# SECURITAS AB
# INTERIM REPORT
## January–June 2019

**APRIL–JUNE 2019**
- Total sales MSEK 27 684 (25 466)
- Organic sales growth 5 percent (7)
- Operating income before amortization MSEK 1 377 (1 286)
- Operating margin 5.0 percent (5.0)
- Items affecting comparability (IAC) MSEK –46 (0), relating to IS/IT transformation programs
- Earnings per share SEK 2.18 (2.28)
- Earnings per share, before IAC, SEK 2.27 (2.28)

**JANUARY–JUNE 2019**
- Total sales MSEK 54 428 (48 822)
- Organic sales growth 6 percent (7)
- Operating income before amortization MSEK 2 667 (2 377)
- Operating margin 4.9 percent (4.9)
- Items affecting comparability (IAC) MSEK –66 (0), relating to IS/IT transformation programs
- Earnings per share SEK 4.25 (4.17)
- Earnings per share, before IAC, SEK 4.39 (4.17)
- Free cash flow/net debt 0.14 (0.07)

## Comments from the President and CEO

"We continue to grow ahead of the market

Organic sales growth in the Group was 5 percent (7) in the second quarter and 6 percent (7) in the first half year. North America delivered solid organic sales growth, despite strong comparatives. In Europe, organic sales growth was hampered by a few large guarding contract losses during the second quarter in a competitive business environment. We grew faster than the security market in general in the first six months, despite a slowdown in a few countries in Europe. Security solutions and electronic security sales grew by 15 percent in the first half year, and now represent 21 percent of total Group sales.

The operating margin in the second quarter was unchanged at 5.0 percent (5.0). It was also unchanged in the first half year at 4.9 percent (4.9), with a strong performance in North America, and Europe and Ibero-America were flat. In Europe we had challenging labor conditions and were not able to fully offset wage cost increases through price increases in two countries. Managing the price and wage balance, and cost efficiency, will remain key focus areas throughout the year. The operating margin in Europe was supported by the cost savings program initiated during 2018, which developed according to plan. The operating result, adjusted for changes in exchange rates, grew with 7 percent.

Earnings per share, adjusted for changes in exchange rates and items affecting comparability, was slightly behind last year, negatively impacted by a higher effective tax rate in the US and by a negative net effect from IFRS 16.

Operating and free cash flow improved compared with the first six months last year. Cash management remains a key priority across all business segments.

**Driving the transformation of the security services industry**
During the second quarter, we announced three new global units to support our strategy of specialization in each of our protective services, adding data-driven intelligence and delivering client centric solutions. We also announced changes to the Securitas Group Management team.

Earlier this year we announced two comprehensive multi-year programs, which are progressing according to plan. The first program will modernize our global IS/IT platform and capability across the Group and the second is a business transformation of our North American operations.

In the near term, we maintain our focus on delivering value to clients through our leading protective services offering. We are also driving employee-focused activities to continuously increase our employee engagement and to provide better conditions and opportunities for our employees.

This way, we continue to accelerate the transformation of our company and the security services industry.

Magnus Ahlqvist
President and
Chief Executive Officer

**Contents**

# January–June summary

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 1 and 2 on pages 23–24.

