 235	-3 332	-654	-1 053	93
Revaluation of financial instruments	1	23	-29	26	60
Translation differences on interest-bearing net debt	-336	-451	510	-758	-541
Interest-bearing net debt at year-end	-9 863	-13 431	-12 333	-14 513	-17 541

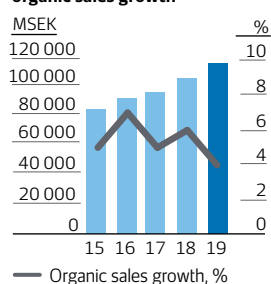
MSEK	2015	2016	2017	2018	2019 ²
CAPITAL EMPLOYED AND FINANCING					
Non-current assets excluding acquisition related items	3 872	4 634	5 384	5 987	9 729
Accounts receivable	11 353	13 353	13 349	15 604	16 120
Other operating capital employed	-10 617	-11 203	-11 173	-12 392	-12 749
Operating capital employed	4 608	6 784	7 560	9 199	13 100
• as % of total sales	6	8	8	9	12
Goodwill	16 429	19 380	18 719	21 061	22 157
Acquisition related intangible assets	987	1 356	1 173	1 458	1 563
Shares in associated companies	369	419	420	452	320
Capital employed	22 393	27 939	27 872	32 170	37 140
• Return on capital employed, %	18	16	17	15	15
Net debt	-9 863	-13 431	-12 333	-14 513	-17 541
Net debt equity ratio, multiple	0.79	0.93	0.79	0.82	0.89
Net debt to EBITDA ratio	1.9	2.4	2.0	2.3	2.2
Interest coverage ratio, multiple	13.1	11.1	11.8	10.7	9.4
• Free cash flow in relation to net debt	0.22	0.13	0.19	0.13	0.19
Shareholders' equity attributable to equity holders of the Parent Company	12 510	14 487	15 518	17 632	19 569
Non-controlling interests	20	21	21	25	30
Equity per share	34	40	43	48	54
Return on equity, %	21	20	18	18	18
Equity ratio, %	31	30	31	32	32
Financing of capital employed	22 393	27 939	27 872	32 170	37 140

1 For definitions and calculation of key ratios refer to note 3.

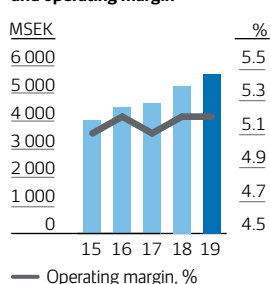
2 Securitas has adopted IFRS 16 Leases as of January 1, 2019. As a consequence, certain lines in the consolidated financial statements as well as key ratios are not comparable with the preceding years. For further information refer to note 41.

• Group key ratios according to Securitas' financial model. Refer to pages 54-55.

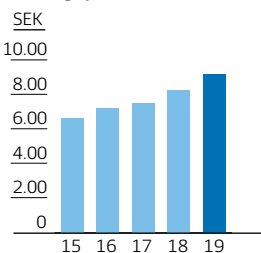
Total sales and organic sales growth



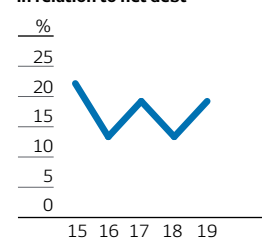
Operating income before amortization and operating margin



Earnings per share



Free cash flow in relation to net debt



NOTE 40 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 2, is illustrated below. The index used by Securitas for the remeasurement of the financial statements in 2019 is the consumer price index with base period January 2003.

EXCHANGE RATES AND INDEX

	Dec 31, 2019	Dec 31, 2018	Jul 1, 2018 ¹
Exchange rate SEK/ARS	0.16	0.23	0.33
Index	17.15	11.15	9.17

NET MONETARY GAIN RECOGNIZED IN THE CONSOLIDATED STATEMENT OF INCOME

MSEK	Jan-Dec 2019	Jul-Dec 2018 ¹
Financial income and expenses	25	23
Total net monetary gain	25	23

REMEASUREMENT IMPACT RECOGNIZED IN OTHER COMPREHENSIVE INCOME

MSEK	Jan-Dec 2019	Jul-Dec 2018 ¹	Jul 1, 2018 ¹
Remeasurement on first time adoption July 1, 2018	-	275	275
Remeasurement during the year	79	39	-
Total remeasurement for hyperinflation, net of taxes	79	314	275

¹ First time adoption date for IAS 29 was July 1, 2018.

REMEASUREMENT IMPACT IN THE CONSOLIDATED BALANCE SHEET ON THE INITIAL ADOPTION DATE JULY 1, 2018

MSEK	July 1, 2018
ASSETS	
Non-current assets	
Goodwill	236
Acquisition related intangible assets	5
Other intangible assets	4
Tangible non-current assets	40
Total non-current assets	285
Current assets	
Non-interest-bearing current assets	5
Total current assets	5
TOTAL ASSETS	290

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity	
Attributable to equity holders of the Parent Company	275
Total shareholders' equity	275
Current liabilities	
Non-interest-bearing current liabilities and provisions	15
Total current liabilities	15
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	290

REMEASUREMENT IMPACT IN THE CONSOLIDATED CAPITAL EMPLOYED AND FINANCING ON THE INITIAL ADOPTION DATE JULY 1, 2018

MSEK	July 1, 2018
Operating capital employed	34
Goodwill	236
Acquisition related intangible assets	5
Capital employed	275
Shareholders' equity	275

NOTE 41 Adoption and impact of IFRS 16 Leases

As described in note 2 Accounting principles, Securitas has adopted IFRS 16 Leases as of January 1, 2019. The effects of the adoption are described below.

The cumulative effect of the adoption has been recognized without restatement of the comparative periods. As a consequence, certain lines in the consolidated financial statements and segment overviews as well as key ratios are not comparable with the preceding year.

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 and long-term and current lease liabilities in the consolidated balance sheet. This includes leased fixed assets that according to IAS 17 were classified as financial leases in 2018.

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 expenses. In the Group's segment overviews, the effects of the adoption of IFRS 16 are accounted for under each segment.

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. The Group's average incremental borrowing rate on lease liabilities recognized in the balance sheet on January 1, 2019 was approximately 3.9%. 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 the best estimate at each closing. Payments for short-term leases, where the lease term ends within 12 months of the date of initial application, as well as leases of low-value assets, have been recognized on a straight-line basis as an expense in the statement of income and thus excluded from the lease liabilities accounted for under IFRS 16.

In the consolidated statement of cash flow, interest expenses are accounted for on the line financial items paid under cash flow from operations while principal payments are included on the line change in lease liabilities under cash flow from financing activities.

The impact on the consolidated statement of income and consolidated balance sheet from the adoption and application of IFRS 16 is specified in the tables below. The effect on deferred tax from IFRS 16 is accounted for in note 15.

IMPACT ON CONSOLIDATED STATEMENT OF INCOME

MSEK	Jan-Dec 2019
Operating income before amortization ¹	80
Financial expenses	-148
Income before taxes	-68
Deferred taxes	19
Net income for the year	-49
Earnings per share before and after dilution (SEK)	-0.13
Earnings per share before and after dilution and before items affecting comparability (SEK)	-0.13

1 Depreciation of right-of-use assets included in operating income in 2019 was MSEK -890.

BRIDGE BETWEEN OPERATING LEASES UNDER IAS 17 AND LEASE LIABILITY ACCORDING TO IFRS 16

MSEK	Jan 1, 2019
Operating leases under IAS 17 at December 31, 2018	4 259
Effect of discounting	-504
Finance leases recognized at December 31, 2018 (note 31 and 34)	222
Short-term leases recognized on a straight-line basis as expense	-269
Low-value leases recognized on a straight-line basis as expense	-53
Lease liability under IFRS 16 at January 1, 2019	3 655

IMPACT ON CONSOLIDATED CAPITAL EMPLOYED AND FINANCING

MSEK	Jan 1, 2019
Capital employed	
Previously recognized financial lease assets (note 21)	222
Additional right-of-use assets under IFRS 16	3 433
Operating capital employed at January 1, 2019	3 655
Financing	
Previously recognized financial lease liabilities	222
Additional lease liabilities under IFRS 16	3 433
Net debt at January 1, 2019	3 655

IMPACT ON CONSOLIDATED BALANCE SHEET

MSEK	Jan 1, 2019
Assets	
Previously recognized financial lease assets (note 21)	222
Additional right-of-use assets under IFRS 16	3 433
Total right-of-use assets at January 1, 2019	3 655
Liabilities	
Previously recognized financial lease liabilities	222
Additional lease liabilities under IFRS 16	3 433
Total lease liabilities at January 1, 2019	3 655

KEY RATIOS

	Dec 31, 2019	Less: Impact from IFRS 16	Dec 31, 2019 adjusted for IFRS 16	Dec 31, 2018
Net debt to EBITDA	2.2	-0.2	2.0	2.3
Free cash flow to Net debt	0.19	0.04	0.23	0.13
Interest coverage ratio	9.4	2.8	12.2	10.7
Operating capital employed as % of sales	12	-3	9	9
Return on operating capital employed, %	50	7	57	58
Return on capital employed, %	15	1	16	15
Net debt to equity ratio	0.89	-0.17	0.72	0.82
Equity ratio, %	32	1	33	32

Parent Company statement of income

MSEK	Note	2019	2018
License fees and other income	44	1 449	1 196
Gross income		1 449	1 196
Administrative expenses	46,47	-1 034	-808
Other operating income	46	34	30
Operating income		449	418
Result of financial investments			
Dividend	44	1 980	1 593
Interest income	44	612	659
Interest expenses	44	-443	-418
Other financial income and expenses, net	48	60	435
Total financial income and expenses		2 209	2 269
Income after financial items		2 658	2 687
Appropriations			
Group contributions from subsidiaries	44	340	338
Group contributions to subsidiaries	44	-212	-136
Depreciation and amortization in excess of plan	57	1	2
Transfer to tax allocation reserve	57	-234	-333
Total appropriations		-105	-129
Income before taxes		2 553	2 558
Current taxes	49	-151	-221
Deferred taxes	49	-38	-68
Net income for the year		2 364	2 269

Parent Company statement of comprehensive income

MSEK	Note	2019	2018
Net income for the year		2 364	2 269
Other comprehensive income			
Items that subsequently may be reclassified to the statement of income			
Cash flow hedges net of tax	45	36	63
Cost of hedging net of tax	45	12	-44
Total items that subsequently may be reclassified to the statement of income		48	19
Other comprehensive income	49	48	19
Total comprehensive income for the year		2 412	2 288

Parent Company statement of cash flow

MSEK	Note	2019	2018
Operations			
Operating income		449	418
Reversal of depreciation	50,51	2	26
Financial items received		2 602	2 251
Financial items paid		-451	-403
Current taxes paid		-210	-125
Change in other operating capital employed		169	428
Cash flow from operations		2 561	2 595
Investing activities			
Investments in and disposals of non-current tangible and intangible assets	50,51	98	-11
Shares in subsidiaries	52	-2 633	-36
Cash flow from investing activities		-2 535	-47
Financing activities			
Dividend paid		-1 606	-1 460
Proceeds from bond loans		1 445	3 004
Redemption of bond loans		-792	-3 480
Proceeds from commercial paper		5 098	2 500
Redemption of commercial paper		-5 300	-1 550
Change in other interest-bearing net debt excluding liquid funds		1 399	-2 179
Cash flow from financing activities		244	-3 165
Cash flow for the year		270	-617
Liquid funds at beginning of year		1 326	1 943
Liquid funds at year-end	55	1 596	1 326

Parent Company balance sheet

MSEK	Note	2019	2018
ASSETS			
Non-current assets			
Intangible assets	50	29	128
Machinery and equipment	51	5	6
Shares in subsidiaries	52	43 911	41 332
Shares in associated companies	53	112	112
Interest-bearing financial non-current assets	45	1 375	1 542
Deferred tax assets	49	27	28
Other long-term receivables		698	358
Total non-current assets		46 157	43 506
Current assets			
Current receivables from subsidiaries		385	395
Interest-bearing current receivables from subsidiaries	45	3 692	5 574
Other current receivables		50	18
Current tax assets		109	-
Prepaid expenses and accrued income	54	152	9
Other interest-bearing current assets	45	2	7
Cash and bank deposits	55	1 596	1 326
Total current assets		5 944	7 329
TOTAL ASSETS		52 101	50 835
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital		365	365
Legal reserve		7 363	7 363
Development expenditure reserve		9	69
Total restricted equity		7 737	7 797
Non-restricted equity			
Hedging reserve		63	15
Retained earnings		19 112	18 418
Net income for the year		2 364	2 269
Total non-restricted equity		21 539	20 702
Total shareholders' equity	56	29 276	28 499
Untaxed reserves	57	687	455
Long-term liabilities			
Long-term loan liabilities	45	17 189	15 818
Other long-term liabilities		146	151
Deferred tax liabilities		150	100
Total long-term liabilities	58	17 485	16 069
Current liabilities			
Current liabilities to subsidiaries		638	378
Interest-bearing current liabilities to subsidiaries	45	2 149	2 124
Group account bank overdraft		206	772
Other short-term loan liabilities	45	1 137	2 172
Accounts payable		15	12
Accrued expenses and prepaid income	59	283	284
Current tax liabilities		218	66
Other current liabilities		7	4
Total current liabilities		4 653	5 812
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		52 101	50 835

Parent Company statement of changes in shareholders' equity

MSEK	Share capital ¹	Legal reserve	Development expenditure reserve	Hedging reserve	Retained earnings and net income for the year	Total shareholders' equity
Opening balance 2018	365	7 363	57	-4	19 883	27 664
Net income for the year	-	-	-	-	2 269	2 269
Other comprehensive income						
Items that subsequently may be reclassified to the statement of income						
Cash flow hedges net of tax ²	-	-	-	63	-	63
Cost of hedging net of tax ²	-	-	-	-44	-	-44
Total items that subsequently may be reclassified to the statement of income	-	-	-	19	-	19
Other comprehensive income	-	-	-	19	-	19
Total comprehensive income for the year	-	-	-	19	2 269	2 288
Share-based incentive schemes ¹	-	-	-	-	7	7
Dividend paid to shareholders of the Parent Company	-	-	-	-	-1 460	-1 460
Transfer to development expenditure reserve	-	-	28	-	-28	-
Transfer from development expenditure reserve	-	-	-16	-	16	-
Closing balance 2018	365	7 363	69	15	20 687	28 499
Opening balance 2019	365	7 363	69	15	20 687	28 499
Net income for the year	-	-	-	-	2 364	2 364
Other comprehensive income						
Items that subsequently may be reclassified to the statement of income						
Cash flow hedges net of tax ²	-	-	-	36	-	36
Cost of hedging net of tax ²	-	-	-	12	-	12
Total items that subsequently may be reclassified to the statement of income	-	-	-	48	-	48
Other comprehensive income	-	-	-	48	-	48
Total comprehensive income for the year	-	-	-	48	2 364	2 412
Share-based incentive schemes ¹	-	-	-	-	-29	-29
Dividend paid to shareholders of the Parent Company	-	-	-	-	-1 606	-1 606
Transfer to development expenditure reserve	-	-	1	-	-1	-
Transfer from development expenditure reserve	-	-	-61	-	61	-
Closing balance 2019	365	7 363	9	63	21 476	29 276

1 Further information is provided in note 56.

2 A specification can be found in note 45, in the table revaluation of financial instruments, as well as in note 49.

Notes

Note

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NOTE 42 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 Parent Company thus follows the same accounting principles as the Group, which are described in note 2, when relevant and except in the cases stated below. The differences that exist between the Parent Company's and the Group's accounting principles are a result of the restrictions that the Swedish Annual Accounts Act, the Swedish Act on Safeguarding of Pension Commitments and the options that RFR 2 allow for IFRS in the Parent Company.

RFR 2: IFRS 3 Business combinations

The Parent Company measures the acquisition cost as the sum of the acquisition-date fair values of assets transferred, liabilities incurred or transferred and all costs that are directly attributable to the acquisition. Contingent considerations are recognized as part of the acquisition cost if it is probable that they will be realized. The acquisition cost is adjusted in subsequent periods if the initial assessment needs to be revised.

RFR 2: IFRS 9 Financial instruments

The Parent Company follows IFRS 9 except for financial guarantees in relation to subsidiaries. For further information refer to the accounting principles adopted by the Group for financial instruments in note 2.

RFR 2: IFRS 15 Revenue

Anticipated dividend from a subsidiary is recognized as income in the Parent Company in accordance with RFR 2 if the Parent Company has the exclusive right to decide the amount of the dividend from the subsidiary. The Parent Company must furthermore ensure that the dividend is in line with the subsidiary's dividend capacity. Dividend from a subsidiary that has not been anticipated is accounted for on a cash basis.

RFR 2: IFRS 16 Leases

The Parent Company does not apply IFRS 16. Consequently, leases where the Parent Company is the lessee are recognized as an operating expense in the statement of income on a linear basis over the lease term. There are no lease contracts where the Parent Company is the lessor.

RFR 2: IAS 19 Employee benefits

Accounting for defined benefit plans according to the Swedish Act on Safeguarding of Pension Commitments leads to differences between the accounting in the Parent Company and the Group. These differences have no material impact on the employee benefits relating to the employees of the Parent Company. Pension solutions either fall within the framework of the ITP-plan that is insured via Alecta, which is described in note 32, or in all material aspects consist of other defined contribution plans.

RFR 2: IAS 21 Effects of changes in foreign exchange rates

Exchange rate differences arising on a monetary item that forms part of the Parent Company's net investment in a foreign subsidiary are accounted for in the Parent Company's statement of income, in accordance with RFR 2.

RFR 2: IAS 27 Consolidated and separate financial statements

The Parent Company applies the alternative rule in RFR 2: IAS 27 related to Group contributions, which means that Group contributions from subsidiaries as well as Group contributions to subsidiaries are accounted for as appropriations in the statement of income.

Shares in subsidiaries

Shares in subsidiaries are initially accounted for at cost with subsequent adjustments for capital contributions, impairment and revaluation of deferred considerations. Shares in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Securitas' share-based incentive scheme

In addition to the Group's accounting principles for share-based payments (IFRS 2) as described in note 2 Accounting principles, the following has been applied in the Parent Company's financial statements. The Parent Company has secured the delivery of shares according to Securitas short-term, sharebased incentive scheme by entering into a swap agreement with a third party regarding purchase of shares.

To the extent that shares according to the swap agreement is subject to delivery to employees in other Group companies than the Parent Company, a liability to Group companies has been recorded in the Parent Company's accounts. This liability is recorded at the value of the commitment that Securitas AB has to the subsidiaries to deliver shares, that is the number of shares to be delivered according to the swap agreement at the latest share price for Securitas AB's series B share. Social security expenses are calculated based on the market value of the shares that potentially will be allocated. Fluctuations in the share price for these shares thus lead to changes in social security expenses that impact the Parent Company's and Group's income.

This is the only impact on the Parent Company's and Group's income due to fluctuations in the share price for the shares that potentially will be allocated. This means that any possible increase or decrease of the liability to Group companies has not been accounted for in the Parent Company's income statement.

NOTE 43 Events after the balance sheet date

Approval of the Annual Report and Consolidated Financial Statements for 2019

This Annual Report including the Consolidated Financial Statements was approved by the Board of Directors and the President and CEO of Securitas AB on March 18, 2020.

Other significant events after the balance sheet date

In order to hedge the share portion of Securitas short-term, share-based incentive scheme 2019, Securitas AB entered into a swap agreement with a third party in the beginning of March 2020.

There have been no other significant events with effect on the financial reporting after the balance sheet date.

NOTE 44 Transactions with related parties

Transactions between the Parent Company and subsidiaries are priced in accordance with business principles.

THE PARENT COMPANY'S TRANSACTIONS WITH RELATED PARTIES COMPRISE

MSEK	2019	2018
License fees from subsidiaries	1 434	1 177
Other income from subsidiaries	15	19
Dividends from subsidiaries	1 980	1 593
Interest income from subsidiaries	602	630
Interest expenses to subsidiaries	-53	-47
Group contributions from subsidiaries	340	338
Group contributions to subsidiaries	-212	-136
Guarantees issued on behalf of subsidiaries	2 424	2 281

NOTE 45 Financial risk management

The Parent Company follows, as stated in note 42, IFRS 9 Financial instruments. Refer to note 2 and note 7 for further information about financial risks that are applicable also for the Parent Company.

LIQUIDITY REPORT AS PER DECEMBER 31, 2019 AND 2018

MSEK	Total	< 1 year	Between 1 year and < 3 years	Between 3 years and 5 years	> 5 years
December 31, 2019					
Borrowings	-19 441	-1 928	-9 030	-5 315	-3 168
Derivatives outflows	-13 941	-9 070	-3 141	-65	-1 665
Accounts payable	-15	-15	-	-	-
Total outflows	-33 397	-11 013	-12 171	-5 380	-4 833
Investments	5 216	5 187	3	8	18
Derivatives receipts	13 754	9 046	3 136	66	1 506
Total inflows	18 970	14 233	3 139	74	1 524
Net cash flows, total¹	-14 427	3 220	-9 032	-5 306	-3 309
December 31, 2018					
Borrowings	-19 329	-3 056	-5 707	-3 789	-6 777
Derivatives outflows	-24 232	-19 689	-80	-2 875	-1 588
Accounts payable	-12	-12	-	-	-
Total outflows	-43 573	-22 757	-5 787	-6 664	-8 365
Investments	6 820	6 708	16	96	-
Derivatives receipts	24 385	19 652	217	3 007	1 509
Total inflows	31 205	26 360	233	3 103	1 509
Net cash flows, total¹	-12 368	3 603	-5 554	-3 561	-6 856

¹ Variable rate cash flows have been estimated using the relevant yield curve as at the balance sheet date.

HEDGING RESERVE AS PER DECEMBER 31, 2019 AND 2018

MSEK	Cost of hedging reserve	Interest rate cash flow hedges	Currency cash flow hedges	Total before tax	Deferred tax	Total net of tax
Opening balance January 1, 2019						
	-56	10	65	19	-4	15
Change in fair value of hedging instrument recognized in other comprehensive income	16	-18	117	115	-25	90
Reclassified from other comprehensive income to profit or loss	-	6	-60	-54	12	-42
Closing balance December 31, 2019	-40	-2	122	80	-17	63
Opening balance January 1, 2018						
	-	5	-10	-5	1	-4
Change in fair value of hedging instrument recognized in other comprehensive income	-56	-1	195	138	-30	108
Reclassified from other comprehensive income to profit or loss	-	6	-120	-114	25	-89
Closing balance December 31, 2018	-56	10	65	19	-4	15

REVALUATION OF FINANCIAL INSTRUMENTS¹

MSEK	2019	2018
Recognized in the statement of income		
Fair value adjustment to hedged item in fair value hedge	350	358
Fair value adjustment to hedging instrument in fair value hedge	-350	-358
Other financial income and expenses ^{2,3}	-6	7
Deferred tax	-	-
Impact on net income for the year	-6	7
Recognized via hedging reserve in other comprehensive income		
Transfer to cash flow hedging reserve before tax	99	194
Transfer to cost of hedging reserve before tax	16	-56
Deferred tax on transfer to hedging reserve	-25	-30
Transfer to hedging reserve net of tax	90	108
Transfer to statement of income before tax	-54	-114
Deferred tax on transfer to statement of income	12	25
Transfer to statement of income net of tax	-42	-89
Change of cash flow hedging reserve before tax	45	80
Change of cost of hedging reserve before tax	16	-56
Total change of hedging reserve before tax⁴	61	24
Deferred tax on total change of hedging reserve ⁴	-13	-5
Total change of hedging reserve net of tax	48	19
Total impact on shareholders' equity as specified above		
Total revaluation before tax ⁵	55	31
Deferred tax on total revaluation ⁵	-13	-5
Total revaluation after tax	42	26

1 Securitas has early adopted the amendments to IFRS 9, specifically the temporary relief from certain accounting requirements to hedging relationships directly affected by the IBOR reform.

2 Related to financial assets and financial liabilities at fair value through profit or loss.

3 There was no significant ineffectiveness in the fair value hedges or in the cash flow hedges.

4 Total of transfer to hedging reserve and transfer from hedging reserve to statement of income.

5 Total revaluation and deferred tax recognized via statement of income and via other comprehensive income.

DERIVATIVES IN THE BALANCE SHEET

MSEK	2019	2018
Interest-bearing financial non-current assets		
Fair value hedges	-116	110
Cash flow hedges	356	283
Other derivative positions ¹	-27	-39
Total derivatives included in interest-bearing financial non-current assets	213	354
Interest-bearing current receivables from subsidiaries		
Other derivative positions	1	0
Total derivatives included in interest-bearing current receivables from subsidiaries	1	0
Other interest-bearing current assets		
Other derivative positions	2	7
Total derivatives included in other interest-bearing current assets	2	7
Long-term loan liabilities		
Fair value hedges	288	165
Cash flow hedges	-117	-67
Other derivative positions ²	13	18
Total derivatives included in long-term loan liabilities	184	116
Interest-bearing current liabilities to subsidiaries		
Other derivative positions	-	22
Total derivatives included in interest-bearing current liabilities to subsidiaries	-	22
Other short-term loan liabilities		
Other derivative positions	15	15
Total derivatives included in other short-term loan liabilities	15	15

1 Cross currency interest rate swaps are split into different components, of which some elements are negative when the overall fair value is positive.

2 Cross currency interest rate swaps are split into different components, of which some elements are positive when the overall fair value is negative.

FAIR VALUE - HIERARCHY AS PER DECEMBER 31, 2019 AND 2018

	Quoted market prices		Valuation techniques using observable market data		Valuation techniques using non-observable market data		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
MSEK								
Financial assets at fair value through profit or loss	-	-	3	8	-	-	3	8
Financial liabilities at fair value through profit or loss	-	-	-15	-36	-	-	-15	-36
Derivatives designated for hedging with positive fair value	-	-	213	354	-	-	213	354
Derivatives designated for hedging with negative fair value	-	-	-184	-116	-	-	-184	-116

LIABILITIES FROM FINANCING ACTIVITIES 2019 AND 2018

MSEK	Opening balance Jan 1	Cash flows ¹	Non-cash changes			Closing balance Dec 31
			Reclassification	Other changes	Translation differences	
2019						
Long-term borrowings	15 818	1 490	-373	68	186	17 189
Short-term borrowings	5 068	-2 086	373	-22	159	3 492
Derivative assets held to hedge external borrowings	-516	-	-	-122	-	-638
Total	20 370	-596	-	-76	345	20 043
2018						
Long-term borrowings	12 887	3 004	-760	115	572	15 818
Short-term borrowings	8 298	-4 173	760	-61	244	5 068
Derivative assets held to hedge external borrowings	-299	-	-	-217	-	-516
Total	20 886	-1 169	-	-163	816	20 370

¹ Excluding other derivative positions and dividend paid to shareholders of the Parent Company, which are included in cash flow from financing activities in the consolidated statement of cash flow.

NOTE 46 Administrative expenses and other operating income

Administrative expenses

AUDIT FEES AND REIMBURSEMENTS

MSEK	2019	2018
PwC		
Audit assignments	9	7
Additional audit assignments	2	2
Tax assignments	1	2
Other assignments ¹	2	2
Total¹	14	13

¹ Total audit fees and reimbursements to PwC amounts to MSEK 14 whereof MSEK 1 does not relate to PwC Sweden, included in Other assignments.

Additional audit assignments mainly comprise review of the interim report for the second quarter as well as review of financial reporting and internal control in additional countries than those included in the agreed audit plan. Tax assignments mainly comprise tax return compliance, transfer pricing and questions related to tax legislation compliance. Other assignments mainly comprise review of pension plans.

Other operating income

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

NOTE 47 Personnel

AVERAGE NUMBER OF YEARLY EMPLOYEES: DISTRIBUTION BETWEEN WOMEN AND MEN

	Women		Men		Total	
	2019	2018	2019	2018	2019	2018
Board of Directors	3	3	5	5	8	8
President	-	-	1	1	1	1
Other employees, Sweden	31	28	21	22	52	50

STAFF COSTS

MSEK	2019			2018			Of which bonuses	
	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)	2019	2018
Board of Directors and President ¹	29	8	(1)	31	7	(1)	1	6
Other employees	84	54	(19)	73	42	(13)	12	17
Total	113	62	(20)	104	49	(14)	13	23

¹ Refer to note 9 for further information regarding remuneration to the Board of Directors and President.

NOTE 48 Other financial income and expenses, net

MSEK	2019	2018
Impairment losses, shares in subsidiaries ¹	-54	-
Exchange rate differences, net	138	447
Bank costs and similar income/expense items	-18	-19
Revaluation of financial instruments	-6	7
Total other financial income and expenses, net	60	435

¹ Impairment losses 2019 for Securitas Argentina S.A. have been recognized as a combination of adverse movements in foreign currency rates and negative underlying performance.

NOTE 49 Taxes

Statement of income

TAX EXPENSE		
MSEK	2019	2018
Tax on income before taxes		
Current taxes	-151	-221
Deferred taxes	-38	-68
Total tax expense	-189	-289

The Swedish corporate tax rate was 21.4 percent (22.0).

DIFFERENCE BETWEEN STATUTORY SWEDISH TAX RATE AND ACTUAL TAX EXPENSE FOR THE PARENT COMPANY

MSEK	2019	2018
Income before taxes according to the statement of income	2 553	2 558
Tax based on Swedish tax rate	-546	-563
Tax related to untaxed reserves	-50	-73
Tax related to previous years / foreign withholding tax	-1	-1
Tax related to non-taxable income	424	351
Tax related to non-deductible expenses	-16	-3
Actual tax expense	-189	-289

Tax related to non-taxable income in 2019 and 2018 mainly relates to dividends from subsidiaries. Tax related to non-deductible expenses in 2019 relates mainly to write-down of shares in subsidiaries and in 2018 non-deductible expenses was mainly related to miscellaneous non-deductible expenses.