## FINANCIAL SUMMARY

| | Q2 | | Change, % | | H1 | | Change, % | | Full year | Change, % |
|---|---|---|---|---|---|---|---|---|---|---|
| **MSEK** | **2019** | **2018** | ***Total*** | ***Real*** | **2019** | **2018** | ***Total*** | ***Real*** | **2018** | ***Total*** |
| **Sales** | **27 684** | **25 466** | **9** | **7** | **54 428** | **48 822** | **11** | **8** | **101 467** | **10** |
| *Organic sales growth, %* | 5 | 7 | | | 6 | 7 | | | 6 | |
| **Operating income before amortization** | **1 377** | **1 286** | **7** | **3** | **2 667** | **2 377** | **12** | **7** | **5 304** | **13** |
| *Operating margin, %* | 5.0 | 5.0 | | | 4.9 | 4.9 | | | 5.2 | |
| Amortization of acquisition-related intangible assets | -70 | -65 | | | -136 | -128 | | | -260 | |
| Acquisition-related costs | -17 | -16 | | | -29 | -25 | | | -120 | |
| Items affecting comparability* | -46 | - | | | -66 | - | | | -455 | |
| **Operating income after amortization** | **1 244** | **1 205** | **3** | ***0*** | **2 436** | **2 224** | ***10*** | **4** | **4 469** | **2** |
| Financial income and expenses | -150 | -103 | | | -289 | -196 | | | -441 | |
| **Income before taxes** | **1 094** | **1 102** | **-1** | ***-7*** | **2 147** | **2 028** | **6** | **-1** | **4 028** | ***0*** |
| **Net income for the period** | **794** | **831** | **-4** | **-10** | **1 554** | **1 521** | **2** | **-5** | **3 021** | **10** |
| Earnings per share, SEK | 2.18 | 2.28 | -4 | -10 | 4.25 | 4.17 | 2 | -5 | 8.26 | 10 |
| EPS before items affecting comparability, SEK | 2.27 | 2.28 | 0 | -6 | 4.39 | 4.17 | 5 | -2 | 9.17 | 17 |
| *Cash flow from operating activities, %* | 69 | 62 | | | 33 | -5 | | | 60 | |
| Free cash flow | 616 | 528 | | | 10 | -900 | | | 1 884 | |
| *Free cash flow to net debt ratio* | - | - | | | 0.14 | 0.07 | | | 0.13 | |
| *Net debt to EBITDA ratio* | - | - | | | 2.9 | 2.6 | | | 2.3 | |

* Refer to note 8 on page 26 for further information.

## ORGANIC SALES GROWTH AND OPERATING MARGIN DEVELOPMENT PER BUSINESS SEGMENT

| | Organic sales growth | | | | Operating margin | | | |
|---|---|---|---|---|---|---|---|---|
| | Q2 | | H1 | | Q2 | | H1 | |
| **%** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
| Security Services North America | 5 | 8 | 5 | 8 | 6.3 | 6.1 | 6.0 | 5.8 |
| Security Services Europe | 1 | 5 | 3 | 4 | 5.0 | 5.1 | 5.0 | 5.0 |
| Security Services Ibero-America | 16 | 11 | 17 | 10 | 4.6 | 4.7 | 4.6 | 4.6 |
| **Group** | **5** | **7** | **6** | **7** | **5.0** | **5.0** | **4.9** | **4.9** |

# Group development

## APRIL–JUNE 2019

### Sales development

Sales amounted to MSEK 27 684 (25 466) and organic sales growth was 5 percent (7). Security Services North America delivered organic sales growth of 5 percent (8) on strong comparatives. Security Services Europe showed organic sales growth of 1 percent (5) and was hampered by the termination of a few large contracts, of which most were terminated in the beginning of the quarter. Security Services Ibero-America had 16 percent (11).

Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 7 percent (8).

Sales of security solutions and electronic security sales amounted to MSEK 5 768 (5 066) or 21 percent (20) of total sales in the second quarter 2019. Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 12 percent (21).

### Operating income before amortization

Operating income before amortization was MSEK 1 377 (1 286) which, adjusted for changes in exchange rates, represented a real change of 3 percent (11).

The Group's operating margin was 5.0 percent (5.0). The operating margin in Security Services North America improved, while it declined in Security Services Europe and Security Services Ibero-America. Continued investments in the Vision 2020 strategy at the Group level, included under Other in the segment reporting, impacted the Group operating margin by –0.1 percent.

The adoption of IFRS 16 Leases had a positive impact on the operating result of MSEK 17 in the quarter. For further information refer to notes 1 and 2.

### Operating income after amortization

Amortization of acquisition related intangible assets amounted to MSEK –70 (–65).

Acquisition related costs were MSEK –17 (–16). For further information refer to note 7.

Items affecting comparability were MSEK –46 (0), related to the IS/IT transformation programs. For further information refer to note 8.