Other comprehensive income

TAX ON OTHER COMPREHENSIVE INCOME		
MSEK	2019	2018
Deferred tax on cash flow hedges	-9	-17
Deferred tax on cost of hedging	-4	12
Deferred tax on other comprehensive income	-13	-5

Balance sheet

Deferred tax assets are attributable to employee related debt.

Tax loss carryforwards

The tax loss carryforwards for the Parent Company amounted to MSEK 0 (0) as of December 31, 2019.

NOTE 50 Intangible assets¹

MSEK	2019	2018
Opening balance	307	288
Disposals ²	-213	-9
Capital expenditures	2	28
Closing accumulated balance	96	307
Opening amortization	-179	-159
Disposals ²	113	5
Amortization for the year	-1	-25
Closing accumulated amortization	-67	-179
Closing residual value	29	128

¹ In 2019, mainly related to the brand name Securitas in one of the Group's countries of operations, included with MSEK 16 (16). The trademark is tested annually for impairment. Refer to note 17 section impairment testing for further information.

In 2018, mainly related to Securitas Guard Management System, which is a system used for communicating, coordinating, performing and reporting services.

² In 2019, mainly related to Securitas Guard Management System, which has been disposed to a Group company.

NOTE 51 Machinery and equipment

MSEK	2019	2018
Opening balance	24	61
Disposals	0	-35
Capital expenditures	0	0
Write-offs	-	-2
Closing accumulated balance	24	24
Opening depreciation	-18	-41
Disposals	0	22
Write-offs	-	2
Depreciation for the year	-1	-1
Closing accumulated depreciation	-19	-18
Closing residual value	5	6

NOTE 52 Shares in subsidiaries¹

Subsidiary name	Corporate identity no.	Domicile	Number of shares 2019	% of share capital/ voting rights 2019	Book value 2019, MSEK	Book value 2018, MSEK
Grupo Securitas Mexico S.A de C.V. ²	GSM930817U48	Monterrey	14 999	99.98	44	14
Protectas S.A.	CH-550-0084385-3	Lausanne	50 000	100	33	33
Securitas Argentina S.A. ³	1587929	Buenos Aires	6 882 400	20	2	13
Securitas Asia Holding AB	556691-8800	Stockholm	100 000	100	286	286
Securitas Aviation d.o.o.	MBS 080689871	Zagreb	1	100	1	1
Securitas BH d.o.o.	65-01-0503-11	Sarajevo	-	100	87	87
Securitas Biztonsági Szolgáltatások Magyarország Kft	Cg.01-09-721946	Budapest	-	100	22	22
Securitas Bulgaria Ltd	204820136	Sofia	200	100	0	0
Securitas Canada Ltd	454437-4	Toronto	4 004	100	86	86
Securitas ČR sro	43872026	Prague	-	100	186	186
Securitas Eesti AS	10188743	Tallinn	1 371	100	32	32
Securitas Fire & Safety Services SRL ⁴	J40/13561/2007	Bucharest	1	5	0	0
Securitas Group Reinsurance DAC	317030	Dublin	2 000 000	100	576	576
Securitas Holding GmbH	HRB 33348	Düsseldorf	1	100	2 572	2 572
Securitas Holdings Inc.	95-4754543	Parsippany	100	100	2 208	2 208
Securitas Hrvatska d.o.o.	MBS 080132523	Zagreb	1	100	177	177
Securitas Intelligent Services AB	556655-4670	Stockholm	1 000	100	50	50
Securitas Invest AB	556630-3995	Stockholm	1 000	100	7	7
Securitas Middle East and Africa Holding AB	556771-4406	Stockholm	100 000	100	192	180
Securitas Montenegro d.o.o.	02387620	Niksic	-	100	1	1
Securitas Nordic Holding AB	556248-3627	Stockholm	1 000 000	100	9 269	9 269
Securitas NV ⁵	0427.388.334	Brussels	8 238	99.90	942	942
Securitas Podjetje za varovanje d.o.o.	8075280000	Ljubljana	-	100	0	0
Securitas Polska Sp. z o. o.	0000036743	Warsaw	18 000	100	27	27
Securitas Rental AB	556376-3829	Stockholm	1 000	100	4	4
Securitas Security Consulting Holding AB	556087-1468	Stockholm	1 000	100	137	128
Securitas Security Services Ireland Ltd	275069	Dublin	2 410 002	100	29	29
Securitas Seguridad Holding SL	B83446831	Madrid	7 267	100	8 398	8 043
Securitas Services d.o.o.	17487809	Belgrade	-	100	148	148
Securitas Services Holding U.K. Ltd	5759961	London	34 000 400	100	976	976
Securitas Services International BV	33287487	Amsterdam	25 000	100	2 345	2 345
Securitas Services Romania SRL	J40/2222/2001	Bucharest	21 980	100	49	49
Securitas Sicherheitsdienstleistungen GmbH	FN148202w	Vienna	-	100	92	92
Securitas SK sro	36768073	Prievidza	-	100	33	1
Securitas Toolbox Ltd	316907	Dublin	100	100	0	0
Securitas Transport Aviation Security AB	556691-8917	Stockholm	5 100 000	100	425	273
Securitas Treasury Ireland Ltd	152440	Dublin	21 075 470	100	14 475	12 475
Total shares in subsidiaries					43 911	41 332

1 The main business in the subsidiaries is specialized guarding and mobile services, monitoring, technical solutions and consulting and investigations. The subsidiaries also comprise of the Group's internal bank, Securitas Treasury Ireland Ltd, as well as the Group's internal insurance company, Securitas Group Reinsurance DAC. A complete specification of the subsidiaries can be obtained from the Parent Company.

2 The remaining 0.02 percent of Grupo Securitas Mexico S.A de C.V are held by Securitas Rental AB.

3 The remaining 80 percent of Securitas Argentina S.A. are held by Securitas Seguridad Holding SL.

4 The remaining 95 percent of Securitas Fire & Safety Services SRL are held by Securitas Services Romania SRL.

5 The remaining 0.1 percent of Securitas NV are held by Securitas Rental AB.

CHANGE ANALYSIS OF SHARES IN SUBSIDIARIES

MSEK	2019	2018
Opening balance	41 332	41 296
Acquisitions ¹	32	-
Capital contributions	2 601	37
Impairment losses ²	-54	-
Revaluation of deferred considerations	-	-1
Closing balance	43 911	41 332

1 Intra group acquisition relates to Securitas SK sro.

2 Impairment losses 2019 for Securitas Argentina S.A. have been recognized as a combination of adverse movements in foreign currency rates and negative underlying performance.

NOTE 53 Shares in associated companies

HOLDINGS 2019 AND 2018

Company	Domicile	Share in equity, %	Voting rights, %	Book value, MSEK
Walsons Services Pvt Ltd	Delhi	49	49	112
Holdings 2019				112
Walsons Services Pvt Ltd	Delhi	49	49	112
Holdings 2018				112

NOTE 54 Prepaid expenses and accrued income

MSEK	2019	2018
Prepaid software licenses and support costs	2	4
Prepaid insurance premiums	1	1
Other prepaid expenses	5	4
Total prepaid expenses and accrued income	8	9

NOTE 55 Liquid funds

Liquid funds include short-term investments with a maximum duration of 90 days that are readily convertible to a known amount of cash and subject to an insignificant risk of change in value. Liquid funds also include cash and bank deposits. Short-term investments refer to fixed interest rate bank deposits.

In the Parent Company's balance sheet, utilized internal credits in the Swedish cash-pool account are reported under the Group account bank overdraft.

NOTE 56 Shareholders' equity

Number of shares December 31, 2019

	Number of shares	MSEK
Series A	17 142 600	17
Series B	347 916 297	348
Total number of shares/share capital	365 058 897	365
Less: Treasury shares	-125 000	-
Total number of shares outstanding¹	364 933 897	-

¹ The quota value is SEK 1.00 per share.

The number of Series A shares is unchanged in relation to December 31, 2018. During the year, 125 000 Series B shares have been repurchased as a hedge for the long-term incentive scheme. As of December 31, 2019 there were no outstanding convertible debenture loans that could result in any dilution of the share capital.

Each Series A share carries ten votes and each Series B share one vote. This is the only difference between the two series of shares.

Shareholders with more than 10 percent of the votes

The principal shareholders are Investment AB Latour with 10.9 percent of the capital and 29.6 percent of the votes, and Melker Schörling AB with 4.1 percent of the capital and 10.7 percent of the votes.

Proposed allocation of earnings

The statements of income and the balance sheets of the Parent Company and the Group are subject to adoption by the Annual General Meeting on May 7, 2020.

RETAINED EARNINGS IN THE PARENT COMPANY AVAILABLE FOR DISTRIBUTION

	MSEK ¹
Hedging reserve	63
Retained earnings	19 112
Net income for the year ²	2 364
Total	21 539

THE BOARD OF DIRECTORS PROPOSED THAT THE EARNINGS ARE ALLOCATED AS FOLLOWS

	MSEK ¹
a dividend to the shareholders of SEK 4.80 per share ³	1 752
retained earnings to be carried forward ³	19 787
Total	21 539

¹ Refer to the Report of the Board of Directors for the proposed allocation of earnings in SEK and for the Board's statement on the proposed dividend.

² Includes Group contributions to subsidiaries of MSEK 212.

³ Calculated on the number of shares outstanding as per February 6, 2020. Excluding 125 000 treasury shares.

Share-based incentive scheme

Securitas' share-based incentive scheme has had the following impact on retained earnings:

MSEK	2019	2018
Swap agreement ^{1,2}	-147	-140
Redemption of previous year's swap agreement ¹	140	149
Share-based remuneration to employees ³	6	7
Settlement of previous year's share-based remuneration to employees ³	-7	-9
Repurchase of shares ⁴	-21	-
Total impact on retained earnings	-29	7

¹ Related to the whole Group's short-term share-based incentive scheme.

² The number of shares that have been hedged in this swap agreement amount to a total of 1 003 835 (999 831) and have been allotted to the participants during the first quarter 2020, provided that they were still employed by the Group at that time.

³ Related to share-based remuneration for Securitas AB's employees only.

⁴ Number of shares repurchased amounts to 125 000. Repurchased shares services as a hedge for the long-term incentive program.

NOTE 57 Untaxed reserves

MSEK	2019	2018
Accumulated depreciation and amortization in excess of plan	20	21
Tax allocation reserve	667	434
Total untaxed reserves	687	455

NOTE 58 Long-term liabilities

LONG-TERM LIABILITIES FALL DUE FOR PAYMENT AS FOLLOWS

MSEK	2019	2018
Maturity < 5 years	14 106	12 879
Maturity > 5 years	3 379	3 190
Total long-term liabilities	17 485	16 069

NOTE 59 Accrued expenses and prepaid income

MSEK	2019	2018
Employee-related items	28	43
Accrued interest expenses	220	210
Other accrued expenses	35	31
Total accrued expenses and prepaid income	283	284

NOTE 60 Pledged assets

MSEK	2019	2018
Pension balances, defined contribution plans	124	128
Total pledged assets	124	128

NOTE 61 Contingent liabilities

MSEK	2019	2018
Guarantees	-	1
Guarantees related to discontinued operations	16	15
Total contingent liabilities¹	16	16

¹ Guarantees on behalf of subsidiaries are disclosed in note 44. There are no guarantees on behalf of associated companies.

The Board of Directors and the President declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The statutory administration report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and

describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

The Board of Directors and the President also submit Securitas AB's Sustainability Report for 2019. The sustainability report describes the Group's work with regards to economic, environmental and social aspects. The report is prepared according to the Sustainability Reporting Standards, issued by Global Reporting Initiative (GRI).

The statements of income and balance sheets of the Parent Company and the Group are subject to adoption by the Annual General Meeting on May 7, 2020.

Stockholm, March 18, 2020

Marie Ehrling
Chairman

Carl Douglas
Vice Chairman

Ingrid Bonde
Director

John Brandon
Director

Anders Böös
Director

Fredrik Cappelen
Director

Sofia Schörling Högberg
Director

Dick Seger
Director

Susanne Bergman Israelsson
Director
Employee Representative

Åse Hjelm
Director
Employee Representative

Jan Prang
Director
Employee Representative

Magnus Ahlqvist
President and Chief Executive Officer

Our report has been submitted on March 18, 2020
PricewaterhouseCoopers AB

Patrik Adolfson
Authorized Public Accountant
Auditor in charge

Madeleine Endre
Authorized Public Accountant

Auditor's report

(This is a translation of the Swedish original.
For any interpretation the Swedish version prevail)

To the general meeting of the shareholders of Securitas AB (publ), corporate identity number 556302-7241

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Securitas AB (publ) for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 57-143 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Securitas' business consists of performing various protective services. Its customers differ in size and operate in diverse segments and

businesses. The Group has arisen through acquisitions and contracts with customers. Operations are conducted in some 56 countries. The business is labor intensive, and the number of employees amounts to 370 000 people.

In summary, our audit can be described as follows

- In the Group audit, we focused on the operations of the Parent Company and the 12 most significant reporting units. These units account for approximately 79 percent of net income, 92 percent of operating profit and 67 percent of the Group's operating assets. For the ten largest entities and the Parent Company, our audit activities encompassed a limited review of the half-yearly report as of June 30, an assessment of key controls related to financial reporting according to Securitas' framework, early warning of the closing on September 30 prior to the year-end closing, and an audit of the year-end closing for the Group's consolidated financial closing. For the other entities, our audit focused on internal control over financial reporting and the year-end closing.
- During the year, the auditor in charge, the co-signer and members of the audit team visited some 15 operations in 14 countries in order to gain a further understanding of the operations in these countries, perform an overall review of the financial reporting based on the Group's accounting principles and evaluate compliance with Securitas' framework for internal control. Some of these countries are included in the audit procedures described above and are also subject to a statutory audit. The countries visited account for approximately 21 percent of the Group's net income.

For other reporting units, analytical audit procedures are performed as a part of the audit of the consolidation. In addition to this, statutory audit procedures are performed in some 30 countries or entities, corresponding to 18 percent of net income, 21 percent of operating profit and 19 percent of the Group's assets. The statutory audit has in most cases not been completed prior to signing the audit opinion for the group. The outcome of the statutory audits is reported separately to Securitas in connection with the review of half-yearly report. As this is not deemed to be material, is not used as support in the audit of the financial closing for the group. The outcome is used in the planning of the audit in order to follow up on any significant matters noted for any reporting unit regarding financial reporting or internal control.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter

Audit of impairment testing of goodwill and other acquisition related intangible assets

We refer to Note 4 Critical estimates and judgments, Note 16 Acquisitions and divestitures of subsidiaries and Note 17 Goodwill and impairment testing. In Note 17, information regarding the sensitivity analysis performed with regards to which adjustment of assumptions made would trigger an impairment of goodwill.

Goodwill and other acquisition related intangible assets, including customer relations, amount to MSEK 22 157, and are as such a significant portion of Securitas' consolidated balance sheet per December 31, 2019 corresponding to some 36% of the total assets. The balance sheet item is subject to management's assessments and assumptions, and with regards to the significance and complexity in the assessment of the value of the balance sheet item, also considered as a key audit matter in the audit.