### Financial income and expenses

Financial income and expenses amounted to MSEK –150 (–103). The adoption of IFRS 16 Leases had a negative impact of MSEK –37. Furthermore, financial income and expenses were negatively impacted by the development of USD interest rates, a weaker Swedish krona and increased net debt. Financial income and expenses were positively impacted by an amount of MSEK 3 related to hyperinflation accounting in Argentina. For further information refer to note 3.

### Income before taxes

Income before taxes was MSEK 1 094 (1 102). The adoption of IFRS 16 Leases had a negative effect of MSEK –20 on income before taxes. For further information refer to notes 1 and 2.

### Taxes, net income and earnings per share

The Group's tax rate was 27.4 percent (24.6). The increase compared to full year 2018 is mainly due to reversed effects from the US tax reform. The tax rate before tax on items affecting comparability was 27.3 percent.

Net income was MSEK 794 (831). The adoption of IFRS 16 Leases had a negative effect on net income. For further information refer to notes 1 and 2.

Earnings per share amounted to SEK 2.18 (2.28). Earnings per share before items affecting comparability amounted to SEK 2.27 (2.28).

## JANUARY–JUNE 2019

### Sales development

Sales amounted to MSEK 54 428 (48 822) and organic sales growth was 6 percent (7). Security Services North America delivered solid organic sales growth of 5 percent (8) on strong comparatives. Security Services Europe showed organic sales growth of 3 percent (4), a decline due to the termination of a few large contracts. Security Services Ibero-America had 17 percent (10).

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

Sales of security solutions and electronic security sales amounted to MSEK 11 296 (9 588) or 21 percent (20) of total sales in the first half year 2019. Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 15 percent (21).

### Operating income before amortization

Operating income before amortization was MSEK 2 667 (2 377) which, adjusted for changes in exchange rates, represented a real change of 7 percent (9).

The Group's operating margin was 4.9 percent (4.9). The operating margin in Security Services North America improved, while it was unchanged in Security Services Europe and Security Services Ibero-America. Continued investments in the Vision 2020 strategy at the Group level, included under Other in the segment reporting, impacted the Group operating margin by –0.1 percent. Total price adjustments in the Group were slightly behind wage cost increases due to Security Services Europe.

The adoption of IFRS 16 Leases had a positive impact on the operating result of MSEK 34 in the first half year. For further information refer to notes 1 and 2.

**Operating income after amortization**
Amortization of acquisition related intangible assets amounted to MSEK -136 (-128).

Acquisition related costs were MSEK -29 (-25). For further information refer to note 7.

Items affecting comparability were MSEK -66 (0), related to the IS/IT transformation programs. For further information refer to note 8.

**Financial income and expenses**
Financial income and expenses amounted to MSEK -289 (-196). The adoption of IFRS 16 Leases had a negative impact of MSEK -73. Furthermore, financial income and expenses were negatively impacted by the development of USD interest rates, a weaker Swedish krona and increased net debt. Financial income and expenses were positively impacted by an amount of MSEK 10 related to hyperinflation accounting in Argentina. For further information refer to note 3.

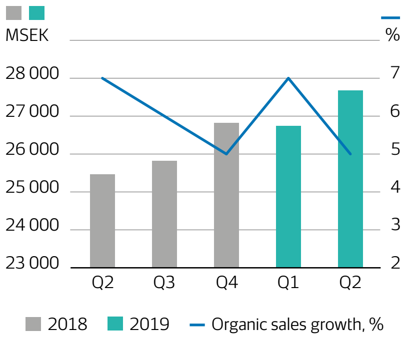
**Income before taxes**
Income before taxes was MSEK 2 147 (2 028). The adoption of IFRS 16 Leases had a negative effect of MSEK -39 on income before taxes. For further information refer to notes 1 and 2.

**Taxes, net income and earnings per share**
The Group's tax rate was 27.6 percent (25.0). The increase compared to full year 2018 is mainly due to reversed effects from the US tax reform. The tax rate before tax on items affecting comparability was 27.5 percent. Assessing the current tax base and tax matters, the best judgment now is that the full year Group tax rate in 2019 is expected to be around 27.6 percent.

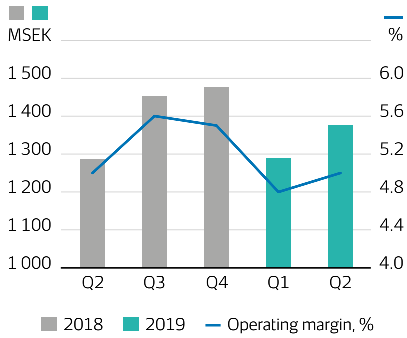
Net income was MSEK 1 554 (1 521).

Earnings per share amounted to SEK 4.25 (4.17). Earnings per share before items affecting comparability amounted to SEK 4.39 (4.17).

**Quarterly sales development**




**Quarterly operating income development**



# Development in the Group's business segments

## Security Services North America

Security Services North America provides protective services in the US, Canada and Mexico and comprises 15 business units: the national and global accounts organization, five geographical regions and seven specialized business units in the US – critical infrastructure services, healthcare, Pinkerton Corporate Risk Management, mobile, manufacturing, oil and gas and Securitas Electronic Security – plus Canada and Mexico. In total, there are approximately 720 branch managers and 122 000 employees.

| | Q2 | | *Change, %* | | H1 | | *Change, %* | | Full year |
|---|---|---|---|---|---|---|---|---|---|
| **MSEK** | **2019** | **2018** | ***Total*** | ***Real*** | **2019** | ***2018*** | ***Total*** | ***Real*** | **2018** |
| **Total sales** | **12 050** | **10 478** | **15** | **8** | **23 619** | **19 843** | **19** | **9** | **42 366** |
| *Organic sales growth, %* | *5* | *8* | | | *5* | *8* | | | *6* |
| *Share of Group sales, %* | *44* | *41* | | | *43* | *41* | | | *42* |
| **Operating income before amortization** | **756** | **639** | **18** | **12** | **1 411** | **1 151** | **23** | **13** | **2 589** |
| *Operating margin, %* | *6.3* | *6.1* | | | *6.0* | *5.8* | | | *6.1* |
| *Share of Group operating income, %* | *55* | *50* | | | *53* | *48* | | | *49* |

### April–June 2019

Organic sales growth was 5 percent (8), on strong comparatives. Main contribution derived from the five geographical regions and the business unit critical infrastructure services.

Security solutions and electronic security sales represented MSEK 2 199 (1 760) or 18 percent (17) of total sales in the business segment in the second quarter.

The operating margin was 6.3 percent (6.1), supported mainly by Securitas Electronic Security and continued healthy development in the five guarding regions. The adoption of IFRS 16 Leases had a slight 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 12 percent in the second quarter.

### January–June 2019

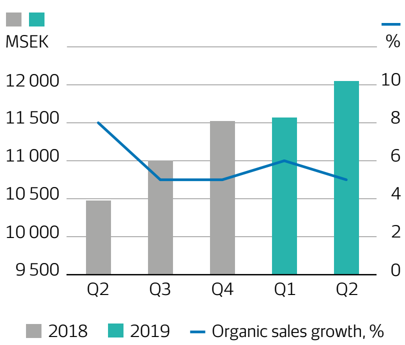
Organic sales growth was 5 percent (8). The first half year faced strong comparatives and a slightly lower client retention rate of 90 percent (91). Main contribution to organic sales growth was the five geographical regions and the business unit critical infrastructure services.

Security solutions and electronic security sales represented MSEK 4 277 (3 292) or 18 percent (17) of total sales in the business segment in the first half year.

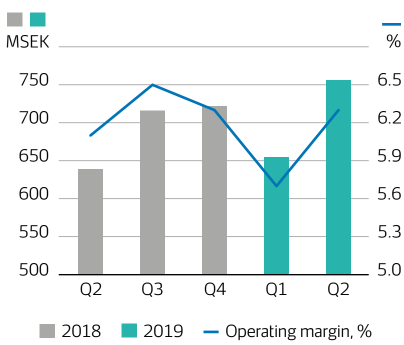
The operating margin was 6.0 percent (5.8), supported mainly by the risk management business and Securitas Electronic Security. The adoption of IFRS 16 Leases had a slight positive impact on the operating result in the business segment.