Securitas annually performs a test to assess the value of goodwill and if there is any need for impairment if the book value of the assets exceeds the calculated fair value according to the test.

Securitas has an established process to test the valuation, based on the identified cash generating units (CGU), as described in note 17. For 2019, there was 4 identified cash generating units. In 2019, Securitas has tested goodwill on a segment level instead of country level. The change in method is due to that Securitas applies IFRS 16 from a segment level.

Securitas process implies that they prepare the impairment test based on business plans, financial plans and prognosis for the five immediate years. The cash flows from the years beyond the five immediate years are extrapolated based on the business plan. The process therefore contains assumptions that have a significant impact on the impairment test. This includes assumptions on sales growth, margin development and discount rate (WACC). These parameters are as such affected by unexpected future market or economic conditions, particularly those relating to the cash flow forecast and the applied discount rate.

The value according to the test correspond to the value of discounted cash flow for identified cash generating units. Even if a unit passes the impairment test, a future negative development compared to the assumptions and assessments that constituted the basis for the test, can imply that there is a need for an impairment write-down. The risk for an impairment is larger for entities that currently perform worse in comparison with the approved business plan.

Other acquisition related intangible assets are subject to depreciations according to plan. For these assets, an impairment test is performed if it can be assumed that the value of the assets has reduced so that an impairment may be necessary.

Securitas conclusion, based on the best assessment and the information available at the time of preparing the annual impairment test, is that there is no need for impairment related to the assets mentioned above per 31 December 2019.

How our audit addressed the Key audit matter

When testing for impairment of goodwill and other acquisition-related intangible assets, in order to ensure primarily the valuation and accuracy, we have performed audit procedures including:

- Evaluation of the assumptions as disclosed in note 17 as well as that the model used are in accordance with IFRS, we used PwC valuation experts to test and evaluate the models and methodology used including the new level on which impairment testing is performed, as well as the significant assumptions.
- On a sample basis we have tried, verified, evaluated and challenged the data used in the calculation versus the Company's long-term plans and, where possible, external information. We have focused on assessed growth rates, margin developments and discount rate applied per cash generating unit. We also followed-up the accuracy and inherent quality of the Company's process to prepare business plans and financial plans based on the historic outcome.
- Control of the sensitivity in the valuation for negative changes to key assumptions, that either individually or collectively could imply an impairment of goodwill.
- Assessment of that the disclosures provided in the financial statements are correct based on the impairment test performed, particularly for information on the sensitivity in the valuations.
- Comparison of the disclosures in the annual report to the requirement of IAS 36 and found them to be consistent in all material aspects.

Based on our audit, it is our conclusion that Securitas' assumptions are such that they are within an acceptable interval. Furthermore, the information included in note 17 comply with the requirement for disclosures regarding assumptions and risks, for which a fair change in assumptions imply, or can imply, a need for impairment.

Key audit matter

Routines and processes including accounting of employee-related expenses and pension and medical plans

We refer to note 4 Critical estimates and judgments, note 9 Remuneration to the Board of Directors and senior management, note 12 Personnel, note 32 Provisions for pensions and similar commitments as well as note 33 Other long-term provisions, note 35 Other current liabilities and note 36 Short-term provisions.

Securitas has 370 000 employees in its subsidiaries. The Group's employee-related expenses mainly regard salaries and payroll overhead, including social charges and employers' contributions as well as other short-term remuneration, including holiday pay and variable compensation. Employee-related expenses amount to approximately BSEK 86, corresponding to 81 percent of operating costs. This is thus the most significant cost item in Securitas' consolidated income statement. The related costs consist of both salaries and other remuneration, including variable compensation and directly related taxes and social contributions.

In addition to this, Securitas is responsible for, or its employees participate in, a number of pension plans and plans implying medical benefits to employees. For these plans, Securitas has an obligation, which is recognised as liability.

The risk refers to the completeness of these items, meaning that they are correctly calculated, properly cut off and valued. There is also an inherent complexity in the management of payroll when various groups of employees are under different employment contracts and collective agreements, which in itself gives rise to differences in how salaries, other remuneration and benefits should be calculated, and which actuarial assumptions are to be used regarding the plans. Securitas' internal control framework includes specific controls on the management of payroll and personnel costs to ensure that proper salaries and remuneration and attributable taxes and charges are paid.

How our audit addressed the Key audit matter

In order to be able to pay salaries to close to 370 000 employees on a monthly basis, or in some cases more frequently, there must be well-functioning routines and processes in place in order to calculate and control the salaries and remuneration to be paid.

Our audit is therefore based both on an evaluation of the internal control environment and on other analytical procedures, including system-based analysis of certain balance sheet and income statement items for selected subsidiaries, and detailed testing. These subsidiaries correspond to some 62 percent of the employee-related costs, on a full year basis, and have approximately 157 000 employees.

The basis for the evaluation of internal control has been Securitas' internal control framework for financial reporting. The testing of controls and amounts has been performed on a sample basis. Our audit procedures have, inter alia, included:

- Reconciling significant accruals and/or provisions regarding, for example, holiday pay, accrued salaries, taxes and social charges with system-generated support and calculations and estimates made by management.
- Auditing of employee-related costs, including plans, using analytical procedures with regard to changes in costs in the income statement, accruals and provisions compared with our knowledge and understanding and use of systems-based data analysis.
- With regards to pension and medical plans, we have audited significant supporting assumptions, assessed historical outcome and assessed the reasonability of management's estimates. Wherever possible, we also verified this information with external support, including reports from independent and external actuaries. Overall the provisions are within the acceptable interval.

Based on our audit, no significant observations have been noted which have resulted in reporting to the audit committee. Our overall conclusion is that there are, in all material respects, proper processes in place to manage and account for payroll and employee-related expenses.

Key audit matter

Valuation of provisions related to disputes, and disclosures on contingent liabilities

We refer to note 4 Critical estimates and judgments and note 38 Contingent liabilities.

Subsidiaries within the Group are involved in a number of legal proceedings and related matters. These legal disputes include litigations in various countries, for example, Estrela Azul (Brazil), Mutua (Spain) and the investigation described on page 61 related to improper supplier- and other business relations in Argentina. The key assumption is management's assessment of the future outcome of the ongoing proceedings and exposures, which directly affects the valuation of these matters and the disclosures provided in the financial reports.

The company consults external legal advisors regarding significant queries and issues relating to these matters. The future outcome of the matters, and the accounting effects thereof, are based on assessments and complex legal matters which may take time to finally solve. The risk primarily regards the valuation of the outcome of these cases. As a part of our audit, we have considered the ongoing matters and disputes given the inherent subjectivity and uncertainty regarding the final outcome. Securitas has established routines whereby the Group's Chief Legal Officer reports each quarter on the development of and significant events related to these matters to the CEO and audit committee. This report is also sent to the Board of Directors.

How our audit addressed the Key audit matter

In our audit, we examined the accuracy and valuation of the aforementioned matters. Securitas has a documented assessment of the outcome of the ongoing cases and exposures, and monitors these on a continuous basis, assisted by both in-house legal counsel and external lawyers. A follow-up is conducted at both the local and Group level. We have discussed these assumptions with the company's in-house legal counsel, and with Group legal for some of the more significant cases.

We have evaluated the assessments and estimates made by management with regard to the existing disputes and exposures. This was performed based on documentation of the individual matters, conducted investigations, the historical outcome of similar cases and statements from external legal advisors regarding disputes, contingent liabilities and other exposures of which they are aware, or for which they are supporting or representing Securitas.

As outlined in the financial statements, the outcome of such matters are dependent on the future outcome of continuing legal and regulatory procedures. As such, calculations of provisions are subject to inherent uncertainty. We have not noted any inconsistencies in the documentation that we have received and examined, or that the disclosures provided did not correspond to the requirements in IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Key audit matter

Valuation of provisions for tax-related matters

We refer to note 4 Critical estimates and judgments, and note 15 Taxes.

Companies within the Group are involved in tax-related matters and tax audits. This includes, inter alia, the ongoing tax audit in Spain. The key assumption is management's assessment of the future outcome of the ongoing proceedings and exposures, which directly affects the valuation of these matters, and the disclosures provided in the financial reports. The risk primarily regards the valuation of the outcome of these cases. As a part of our audit, we considered the tax cases, given the inherent subjectivity and uncertainty related to the final outcome.

In addition to this, an investigation following information from a whistleblower has revealed that employees in Argentina have engaged in business activities in violation of the Securitas Values and Ethics Code. The investigation, that indicates various compliance issues, including conflicts of interest and irregular supplier and other business relationships have resulted in corrections of taxes in Argentina by MSEK 130. This is described on page 61 in this annual report.

The company consults external legal advisors and tax advisors for significant queries. The future outcome of the matters, and the accounting effects thereof, are based on assessments and complex legal matters which may take time to finally solve. The risk primarily regards the valuation of the outcome of these cases. As a part of our audit, we have considered the ongoing matters and disputes given the inherent subjectivity and uncertainty regarding the final outcome.

How our audit addressed the Key audit matter

In our audit, we checked the accuracy and valuation of these matters. Securitas has a documented assessment of the outcome of the ongoing matters and exposures and monitors these on an ongoing basis. The audit procedures performed include, for example:

- Discussion of these matters with the company's in-house tax counsel for some of the more significant matters.
- Examination of Securitas' tax calculations and application of tax regulations.
- Evaluation of the assessments and estimates made by management with regard to the existing tax disputes and ongoing tax audits. This was based on the historical outcome of similar cases and statements from external legal advisors regarding disputes, contingent liabilities and other exposures of which they are aware or for which they are supporting or representing Securitas.
- Review of the written communication between the company and the tax authorities with regards to ongoing tax audits. For these cases, we also consulted PwC tax experts, who participated in our audit.
- With the assistance of inter alia PwC's Argentinian tax experts, we have audited the support and estimates that support the correction of tax in Argentina that is described on page 61.

As disclosed in the financial statements, the outcome of these matters are dependent on the future outcome of legal procedures, and associated with an inherent uncertainty. Thus, the calculations of the provisions are subject to inherent uncertainty. We have not noted any inconsistencies in the documentation that we have received and examined, or that the disclosures provided did not correspond to the requirements in IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-31 and 144-164. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary

to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Securitas AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is

designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

PricewaterhouseCoopers AB was appointed the auditor of Securitas ABs (publ) by the annual general meeting on May 6, 2019 and has been the auditor of the company since 1987.

Stockholm, March 18, 2020
PricewaterhouseCoopers AB

Patrik Adolfsen
Authorised public accountant
Auditor in charge

Madeleine Endre
Authorised public accountant

Sustainability notes

About this report

This report has been prepared according to the Global Reporting Initiative (GRI) sustainability reporting standards, with the Core application level. The report also highlights how our priorities reflect the Ten Principles of the UN Global Compact (UNGC) with respect to labor and human rights, the environment and anti-corruption, and therefore acts as our UNGC Communication on Progress. The 2018 sustainability report was published on April 12, 2019. We aim to publish a report on an annual basis. Unless otherwise noted, the report pertains to the 2019 calendar year and encompasses all companies within the Securitas Group. Wherever possible, the baseline for the report data is 2018. Information in compliance with the Swedish legal requirements on sustainability reporting is found on pages 10, 11, 13 and 144-157. For more information, contact: Cecilia Alenius Group Sustainability Officer cecilia.alenius@securitas.com

Stakeholder dialogs

Securitas encourages a continuous and proactive dialog with our stakeholders in order to better understand their expectations and to identify areas that we need to develop further. We meet many of our stakeholders regularly during the course of our daily work, and our aim is to be a responsible, honest and transparent company. Listed below are Securitas' key stakeholders and a description of how we engage with them. Our main stakeholders are identified based on the impact they might have on our business as well as on their interests and potential influence on Securitas.

STAKEHOLDER GROUP	METHOD OF DIALOG	IMPORTANT TOPICS	HOW WE RESPOND
Clients Securitas consistently tries to find new ways to strengthen our client partnerships by gaining an in-depth understanding of our clients' needs and industry-specific requirements, and establishing a shared view on sustainable business conduct.	We meet our clients on a daily basis and constantly engage in dialog with them. We have also implemented a number of initiatives to establish best practices and develop more easy-to-use digital interfaces with our clients.	<ul style="list-style-type: none"> • Securitas' in-depth knowledge of the client's industry and security needs • The benefits of security solutions consisting of different combinations of cost-efficient protective services • Global consistency in service delivery and the capability to scale from local to global solutions 	Securitas communicates the benefits of its protective services, including electronic security, in a clear, transparent and sustainable way. With our deep understanding of each client's business, values and goals, we can develop security solutions and services tailored to their individual needs and meet the requirements they impose on us as a sustainable supplier.
Employees and employee representatives Securitas' most valuable assets are our 370 000 skilled and engaged employees, distributed over 56 countries around the world. Our employees represent the company on a daily basis and our company's reputation is determined largely by their actions.	The most important forum is the ongoing daily dialog between our employees and Securitas managers at different levels, facilitated by collaboration tools, such as Office 365 and Workplace by Facebook. Securitas also conducts employee surveys. Securitas engages in a proactive and open dialogue with local unions, UNI and the EWC.	<ul style="list-style-type: none"> • Values and ethics • Fair wages and terms of employment • Health and safety • Recruitment and onboarding • Training and skills development • Talent management • Data privacy 	In order to attract, retain and develop our employees, Securitas strives to be a reliable employer. Solid human resources processes are a vital part of this. We have also formulated a purpose - We help make your world a safer place - to articulate what we do and to further guide our employees in their daily work. Securitas values proactive relationships and a constructive dialog with local unions as well as global union associations.
Shareholders An active dialog with our shareholders and investors ensures that our business is developed from a long-term perspective.	We publish interim reports and other continuous financial information, organize Investor Days and conduct other investor and analyst meetings, roadshows and conferences. At the Annual General Meeting, all shareholders are able to exercise their influence.	<ul style="list-style-type: none"> • How Securitas is leading the transformation of the security industry • How to manage the challenges related to the transformation to intelligent data-driven security solutions • Maintaining long-term, stable, profitable and sustainable operations 	Securitas provides data and figures that support our strategy as well as information about how the transformation of the services we offer affects our financial results. We illustrate the benefits of our position as an industry leader with a strong competitive advantage.

STAKEHOLDER GROUP	METHOD OF DIALOG	IMPORTANT TOPICS	HOW WE RESPOND
<p>Society</p> <p>Securitas plays an important role in society by providing security and safety. This is a prerequisite for a functioning community, and we actively participate in the local communities where we operate.</p>	<p>As a large employer and a trusted partner to our clients, we engage in a constant dialog with different parts of the communities where we operate.</p>	<ul style="list-style-type: none"> • Contribution to increased security and safety in local communities, through cooperation • Creating work opportunities • Equal conditions for men and women, ethnic and religious minorities, individuals with disabilities, etc. 	<p>Securitas provides security in a responsible way, protecting workplaces, public areas and properties. We also aim to be engaged in the local communities, for example, by actively participating in various local projects.</p>
<p>Suppliers</p> <p>Securitas has many suppliers in its operations. Ensuring that our suppliers follow our requirements concerning values and ethics, among other things, is essential to Securitas.</p>	<p>The main forum is the ongoing dialog between our suppliers and Securitas representatives on all levels.</p>	<ul style="list-style-type: none"> • Quality of procured goods and services • Requirement to comply with Securitas' Values and Ethics Code • Compliance with anti-corruption policy • Contract commitment and fulfillment of deliveries 	<p>We provide our suppliers with information regarding Securitas' Values and Ethics Code and include compliance with the Code in our supplier contracts. We also have specific guidelines and standards for suppliers and conduct supplier risk assessments when required.</p>
<p>Industry organizations</p> <p>As one of the largest companies in the security industry, Securitas is a driving force in raising the standards and levels of professionalism in the industry.</p>	<p>Securitas is a member of various local and global industry organizations, such as the International Security Ligue, the American Society of Industrial Security (ASIS) and the National Association of Security Companies in the US. Meetings are conducted regularly.</p>	<ul style="list-style-type: none"> • Status of security officers and the profession • Remuneration issues • Employee skills development • Regulatory issues • Terms for values and ethics in the international security industry 	<p>We assume an active role in industry organizations, especially in markets where we have a leading position. We work to increase industry regulation in order to improve the status of the security officer profession, raise industry wage levels and intensify skills development efforts.</p>
<p>Policy makers and authorities</p> <p>Securitas cooperates closely with authorities in all countries where we operate – both to improve our business conditions and to explore new business opportunities.</p>	<p>Securitas maintains a continuous dialog with authorities and policymakers at the local, national and international level.</p>	<ul style="list-style-type: none"> • Laws and regulations concerning the security industry • Possibilities to expand assignments to ensure a safer society 	<p>Securitas works to improve the business conditions in the security industry. We also explore opportunities to take over non-core police tasks.</p>

Materiality analysis

Material issues are topics that have a substantial influence on the stakeholders' perception of our performance and impact our ability to create and sustain value. They indicate Securitas' most significant economic, environmental and social impacts. Materiality determines when an issue becomes important enough to be included in the business strategy and the way we manage and report on non-financial issues.

Our process for identifying materiality provides a future focus for our sustainability work and helps us analyze our impact across the value chain. It provides us with deeper insights into stakeholders' expectations of Securitas, how we should develop our sustainability agenda and how our stakeholders perceive the outcome of our progress and strategy.

In addition to the information we obtain through regular communication with our stakeholders, we conducted a stakeholder dialog in 2019 to collect input regarding our sustainability work and performance. This dialog was carried out in the form of a web-based survey sent to stakeholder representatives.

The survey included questions about what sustainability areas Securitas should focus on, how well the stakeholders think we perform in these areas and finally, their view on how sustainable we are as a company.

The results indicated areas that have also previously been considered prioritized:

- Decent working conditions
- Health and safety
- Compliant business practices
- Capacity building
- Diversity and equal opportunity

The areas where the stakeholders think that Securitas performs best included complaint business practices/anti-corruption, human rights, decent working conditions, and privacy and confidentiality. A clear majority (76 percent) of the stakeholders also confirmed that Securitas understands their priorities and expectations.

Based on the materiality analysis, we have decided to focus on the areas listed below in our sustainability work.

OUR FOCUS AREAS

Material aspect for Securitas	GRI Topic
Anti-corruption	205 Anti-corruption
Occupational health and safety	403 Occupational health and safety
Talent training and retention	401 Employment
Labor practices, non-discrimination and human rights	404 Training and education 405 Diversity and equal opportunity
Client relations	418 Client privacy

Sustainability governance

The Board of Directors decides on Securitas' sustainability strategy and policies together with the President and CEO of Securitas AB, who has ultimate responsibility for the realization of the Group's sustainability work. The Group has an Ethics and Sustainability Board, which establishes the principles for the Group's sustainability work and follows up cases of alleged non-compliance with Securitas' Values and Ethics Code. The board meets regularly and comprises the Group's President and CEO, SVP General Counsel, SVP Group Brand and Communications and Group Sustainability officer. Our system for managing our work related to environmental, social and governance areas comprises six key components:

- 1. Securitas' Values and Ethics Code:** One of the company's most important policies, Securitas' Values and Ethics Code stipulates the basic principles that Securitas expects its employees and business partners to follow at all times.
- 2. Employee training:** All Securitas employees undergo training in Securitas' Values and Ethics Code. An in-depth e-learning program for managers and office personnel is available in more than 40 languages. Local-language e-learning and classroom training sessions are held for the company's security officers. Relevant employees also receive training in other core policies, such as the anti-corruption policy.
- 3. System for reporting non-compliance:** The Securitas Integrity Line (known as Securitas Hotline in the US and Canada, and Linea de Alerta in Mexico) is a Group system used for reporting cases of non-compliance with Securitas' Values and Ethics Code. All employees and business partners are encouraged and expected to report any cases of non-compliance, with the assurance that the reporter will not be subjected to any negative consequences.
- 4. Risk management:** Non-compliance with Securitas' Values and Ethics Code is considered a risk, and as such, it has been classified as one of seven priority risks in the Group's enterprise risk management process. These risks are followed up on a regular basis.
- 5. Monitoring:** To meet the demands of clients and other stakeholders with respect to increased transparency and communication, Securitas AB publishes a sustainability report that follows the Global Reporting Initiative (GRI) standards.
- 6. Group Sustainability Officer:** The Group Sustainability Officer leads the Group's ongoing sustainability work and, in addition to following the regular reporting line, also reports to the Board of Directors' Audit Committee. Responsibilities include coordination of sustainability activities across the Group, which involves working closely together with other core functions. Other responsibilities include stakeholder engagement on sustainability issues, and supporting the Group's countries of operation with respect to sustainability matters.

Supply chain

We must ensure that our suppliers live up to our requirements, as set forth in Securitas' supplier and sub-contractor policies, and that they adhere to Securitas' Values and Ethics Code. A separate code of conduct for suppliers will be implemented during 2020.

Suppliers of uniforms and electronic security equipment are among those defined as critical suppliers, meaning suppliers whose failure to perform in accordance with our specific requirements could severely impact Securitas' performance or brand, locally or globally.

Suppliers' adherence to our anti-corruption policy is also a key area for monitoring performance. While selecting, assessing and monitoring critical suppliers, we also evaluate whether the supplier has established a selection procedure, and conducted risk assessments of its own critical suppliers.

Memberships and engagements in organizations

Securitas is a member in the following industry organizations:

- International Security Ligue
- Aviation Security Services Association International (ASSA-I)
- ASIS International
- National organizations for security companies in most countries where we operate, such as the National Association of Security Companies (US), Bundesverband der Sicherheitswirtschaft (Germany), Cámara Argentina de Empresas de Seguridad e Investigación (Argentina) and the Hong Kong Security Association (Hong Kong)

International commitments

- UN Global Compact
- International Security Ligue's Code of Conduct and Ethics

Sustainability indexes

- FTSE4Good Index Series
- STOXX Global ESG Leaders

Supplier rating systems and reporting

- EcoVadis (silver level and industry leader)
- Sedex
- CDP

Management approach

Anti-corruption

Securitas has operations in 56 countries all over the world, and acting with integrity and ensuring we take an active stand against corruption are prioritized issues. Certain markets are more challenging than others in this regard for example, countries with a low score in Transparency International's Corruption Perceptions Index, but this does not mean that we do not actively monitor lower-risk countries.

Securitas' Values and Ethics Code and the Securitas anti-corruption policy set out minimum requirements that ensure compliance with applicable local and extraterritorial laws. The anti-corruption policy also sets out the principle of zero tolerance for any corrupt practices, with clear definitions, requirements for risk assessment, guidance regarding third party relationships, training and follow-up. Local entities are subsequently asked to create their own detailed policies for gifts and entertainment.

Non-compliance with Securitas' Values and Ethics Code and other key policies is considered an operational risk, and as such, is part of the Group's enterprise risk management process (ERM). ERM is an integral component of Securitas' operations, and risk awareness is part of the company culture. Risk assessments are conducted within the framework of the Securitas ERM process. Controls are performed on several levels within the organization and are established based on the process concerned.

Relevant managers and administrative staff must complete a detailed e-learning course on the anti-corruption policy. Approximately 90 percent of these employees have completed the course.

Securitas encourages all employees to report incidents of non-compliance with Securitas' Values and Ethics Code or any irregularities that they encounter in their work. This can be done through various channels, for example, the Group's Securitas Integrity Line reporting system, which is publicly available at www.securitasintegrity.com (Securitas Hotline in the US and Canada, securitashotline.com/securitashotline.ca; Linea de Alerta in Mexico; lineadealerta.com.mx)

Occupational health and safety

Health and safety work is vital to our operations. Our security officers are trained not only to protect themselves, but also to help others while on assignment, for example, by performing first-aid and CPR, and fire safety. A thorough risk assessment helps us identify and scope safety hazards. The lessons we have learned from this approach have even become part of the services we offer our clients.

Securitas makes extensive efforts to ensure the health and safety of both our security officers and the individuals they must, from time to time, act against. If threatening situations occur, the security officers are instructed to avoid confrontation and await the arrival of the police. The vast majority of our security officers do not carry weapons. Those who do have undergone specialist training and licensing requirements and are usually deployed on special assignments, for example, in a critical infrastructure facility such as an airport.

Security officers receive appropriate training, instruction and equipment for the assignment in question. We work actively with occupational health and safety issues in all countries. Our operations in 22 are OHSAS 18001/ISO45001 certified and most countries have health and safety committees. We closely monitor the number of work-related injuries and work-related ill health.

Breaches can be reported through various channels, for example, the Group's Securitas Integrity Line reporting system.

Talent training and retention

Securitas' clients are increasingly demanding a higher degree of security and more advanced security solutions. We build on the experience and expertise of our employees, and employ people with various competencies, leveraging our competence to meet new challenges. As a result of expanding business areas within data-driven intelligent services, Securitas must employ people with new competencies that we have not had before and develop and empower our existing employees in new capacities. With our focus on innovation, we provide our employees with the tools they need to help our clients stay safe. Using technology efficiently requires both a wide set of skills and specialized capabilities.

Securitas has its own training centers in most countries of operation in order to ensure that the employees have the necessary competence to provide clients with high-quality security services. By improving the knowledge and skills of employees, we contribute to their professional growth and to a better understanding of the security profession. Empowering employees means a greater focus on training, skills and opportunities for professional development. We also encourage people to take on responsibility early in their careers.

In 2019, the average number of training hours per employee was 26.7.

We also conduct recurring employee surveys, the latest of which was carried out in 2018. In Security Services Europe, the survey covered all employees, while only managers and office personnel participated in Security Services North America. Our long-term ambition is to extend the survey to all employees in all major markets. The results of the survey show that a sense of empowerment is a critical factor for employees' job satisfaction.

Labor practices, non-discrimination and human rights

Securitas has a large workforce of 370 000 skilled and engaged employees, and working conditions are therefore important. Decent labor practices, the right to organize, human rights and non-discrimination are all vital to Securitas, our employees and our clients, and to our ability to attract and retain people with the right skill sets and values to meet future demands.

We work in many diverse markets around the world and in all of them we prioritize fair wages and working conditions. Securitas' Values and Ethics Code ensures that the company maintains and promotes the highest ethical business standards, and we also use our influence as one of the largest players in the industry in discussions with clients, unions and industry associations.

Securitas has entered into framework agreements with UNI Global Union, the Swedish Transport Workers' Association, and the European Workers' Council in our European division. These agreements underline our joint commitment to universal principles concerning business conduct, as outlined by the UN Global Compact and ILO's core conventions. They have also been influential when it comes to determining our level of ambition. In countries where Securitas does not have collective bargaining agreements or union representation, we encourage other ways of maintaining an open dialog with our employees, including workplace meetings, employee ombudsmen, call centers and channels for reporting concerns, such as the Securitas Integrity Line.

As a leading player in the security market, it is important that we pay wages that meet or exceed industry levels. Securitas has sound processes in place to ensure we live up to all legal standards and follow local and regional legislation and regulations regarding, for example, wages, working hours, overtime, social security charges and taxation.

Client relations

Developing our intelligent security services offering will create significant opportunities, but will also pose challenges and set high expectations to deliver these solutions responsibly. It is vital that we protect the data that we process on behalf of our clients. It is also essential that data is only shared and retained based on client approvals, in accordance with applicable laws and in a way that protects the privacy rights of individuals.

Many large corporations have strict requirements for the use of big data. It is important to be watchful and establish processes and practices to safeguard data privacy. At Securitas, we have policies, processes and training programs in place for managing these concerns, developed in accordance with the General Data Protection Regulations (GDPR) as well as local laws and regulations.

At a minimum, we address the negative implications of these technological advances by complying with all relevant legislative requirements. In addition, our policies – including Securitas' Values and Ethics Code and purchasing guidelines – provide us with support in addressing these issues. Our emphasis on risk assessment processes enables us to analyze risks efficiently, including the more recent implications of increased digitization in the industry and society as a whole.

Environment

The environment was not identified as a material topic in our materiality analysis, but as we are signatory of UN Global Compact, it is important for us to be transparent and work to combat climate change. We have therefore chosen to report our CO₂ emissions anyway. The Securitas Group's emissions policy states that we should strive to continually reduce our climate impact, focusing primarily on the energy and transport areas. The policy sets limits for CO₂ emissions for new purchased or leased company vehicles, and Securitas AB participates in CDP, formerly known as the Carbon Disclosure Project. We strive to follow the Rio Declaration's precautionary principle regarding threats of serious or irreversible environmental damage. The Group's operations do not require a permit under the Swedish Environmental Code.

Child labor and forced labor

Securitas does not employ or accept any form of child labor or forced labor. In the countries where the Group operates, there are regulations regarding who can work as a security guard, including age limits. Licenses for security officers are not given to people under the age of 18. An employee's age is also verified in as part of the recruitment processes. Securitas' UK operations comply with the disclosure obligations under the Modern Slavery Act 2015.

Securitas requires its suppliers to comply with Securitas' Values and Ethics Code, which includes non-acceptance of child labor and forced labor.

Sustainability risks

At the highest level, the Board considers where future strategic opportunities and risks lie, and helps shape the corporate strategy. Balanced and focused risk management is necessary for the fulfillment of Securitas' strategies and the achievement of its corporate objectives.

Enterprise risk management is an integral component of Securitas' operations, and risk awareness is part of the company culture. Risk

assessment is a dynamic process that aims to identify and analyze risks in relation to Securitas' objectives. It serves as the basis for implementing mitigating actions after considering the controls in place (reduce, transfer/ share or accept the risk in question). Sustainability risks are handled in the same way. Our major sustainability risks are described below.

For more information on the Group's risk management process, see pages 45-51.

RISK AREA	DESCRIPTION	CONSEQUENCE	PREVENTIONS
Working conditions	Risk that labor practices, the right to organize, human rights and non-discrimination may not be respected.	Licenses to conduct security operations could be lost, which would lead to a loss of business, a negative financial impact and brand damage. It might also lead to difficulties in recruiting and retaining employees.	Securitas has policies and sound processes in place to ensure we live up to all legal standards and comply with local and regional legislation and regulations. We have a global framework agreement with UNI Global Union and the Swedish Transport Workers' Association.
Occupational health and safety	Risk that employees may be injured or even die due to inadequate health and safety processes and procedures.	Poor health and safety procedures that put our employees at risk can lead to reputational and brand damage, a loss of business and difficulties in recruiting and retaining employees.	Employees are trained continuously to ensure that they can perform their tasks safely. Adequate equipment must also be provided.
Access to talent	Risk that we will not be able to attract and retain the right talent to remain a leader in the development of the security industry.	Not being able to fulfill our clients' requirements could lead to a loss of business and market position.	We must continuously improve our recruitment and onboarding processes, talent management and training, and use modern tools for sharing knowledge and best practices.
Training	Risk that our employees may not have the right competence for their assignments or for developing new services and the business.	Not meeting client demands on us as a provider of high-quality professional security services could lead to lost client contracts and difficulties in recruiting and retaining employees.	Securitas has training centers in most countries and provides both basic and highly specialized training for employees at all levels, including skills that support the strategy of data-driven innovation and digitization.
Securitas' Values and Ethics Code	Risk that employees or business partners might not comply with Securitas' Values and Ethics Code and the company's core values.	Licenses could be lost, which would lead to a loss of business, a negative financial impact and brand damage. It might also lead to difficulties in recruiting and retaining employees.	Securitas has policies and sound processes in place to ensure we live up to all legal standards and comply with local and regional legislation and regulations. We have a global framework agreement with UNI Global Union and the Swedish Transport Workers' Association.

RISK AREA	DESCRIPTION	CONSEQUENCE	PREVENTIONS
Ethical business standards	Risk that employees or business partners may be involved in corruption, unfair competition, conflicts of interest and other non-ethical business behavior.	In a worst-case scenario, this type of non-ethical business behavior could lead to a major negative financial impact, a loss of business and reputational damage.	Securitas has a zero-tolerance policy against all forms of bribery and corruption. Without exception, all employees and business partners must comply with local laws and regulations as well as Securitas' Values and Ethics Code and other key policies.
Protecting data	Risk that our data may not be properly protected.	Inadequate protection of data could lead to reputational and brand damage, a loss of business and fines.	Data protection and privacy are important and thus protected through strong security, organizational and technical measures. Securitas complies with all relevant legal requirements related to the protection of data and has policies, processes and training programs in place.
Client relations	Risk that we may not meet our clients' sustainability requirements.	An inability to comply with our clients' sustainability requirements could lead to a loss of business, a negative financial impact and brand damage.	We must have an in-depth understanding of our clients' needs and industry-specific requirements, and a business that is sustainable in all areas. Our emphasis on employee safety and fair labor practices ensures that we deliver high-quality services.
Security practices	Risk that employees could act in a way that is contrary to local laws, authority regulations and Securitas' policies and human rights conventions.	Acting in a way that contravenes the law, policies and conventions, and in a worst-case scenario contributing to human rights violations, could lead to reputational and brand damage, a loss of business and difficulties in recruiting and retaining employees.	Securitas has policies and sound processes in place to ensure that we live up to all legal standards. We conduct risk assessments of the countries we operate in and of our clients, when necessary. As a signatory of UN Global Compact, Securitas commits to its Ten Principles.
Environment	Risk that our operations could cause environmental damage.	Not working to reduce our climate impact could lead to brand damage, a loss of clients and difficulties in recruiting and retaining employees.	Securitas complies with or exceeds the environmental requirements in the countries where we operate, and we continuously work to reduce the consumption of resources, emissions and waste.

Key figures

NUMBER OF EMPLOYEES PER BUSINESS SEGMENT

	2019	% of total	2018	% of total
Security Services North America	121 000	33	122 000	33
Security Services Europe	124 000	34	128 000	35
Security Services Ibero-America	64 000	17	63 000	17
Other	61 000	16	57 000	15
Total	370 000		370 000	

SALARIES AND BENEFITS PER BUSINESS SEGMENT

MSEK	2019	% of total	2018	% of total
Security Services North America	38 556	45	33 689	43
Security Services Europe	35 236	41	33 469	43
Security Services Ibero-America	10 303	12	9 712	12
Other	1 932	2	1 662	2
Total	86 027		78 532	

GENDER DISTRIBUTION, AVERAGE NUMBER OF YEARLY EMPLOYEES

	2019			2018		
	Men	Women	Total	Men	Women	Total
Number of employees	234 505	67 550	302 055	234 421	65 892	300 313
Percentage of employees	78	22	100	78	22	100

GENDER DISTRIBUTION, BOARD OF DIRECTORS

	2019			2018		
	Men	Women	Total	Men	Women	Total
Number of Board members ¹	5	3	8	5	3	8
Percentage of Board members	62	38	100	62	38	100

¹ Excluding employee representatives

SHARE OF EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS, %

	2019	2018
Share of employees covered by collective bargaining agreements	59	56

NEW EMPLOYEES (NUMBER)

	2019	2018
Actual number ¹	149 283	154 116 ²
% of average number of yearly employees	49	51

¹ Does not include India and Vietnam

² The total has been restated due to changed calculation method.

EMPLOYEE TURNOVER, %

	2019	2018
Employee turnover ¹	40	40

¹ Does not include India and Vietnam

NEW EMPLOYEES - AGE GROUP AND GENDER IN RELATION TO TOTAL NEW EMPLOYEES, %

	2019			2018		
	Men	Women	Total	Men	Women	Total
Under 30 years	36	14	50	39	12	51
30-50 years	27	9	36	29	8	37
Over 50 years	11	3	14	9	3	12

SHARE OF EMPLOYEES WITH FULL-TIME AND PART-TIME EMPLOYMENT, RESPECTIVELY, %

	2019	2018
Full-time	87	86
Part-time	13	14

SPLIT PER GENDER, %

	2019	2018
Full-time, men	70	70
Full-time, women	17	16
Part-time, men	9	10
Part-time, women	4	4

SHARE OF EMPLOYEES WITH PERMANENT AND TEMPORARY WORK CONTRACTS, RESPECTIVELY, %

	2019	2018
Permanent	91	91
Temporary	9	9

SPLIT PER GENDER, %

	2019	2018
Permanent employees, men	72	72
Permanent employees, women	19	19
Temporary employees, men	7	7
Temporary employees, women	2	2

WORKFORCE SPLIT ON EMPLOYMENT CATEGORY

	2019			2018		
	Men	Women	Total	Men	Women	Total
Managers/office personnel	11 728	6 151	17 879	11 247	5 555	16 802
Security officers	275 730	69 464	345 194	274 996	68 306	343 302
Total¹			363 073			360 104

1 The difference compared with total number of employees is explained by missing or inadequate information from certain reporting entities.

AREA MANAGERS AND BRANCH MANAGERS, SPLIT ON GENDER

	Men	Men, %	Women	Women, %	Total
Area managers	248	86	42	14	290
Branch managers	1 453	86	229	14	1 682
Total	1 701		271		1 972

SPECIFICATION OF YEARS OF SERVICE PER EMPLOYMENT CATEGORY

	2019	% of total	2018	% of total
Managers and office personnel				
Less than 1 year	3 122	17	2 962	18
1-2 years	3 349	19	2 450	15
2-5 years	3 162	18	3 280	19
5-10 years	3 121	17	2 963	18
Over 10 years	5 089	29	5 106	30
	17 843		16 761	
Security officers				
Less than 1 year	106 484	32	115 943	34
1-2 years	58 678	17	59 315	17
2-5 years	72 041	21	66 588	20
5-10 years	46 415	14	45 439	13
Over 10 years	53 390	16	56 014	16
	337 008		343 299	
Total¹				
Less than 1 year	109 606	31	118 905	33
1-2 years	62 027	18	61 765	17
2-5 years	75 203	21	69 868	19
5-10 years	49 536	14	48 402	14
Over 10 years	58 479	16	61 120	17
	354 851		360 060	

1 The difference compared with total number of employees is explained by missing or inadequate information from certain reporting entities.

WORK-RELATED INJURIES

	2019	2018
Total hours worked	721 010 888	741 330 169
Actual number of work-related injuries	6 456	6 131
Injury rate	1.8	1.7
Actual number of work-related fatalities	2	2

Notes: The injury rate is calculated based on 200 000 hours worked.

CAUSES, WORK RELATED FATALITIES

	2019	2018
Traffic accident	2	1
Shooting, other fatal attack	0	1

WORK RELATED FATALITIES 2019 PER COUNTRY

	Traffic accident	Assault
USA	1	0
Costa Rica	1	0
	2	0

WORK RELATED FATALITIES 2018 PER COUNTRY

	Traffic accident	Assault
Colombia	0	1
Portugal	1	0
	1	1

TRAINING HOURS

	2019	2018
Total number of hours of training	9 677 595	9 084 536
Average number of hours of training per employee	26.7	25.2

TRAINING HOURS, PER EMPLOYMENT CATEGORY

	2019	2018
Managers/office staff	428 026	370 739
Security officers	9 249 569	8 713 797

TRAINING HOURS, PER GENDER

	2019	2018
Men	8 320 246	7 422 687
Women	1 357 349	1 661 849

PROPORTION OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY, %

	2019	2018
Hired from local community	98	98
Hired from outside local community	2	2

GROSS DIRECT EMISSIONS AND INDIRECT MARKET-BASED EMISSIONS OF CO₂ EQUIVALENT 2019

	Direct (Scope 1)	%	Indirect (Scope 2)	%	Indirect (Scope 3)	%	Total	%
Security Services North America	34 159	25	2 437	9	7 284	14	43 880	20
Security Services Europe	72 821	54	21 557	76	29 095	54	123 473	57
Security Services Ibero-America	25 322	19	2 802	10	12 821	24	40 945	19
AMEA	3 312	2	1 332	5	3 692	7	8 336	4
Other	98	0	101	0	464	1	663	0
Total	135 712		28 229		53 356		217 297	
Change compared to 2018, %	23		-6		3		13	
tCO ₂ emission per employee (full-time equivalent, FTE)							0.63	

GROSS DIRECT EMISSIONS AND INDIRECT MARKET-BASED EMISSIONS OF CO₂ EQUIVALENT 2018

	Direct (Scope 1)	%	Indirect (Scope 2)	%	Indirect (Scope 3)	%	Total	%
Security Services North America	22 625	21	2 336	8	8 747	17	33 708	18
Security Services Europe	60 601	55	23 322	77	27 998	54	111 921	58
Security Services Ibero-America	23 646	21	3 024	10	10 047	19	36 717	19
AMEA	3 169	3	1 406	5	4 006	8	8 581	4
Other	43	0	39	0	1 046	2	1 128	1
Total	110 084		30 127		51 844		192 055	
Change compared to 2017, %	19		-1		-4		8	
tCO ₂ emission per employee (full-time equivalent, FTE)							0.57	

2016 is the base year for the market based emissions, and it is chosen as it was the first year that Securitas assessed its climate impact using the market based calculation method. The boundary of the climate assessment includes 53 reporting units, the same units as currently reporting in accordance with the location based method.

A GHG assessment quantifies all seven Kyoto greenhouse gases where applicable and it is measured in units of carbon dioxide equivalence, or CO₂e. For Securitas the following greenhouse gases are applicable and have been included in the assessment:

Carbon dioxide (CO₂), Methane (CH₄), Nitrous oxide (N₂O).
Biogenic CO₂ emissions: 69.6 tonnes (2018: 22.2 tonnes)

The Greenhouse Gas Protocol Corporate Standard is a standard for reporting climate data. The system Our Impacts has been used as the calculation tool. Operational control is the chosen consolidation approach.

The increase in emissions is explained by improved quality of reported Scope 1 (vehicles) data. Securitas makes ongoing efforts to refine the reporting in all its sites, why increases due to improved data quality might

continue to appear in the coming years. At the same time the growth in sales and FTEs shows that the emissions intensity has stayed more or less constant during the past three reporting years, despite the increase in total emissions. Emissions in both Scope 2 has continued to decrease whereas Scope 3 has increased slightly. The higher emissions in Scope 3 refers to larger purchases of uniforms and also upstream emissions from vehicles.

Emissions from business travel continues to decrease as many sites referring to increased use of for example video conference meetings.

AVERAGE CO₂ EMISSIONS, ALL COMPANY OWNED AND LEASED VEHICLES

	2019	2018
Gram/km	141	139
Max CO ₂ gram per km for new minivans (6-7 seater)	170 ¹ /200 ²	170 ¹
Max CO ₂ gram per km for new company cars (max 5 seater)	160 ²	125 ¹
Number of vehicles	15 304	14 609

¹ According to the calculation method NEDC

² According to the calculation method WLTP

SUBSCRIPTION TO/ENDORSEMENT
OF EXTERNAL DECLARATIONS, PRINCIPLES, ETC

COUNTRY	ISO 9001	ISO 14001	ISO 27001	OHSAS 18001/ ISO45001
Austria	■			
Belgium	■	■	■	
Bosnia and Herzegovina	■			
Croatia	■	■		■
Czech Republic	■		■	
Denmark	■			■
Estonia	■	■		
Finland	■	■		■
France	■			
Germany	■			
Hungary	■	■	■	
Ireland	■	■		■
Latvia	■			
Montenegro	■	■	■	■
Norway	■	■		■
Poland	■			
Romania	■	■	■	■
Serbia	■	■	■	■
Slovakia	■			■
Slovenia				
Sweden	■	■		
Switzerland	■	■		■
the Netherlands	■	■		■
Turkey	■	■		■
UK	■	■	■	■
Argentina	■			
Chile				■
Colombia	■			■
Costa Rica				
Ecuador	■			
Peru	■	■		■
Portugal	■	■		■
Spain	■	■	■	■
Uruguay	■			
Australia	■	■		■
Hong Kong	■			
India	■	■	■	■
Morocco				■
Singapore	■			
UAE	■	■		■
Vietnam	■			

Client satisfaction surveys

Clients are an important stakeholder group and client satisfaction surveys is another way of maintaining a constructive dialog with this group.

59 percent of all countries of operation conduct regular client satisfaction surveys. The share of satisfied clients lies between 75 and 95 percent.

The three key conclusions from surveys conducted in 2019 are:

- Service quality - most customers are satisfied with the service quality
- Training - training of the security officers can be further improved
- Communication - more communication to make things easier for our clients

GRI-index

Securitas AB's sustainability report is prepared according to the Global Reporting Initiative (GRI) sustainability reporting standards, with the Core application level. Where relevant, this report also highlights how our priorities reflect the UN Global Compact's Ten Principles for labor and human rights, the environment and anti-corruption and therefore acts as our UNGC Communication on Progress.

GRI STANDARD	Disclosure	Page reference	Note	UN Global Compact
General disclosures				
GRI 102: General disclosures	Organizational profile			
	102-1 Name of the organization	57		
	102-2 Activities, brands, products, and services	25-29, 57		
	102-3 Location of headquarters	75		
	102-4 Location of operations	25		
	102-5 Ownership and legal form	162-163		
	102-6 Markets served	25-29		
	102-7 Scale of the organization	98 (note 10), 124 (note 39)		
	102-8 Information on employees and other workers	150-152	Includes data from the associated companies in India and Vietnam	6
	102-9 Supply chain	146		
	102-10 Significant changes to the organization and its supply chain	4, 61		
	102-11 Precautionary principle or approach	147		
	102-12 External initiatives	13, 146, 154		
	102-13 Membership of associations	145, 146		
	Strategy			
	102-14 Statement from senior decision-maker	4-5		
	102-15 Key impacts, risks, and opportunities	8-9, 148-149		
	Ethics and integrity			
	102-16 Values, principles, standards, and norms of behavior	30-31, 146-147		10
	102-17 Mechanisms for advice and concerns about ethics	146		

GRI STANDARD	Disclosure	Page reference	Note	UN Global Compact	
General disclosures					
GRI 102: General disclosures	Governance				
	102-18 Governance structure	34-39			
	102-20 Executive-level responsibility for economic, environmental, and social topics	146			
	102-21 Consulting stakeholders on economic, environmental, and social topics	144-145			
	102-22 Composition of the highest governance body and its committees	35-41			
	102-23 Chair of the highest governance body	37, 39			
	Stakeholder engagement				
	102-40 List of stakeholder groups	144-145			
	102-41 Collective bargaining agreements	150		Includes data from the associated companies in India and Vietnam	3
	102-42 Identifying and selecting stakeholders	144-145			
	102-43 Approach to stakeholder engagement	144-145			
	102-44 Key topics and concerns raised	145			
	Reporting practice				
	102-45 Entities included in the consolidated financial statements	136 (note 52)			
	102-46 Defining report content and topic boundaries	145			
	102-47 List of material topics	145			
	102-48 Restatements of information	-			
	102-49 Changes in reporting	-		No changes in our focus areas have been made, compared with previous year.	
	102-50 Reporting period	144			
	102-51 Date of most recent report	144			
	102-52 Reporting cycle	144			
	102-53 Contact point for questions regarding the report	144			
	102-54 Claims of reporting in accordance with the GRI Standards	144			
102-55 GRI content index	155-157				
102-56 External assurance	158				
Material Topics					
Anti-corruption					
Management approach	103-1 Explanation of the material topic and its boundary	146			
	103-2 The management approach and its components	146			
	103-3 Evaluation of the management approach	146			
GRI 205: Anti-corruption	205-2 Communication and training about anti-corruption policies and procedures	146			
Environment					
Emissions					
Management approach	103-1 Explanation of the material topic and its boundary	147		Environment was not considered a material topic in our materiality analysis, but as we are a signatory of UN Global Compact, it is important for us to be transparent and work for reduced climate impact, and we have therefore chosen to report CO ₂ emissions anyway.	
	103-2 The management approach and its components	147			
	103-3 Evaluation of the management approach	147			
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	153		Includes data from the associated companies in India and Vietnam	7, 8, 9
	305-2 Energy indirect (Scope 2) GHG emissions	153		Includes data from the associated companies in India and Vietnam	7, 8, 9
	305-3 Other indirect (Scope 3) GHG emissions	153		Includes data from the associated companies in India and Vietnam	7, 8, 9

GRI STANDARD	Disclosure	Page reference	Note	UN Global Compact
Social				
Employment				
Management approach	103-1 Explanation of the material topic and its boundary	147		
	103-2 The management approach and its components	147		
	103-3 Evaluation of the management approach	147		
GRI 401: Employment	401-1 New employee hires and employee turnover	150	Does not include data from the associated companies in India and Vietnam. Omission: Total number of leavers.	6
Occupational health and safety				
Management approach	103-1 Explanation of the material topic and its boundary	147		
	103-2 The management approach and its components	147		
	103-3 Evaluation of the management approach	147	Includes data from the associated companies in India and Vietnam	
GRI 403: Occupational health and safety	403-1 Occupational health and safety management systems	147, 154	Includes data from the associated companies in India and Vietnam	6
	403-4 Worker participation, consultation and communication on occupational health and safety	147	Includes data from the associated companies in India and Vietnam	
	403-5 Worker training on occupational health and safety	147	Includes data from the associated companies in India and Vietnam	
	403-9 Number of work-related injuries	152	Includes data from the associated companies in India and Vietnam	
Training and education				
Management approach	103-1 Explanation of the material topic and its boundary	147		
	103-2 The management approach and its components	147		
	103-3 Evaluation of the management approach	147		
GRI 404: Training and education	404-1 Average hours of training per year per employee	152	Includes data from the associated companies in India and Vietnam. Omission: Average number of training hours per gender.	6
Diversity and equal opportunity				
Management approach	103-1 Explanation of the material topic and its boundary	147		
	103-2 The management approach and its components	147		
	103-3 Evaluation of the management approach	147		
GRI 405: Diversity and equal opportunity	405-1 Diversity of governance bodies and employees	150	Includes data from the associated companies in India and Vietnam. Omission: Split per age group.	
Client privacy				
Management approach	103-1 Explanation of the material topic and its boundary	147		
	103-2 The management approach and its components	147		
	103-3 Evaluation of the management approach	147	Includes data from the associated companies in India and Vietnam	
GRI 418: Client privacy	418-1 Substantiated complaints concerning breaches of client privacy and losses of client data	18, 147, 149	Includes data from the associated companies in India and Vietnam	
Risk for child labor		13, 147		1, 2, 5
Risk for forced labor		13, 147		1, 2, 4

This is a translation of the Swedish original report

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Securitas AB (publ) corporate identity number 556302-7241

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability report for the year 2019 as outlined in the table below and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

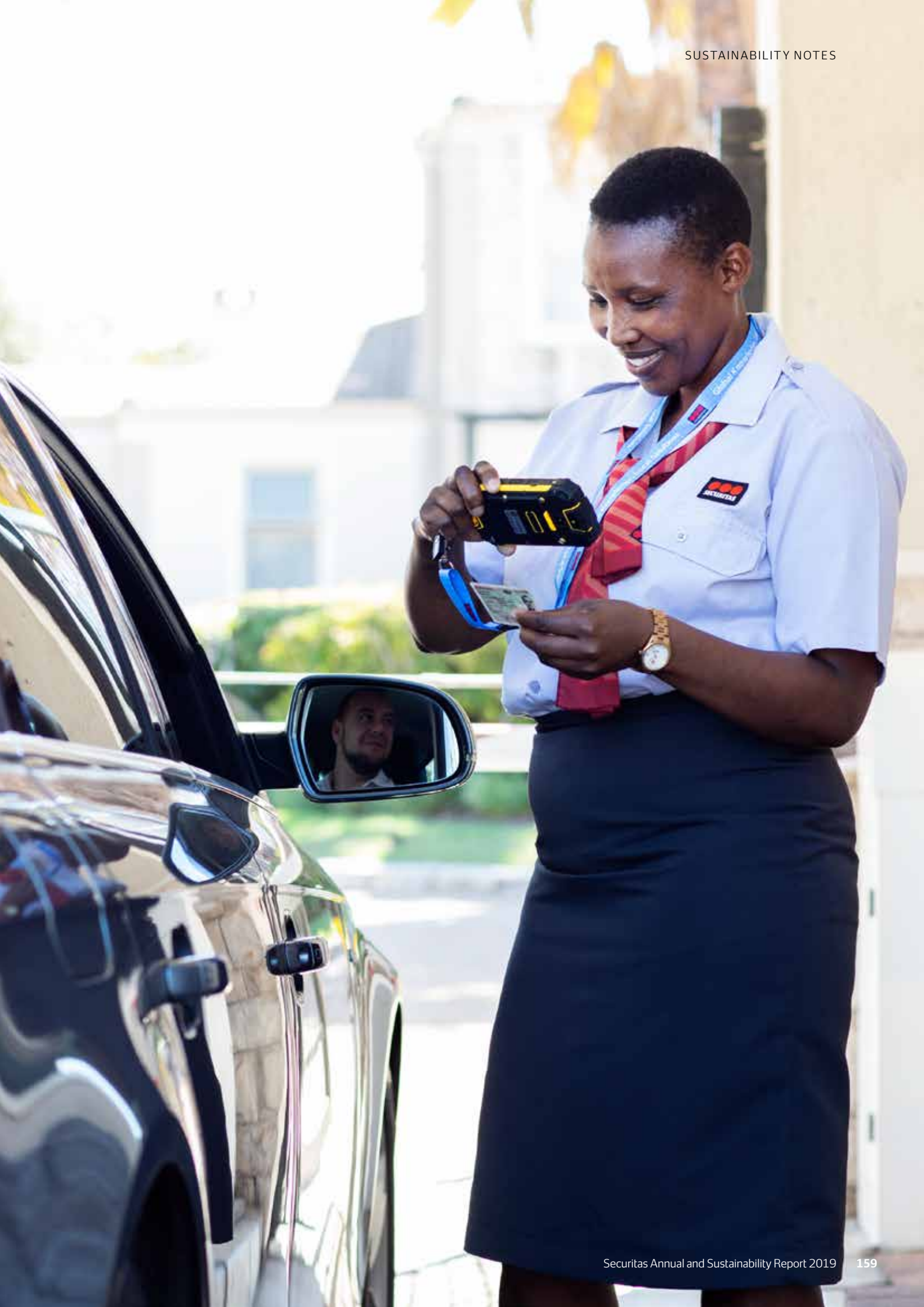
Opinion

A statutory sustainability report has been prepared.

Stockholm, March 18, 2020
PricewaterhouseCoopers AB

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

INFORMATION ABOUT:	See page
Environment	147, 149, 153
Social conditions	146-148
Personnel	10-13, 30, 144, 147, 148, 150-152
Respect for human rights	13, 147
Anti-corruption	146, 149
Business model	10-11
Significant risks for sustainability	148-149
GRI index	155-157



Statement of income 2019¹

MSEK	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Sales	26 195	27 134	28 106	28 125
Sales, acquired business	549	550	108	132
Total sales	26 744	27 684	28 214	28 257
<i>Organic sales growth, %</i>	7	5	4	2
Production expenses	-22 113	-22 882	-23 238	-23 355
Gross income	4 631	4 802	4 976	4 902
Selling and administrative expenses	-3 350	-3 443	-3 416	-3 428
Other operating income	8	9	9	8
Share in income of associated companies	1	9	5	15
Operating income before amortization	1 290	1 377	1 574	1 497
<i>Operating margin, %</i>	4.8	5.0	5.6	5.3
Amortization of acquisition related intangible assets	-66	-70	-67	-68
Acquisition related costs	-12	-17	-5	-28
Items affecting comparability	-20	-46	-60	-83
Operating income after amortization	1 192	1 244	1 442	1 318
Financial income and expenses	-139	-150	-149	-140
Income before taxes	1 053	1 094	1 293	1 178
<i>Net margin, %</i>	3.9	4.0	4.6	4.2
Current taxes	-305	-318	-375	-202
Deferred taxes	12	18	18	-104
Net income for the period	760	794	936	872
Whereof attributable to:				
Equity holders of the Parent Company	758	795	935	869
Non-controlling interests	2	-1	1	3
Earnings per share before and after dilution (SEK)	2.08	2.18	2.56	2.38
Earnings per share before and after dilution and before items affecting comparability (SEK)	2.12	2.27	2.68	2.54

Statement of cash flow 2019¹

MSEK	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Operating income before amortization	1 290	1 377	1 574	1 497
Investments in non-current tangible and intangible assets	-707	-780	-800	-723
Reversal of depreciation	640	660	701	689
Change in accounts receivable	-133	-266	305	-145
Change in other operating capital employed	-1 157	-45	390	535
Cash flow from operating activities	-67	946	2 170	1 853
<i>Cash flow from operating activities, %</i>	-5	69	138	124
Financial income and expenses paid	-289	-55	-41	-58
Current taxes paid	-250	-275	-299	-367
Free cash flow	-606	616	1 830	1 428
<i>Free cash flow, %</i>	-72	68	174	124
Cash flow from investing activities, acquisitions and divestitures	-149	-233	-7	-185
Cash flow from items affecting comparability	-66	-77	-54	-106
Cash flow from financing activities	1 022	-1 083	-953	-685
Cash flow for the period	201	-777	816	452

Capital employed and financing 2019¹

MSEK	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Operating capital employed	14 239	14 293	13 968	13 100
<i>Operating capital employed as % of sales</i>	13	13	13	12
<i>Return on operating capital employed, %</i>	43	43	47	50
Goodwill	21 903	22 070	22 801	22 157
Acquisition related intangible assets	1 508	1 523	1 507	1 563
Shares in associated companies	487	484	504	320
Capital employed	38 137	38 370	38 780	37 140
<i>Return on capital employed, %</i>	13	13	14	15
Net debt	-19 290	-20 460	-19 415	-17 541
Shareholders' equity	18 847	17 910	19 365	19 599
<i>Net debt equity ratio, multiple</i>	1.02	1.14	1.00	0.89

¹ For definitions and calculation of key ratios refer to note 3.

Statement of income 2018¹

MSEK	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Sales	23 111	25 208	25 255	26 133
Sales, acquired business	245	258	566	691
Total sales	23 356	25 466	25 821	26 824
<i>Organic sales growth, %</i>	6	7	6	5
Production expenses	-19 305	-21 039	-21 140	-22 086
Gross income	4 051	4 427	4 681	4 738
Selling and administrative expenses	-2 977	-3 153	-3 241	-3 283
Other operating income	7	8	7	8
Share in income of associated companies	10	4	5	12
Operating income before amortization	1 091	1 286	1 452	1 475
<i>Operating margin, %</i>	4.7	5.0	5.6	5.5
Amortization of acquisition related intangible assets	-63	-65	-67	-65
Acquisition related costs	-9	-16	-16	-79
Items affecting comparability	-	-	-268	-187
Operating income after amortization	1 019	1 205	1 101	1 144
Financial income and expenses	-93	-103	-91	-154
Income before taxes	926	1 102	1 010	990
<i>Net margin, %</i>	4.0	4.3	3.9	3.7
Current taxes	-213	-264	-237	-248
Deferred taxes	-23	-7	-16	1
Net income for the period	690	831	757	743
Whereof attributable to:				
Equity holders of the Parent Company	689	833	756	738
Non-controlling interests	1	-2	1	5
Earnings per share before and after dilution (SEK)	1.89	2.28	2.07	2.02
Earnings per share before and after dilution and before items affecting comparability (SEK)	1.89	2.28	2.61	2.39

Statement of cash flow 2018¹

MSEK	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Operating income before amortization	1 091	1 286	1 452	1 475
Investments in non-current tangible and intangible assets	-519	-556	-543	-570
Reversal of depreciation	380	415	449	449
Change in accounts receivable	-274	-463	-451	-387
Change in other operating capital employed	-1 603	119	507	915
Cash flow from operating activities	-925	801	1 414	1 882
<i>Cash flow from operating activities, %</i>	-85	62	97	128
Financial income and expenses paid	-243	-39	-50	-100
Current taxes paid	-260	-234	-146	-216
Free cash flow	-1 428	528	1 218	1 566
<i>Free cash flow, %</i>	-182	57	109	146
Cash flow from investing activities, acquisitions and divestitures	-514	-721	-387	-133
Cash flow from items affecting comparability	-	-	-24	-93
Cash flow from financing activities	804	312	-1 001	-491
Cash flow for the period	-1 138	119	-194	849

Capital employed and financing 2018¹

MSEK	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Operating capital employed	9 598	10 514	9 847	9 199
<i>Operating capital employed as % of sales</i>	10	10	10	9
<i>Return on operating capital employed, %</i>	55	54	55	58
Goodwill	19 553	20 845	20 786	21 061
Acquisition related intangible assets	1 367	1 358	1 482	1 458
Shares in associated companies	424	452	442	452
Capital employed	30 942	33 169	32 557	32 170
<i>Return on capital employed, %</i>	15	15	15	15
Net debt	-14 467	-16 732	-15 749	-14 513
Shareholders' equity	16 475	16 437	16 808	17 657
<i>Net debt equity ratio, multiple</i>	0.88	1.02	0.94	0.82

¹ For definitions and calculation of key ratios refer to note 3.

The Securitas Share

At year-end, the closing price of the Securitas share on Nasdaq Stockholm was SEK 161.45, corresponding to a market capitalization of MSEK 56 171 (49 491). Earnings per share was SEK 9.20 (8.26), which represented a total change of 11 percent compared with 2018, and 6 percent when adjusted for changes in exchange rates. EPS before items affecting comparability was SEK 9.61 (9.17), which represented a total change of 5 percent compared with 2018, and -1 percent when adjusted for changes in exchange rates. Adjusted for the negative impacts from the adoption of IFRS 16, as well as a higher tax rate compared to 2018, EPS before items affecting comparability and adjusted for exchange rates would have been 4 percent in 2019.

Performance of the share in 2019

At year-end, the closing price of the Securitas share was SEK 161.45 (142.25). The share price increased by 13 percent in 2019 to compare with the OMX Stockholm Price index, which increased by 30 percent. The highest price paid for a Securitas share in 2019 was SEK 170.05, which was noted on May 6, and the lowest price paid was SEK 136.75, which was noted on January 3.

Trading

A total of 275 million (325) Securitas shares were traded on Nasdaq Stockholm, representing a value of MSEK 42 001 (47 720). The turnover velocity in 2019 was 79 percent (92), compared with a turnover rate of 45 percent (48) for the entire Nasdaq Stockholm. The average number of Securitas shares traded each day was 1 099 300.

The trading on Nasdaq Stockholm represented 40 percent of all traded Securitas shares in all categories of venues in 2019 (includes, for example BATS Chi-X Europe, Turquoise as well as dark pools and off-book).

Share capital and shareholder structure

At December 31, 2019, the share capital amounted to SEK 365 058 897, distributed between an equal number of shares, each with a quota value of SEK 1.00. Of these shares, 17 142 600 are Series A shares and 347 916 297 are Series B shares. Each Series A share carries ten votes and each Series B share carries one vote. The free float of the Securitas share is 89 percent.

At December 31, 2019, Securitas had 41 892 shareholders (32 197). In terms of the number of shareholders, private individuals make up the largest shareholder category with 37 252 shareholders, corresponding to 89 percent of the total number of shareholders. In terms of capital and votes, institutional and other corporate entities dominate with 95 and 96 percent, respectively.

Shareholders based in Sweden hold 53 percent (49) of the capital and 67 percent (64) of the votes. Compared with 2018, the proportion of foreign shareholders in the shareholder base has decreased. At December 31, 2019, shareholders outside Sweden owned 47 percent (51) of the capital and 33 percent (36) of the votes. The largest shareholdings held by foreign shareholders are in the US and the UK, with 17 percent of the capital and 12 percent of the votes in the US and 11 percent of the capital and 7 percent of the votes in the UK. Foreign shareholders are not always recorded in the share register. Foreign banks and other custodians may be recorded for multiple customers' shares and the actual owners are then not displayed in the register.

At December 31, 2019, the principal shareholders in Securitas were Investment AB Latour, holding 10.9 percent (10.9) of the capital and 29.6 percent (29.6) of the votes, and Melker Schörling AB, holding 4.1 percent (4.5) of the capital and 10.7 percent (11.0) of the votes. These shareholders are represented on the Board of Directors by Carl Douglas and Sofia Schörling Högberg.

Dividend policy and cash dividend

With a balanced growth strategy comprising both organic and acquisition-driven growth and continued investments in security solutions and electronic security, Securitas should be able to sustain a dividend level in the range of 50-60 percent of the annual net income. The Board of Directors proposes a dividend of SEK 4.80 (4.40) per share, corresponding to 52 percent of net income and 50 percent of net income before items affecting comparability. Based on the share price at the end of 2019, the dividend yield for 2019 amounted to 3 percent.

Authorization to repurchase shares in Securitas AB

The 2019 Annual General Meeting resolved to authorize the Board of Directors to resolve upon the acquisition of the company's own shares up to a maximum of 10 percent of all shares and for a period up to the Annual General Meeting in 2020. On June 24, 2019, 125 000 shares were repurchased.

Securitas share in brief

Series B Securitas shares are traded on Nasdaq Stockholm, part of Nasdaq Nordic, and on other trading venues such as BATS Chi-X Europe. Securitas is listed on Nasdaq Stockholm on the Large Cap List for companies, which includes large companies with a market capitalization of more than MEUR 1000, and is included in the Industrial Goods & Services sector. The ISIN code for the Securitas share on Nasdaq Stockholm is SE0000163594.

The ticker code for the Securitas share is SECUB on Nasdaq Stockholm, SECUB:SS on Bloomberg and SECUB.ST on Reuters. Securitas has been listed on the stock exchange since 1991.

DATA PER SHARE

SEK/share	2019	2018	2017	2016	2015
Earnings per share ^{3,4}	9.20	8.26	7.53	7.24	6.67
Earnings per share before items affecting comparability	9.61	9.17	7.87	7.24	6.67
Dividend	4.80 ¹	4.40	4.00	3.75	3.50
Dividend as % of earnings per share	50 ²	53	51	52	52
Yield, %	3.0 ²	3.1	2.8	2.6	2.7
Free cash flow per share	8.95	5.16	6.27	4.71	5.93
Share price at end of period	161.45	142.25	143.20	143.40	130.00
Highest share price	170.05	164.05	151.80	152.90	135.00
Lowest share price	136.75	134.70	125.30	110.00	90.10
Average share price	153.43	146.96	139.07	132.01	115.80
P/E ratio	17	17	18	20	19
Number of shares outstanding (000s) ^{3,5}	364 934	365 059	365 059	365 059	365 059
Average number of shares outstanding, after dilution (000s) ^{3,5}	364 993	365 059	365 059	365 059	365 059

1 Proposed dividend.

2 Calculated on proposed dividend.

3 There are no outstanding convertible debenture loans. Consequently, there is no potential dilution.

4 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.

5 On June 24, 2019, 125 000 shares were repurchased.

LARGEST SHAREHOLDERS AT DECEMBER 31, 2019

Shareholder	Series A shares	Series B shares	% of capital	% of votes
Investment AB Latour	12 642 600	27 190 000	10.9	29.6
Melker Schörling AB ¹	4 500 000	10 419 039	4.1	10.7
State Street and Trust Co ²	0	31 388 097	8.6	6.0
Lannebo Funds	0	14 930 992	4.1	2.9
HSBC Bank Plc ²	0	11 970 684	3.3	2.3
Didner & Gerge Funds	0	10 403 258	2.8	2.0
BNY Mellon NA ²	0	9 179 368	2.5	1.8
Swedbank Robur Funds	0	8 647 709	2.4	1.7
BNY Mellon SA/NA ²	0	8 454 362	2.3	1.6
Carnegie Funds	0	7 325 000	2.0	1.4
Total, ten largest shareholders	17 142 600	139 908 509	43.0	59.9
Total, rest of owners	0	208 007 788	57.0	40.1
Total as of December 31, 2019	17 142 600	347 916 297³	100.00	100.00

1 In addition to the holding through Melker Schörling AB, holdings in the Schörling family of in total 7 200 shares are included.

2 Custodian banks.

3 Includes 125 000 shares that were repurchased on June 24, 2019.

Source: Euroclear Sweden

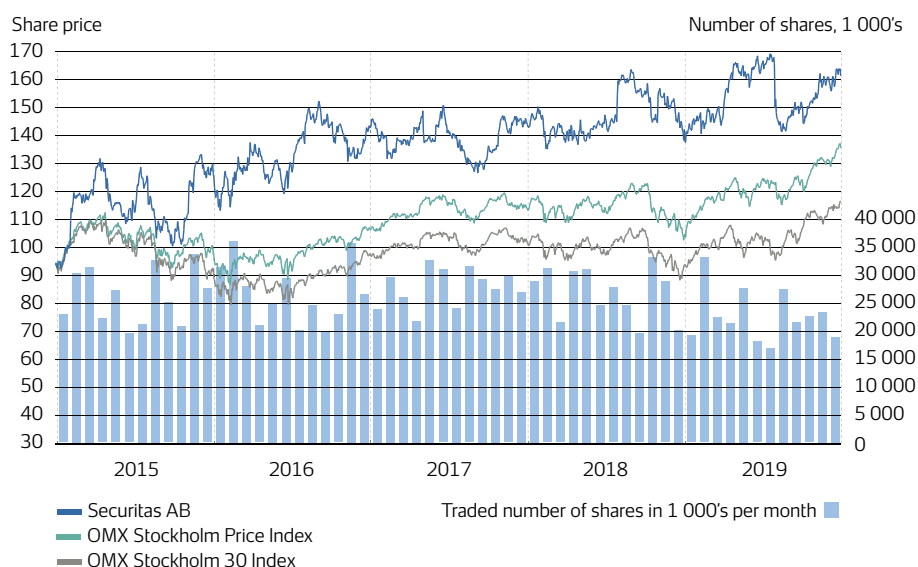
SHAREHOLDER SPREAD AT DECEMBER 31, 2019

Number of shares	Number of shareholders	Number of Series A shares	Number of Series B shares	% of capital	% of votes
1-500	31 865	0	3 984 265	1.09	0.77
501-1 000	4 311	0	3 487 323	0.96	0.67
1 001-5 000	4 289	0	9 580 797	2.62	1.84
5 001-10 000	556	0	4 075 996	1.12	0.78
10 001-15 000	181	0	2 274 326	0.62	0.44
15 001-20 000	115	0	2 111 425	0.58	0.41
20 001-	575	17 142 600	322 402 165	93.01	95.09
Total	41 892	17 142 600	347 916 297¹	100.00	100.00

1 Includes 125 000 shares that were repurchased on June 24, 2019.

Source: Euroclear Sweden

Share prices for Securitas, January 1 - December 31, 2015-2019



Definitions

Free cash flow per share: Free cash flow in relation to the number of shares outstanding.

Market capitalization: The number of shares outstanding times the market price of the share price at year-end.

P/E ratio (Price/Earnings): The share price at the end of each year relative to earnings per share after taxes.

Turnover velocity: Turnover during the year relative to the average market capitalization during the same period.

Yield: Dividend relative to share price at the end of each year. For 2018, the proposed dividend is used.

Source: iStockphoto.com

Financial Information and Invitation to the Annual General Meeting

Reporting dates

Securitas will release financial information for 2020 as follows:

Interim Reports 2020

January – March	May 7, 2020
January – June	July 29, 2020
January – September	November 3, 2020
January – December	February 6, 2021

Financial information

Our financial reports are available both in English and in Swedish and can be read and downloaded at our webpage at the following address:
www.securitas.com/investors/financial-reports/

We also offer an order and subscribe service of financial information at the following address:

www.securitas.com/investors/order-and-subscribe/

Other questions concerning our financial information can be addressed to us through mail, telephone or e-mail:

Securitas AB
Investor Relations
P.O. Box 12307
SE-102 28 Stockholm
Sweden

Telephone: +46 10 470 30 00
E-mail: ir@securitas.com
www.securitas.com

Investor Relations activities conducted in 2019

Securitas arranged an investor day in December. All the presentations from the day can be found at: www.securitas.com/investors/presentations/presentations-investor-days/.

During the year Securitas participated in investor meetings, investor conferences and roadshows in Chicago, London, New York and Stockholm.

Financial analysts who cover Securitas

COMPANY NAME	NAME
AlphaValue	Hélène Coumes
Barclays	Paul Checketts
Carnegie	Mikael Löfdahl
Citi	Marc van't Sant
Credit Suisse	Andrew Grobler
DNB	Karl-Johan Bonnevier
Deutsche Bank	Steven Goulden
Exane BNP Paribas	Allen Wells
Goldman Sachs	Matija Gergolet
Handelsbanken	Carina Elmgren
HSBC	Chirag Vadhia

Jefferies
J.P. Morgan Cazenove
Morgan Stanley
Nordea
Pareto Securities
RBC Capital Markets
SEB
UBS

James Winckler
Sylvia Barker
Edward Stanley
Henrik Mawby
Stefan Wård
Andrew Brooke
Dan Johansson
Bilal Aziz

Analysts that follow Securitas might change during the year. The list above is updated regularly and can be found at <https://www.securitas.com/investors/analyst-coverage-and-ratings/>

Annual General Meeting of shareholders in Securitas AB (publ.)

The shareholders in Securitas AB are hereby invited to attend the Annual General Meeting (AGM) to be held at 4.00 p.m. CET on Thursday May 7, 2020 at Courtyard Marriott Hotel, Rålambshovsleden 50, Stockholm, Sweden. Registration for the AGM begins at 3.00 p.m. CET.

Notice of attendance

Shareholders who wish to attend the AGM must:

- (i) be recorded in the share register maintained by Euroclear Sweden AB (Euroclear), made as of Thursday, April 30, 2020,
- and (ii) notify Securitas AB of their intent to participate in the AGM at the address:

Securitas AB, "AGM"
c/o Euroclear Sweden AB
P.O. Box 191, SE-101 23 Stockholm, Sweden
or
by telephone +46 10 470 31 30
or
via the company website www.securitas.com/agm2020,
by Thursday, April 30, 2020, at the latest.

On giving notice of attendance, the shareholder shall state name, personal identity number or equivalent (corporate identity number), address and telephone number. A proxy form is available on the company website www.securitas.com/agm2020 and will be sent by mail to shareholders informing the company of their address and their wish to receive a copy of the proxy form. Proxy and representative of a legal person shall submit papers of authorization prior to the AGM. As confirmation of the notification, Securitas AB will send an entry card, which should be presented at registration for the AGM.

In order to participate in the proceedings of the AGM, owners with nominee-registered shares must request their bank or broker to have their shares temporarily owner-registered with Euroclear. Such registration must be made as of Thursday, April 30, 2020 and the banker or broker should therefore be notified in due time before said date.



Production: Securitas AB in cooperation with Narva
Print: Elanders, Sweden, 2020
Photo: Matt Fukishim: Cover, pages: 0,1
Unsplash: 8-9
Ingemar Lindewall: 5, 6-7, 10-11, 14, 16, 17, 18, 19,
20 (left and right), 21, 23, 24, 26, 27, 28 (right),
29, 33, 39, 41, 43, 44, 53, 159
Raf Ketelslagers: 20 (middle), 22
Nicolás Anguita: 28 (left)
Mats Lundqvist: 30-31
Photo editing: Lena Hoxter