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 13 percent in the first half year.

**Quarterly sales development**




**Quarterly operating income development**



# Security Services Europe

Security Services Europe provides security services for large and medium-sized clients in 28 countries, and airport security in 15 countries. The service offering also includes mobile security services for small and medium-sized businesses and residential sites, and electronic alarm surveillance services. In total, the organization has approximately 770 branch managers and 128 000 employees.

| | Q2 | | Change, % | | H1 | | Change, % | | Full year |
|---|---|---|---|---|---|---|---|---|---|
| **MSEK** | **2019** | **2018** | ***Total*** | ***Real*** | **2019** | **2018** | ***Total*** | ***Real*** | **2018** |
| **Total sales** | **11 826** | **11 407** | **4** | **3** | **23 277** | **21 982** | **6** | **4** | **45 040** |
| *Organic sales growth, %* | *1* | *5* | | | *3* | *4* | | | *4* |
| *Share of Group sales, %* | *43* | *45* | | | *43* | *45* | | | *44* |
| **Operating income before amortization** | **586** | **583** | **1** | **0** | **1 153** | **1 097** | **5** | **4** | **2 511** |
| *Operating margin, %* | *5.0* | *5.1* | | | *5.0* | *5.0* | | | *5.6* |
| *Share of Group operating income, %* | *43* | *45* | | | *43* | *46* | | | *47* |

**April–June 2019**

Organic sales growth was 1 percent (5), a decline mainly due to France and the UK. In addition to the termination of an Aviation contract in France in April, worth MEUR 22 in annual sales, a few other large contracts were terminated in France and in the UK, of which most were terminated in the beginning of the quarter. Organic sales growth was supported by Belgium and Germany, the Nordic countries and the guarding business in Turkey.

Security solutions and electronic security sales represented MSEK 2 582 (2 449) or 22 percent (21) of total sales in the business segment.

The operating margin was 5.0 percent (5.1). The decline was mainly explained by continued challenging conditions in France, including the contract terminations mentioned above as well as regulatory changes. Furthermore, the operating margin was hampered by the termination of a profitable contract in Sweden as previously communicated. Also, wage increases were not fully offset with price increases in France and the Netherlands in the second quarter.The operating margin was supported by the cost savings program initiated during 2018, which developed according to plan. 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 small positive effect on operating income in Swedish kronor. The real change was 0 percent in the second quarter.

**January–June 2019**

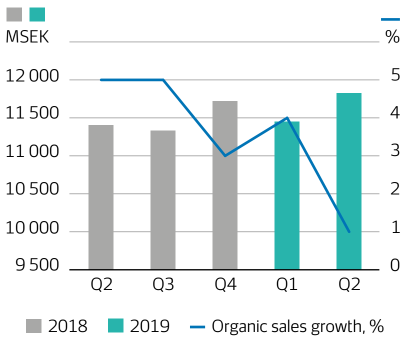
Organic sales growth was 3 percent (4), a decline explained by the contract terminations in France and the UK during the second quarter. The client retention rate was 91 percent (93). Main contribution to organic sales growth derived from Belgium, Germany, the Nordic countries and Turkey.

Security solutions and electronic security sales represented MSEK 5 098 (4 638) or 22 percent (21) of total sales in the business segment.

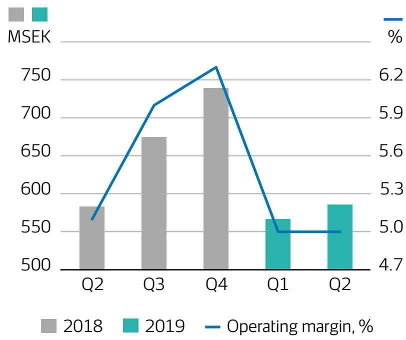
The operating margin was 5.0 percent (5.0), supported by the cost savings program initiated during 2018 and by Turkey. The operating margin was hampered by France and Sweden as well as the negative price and wage balance in two countries during the second quarter. The adoption of IFRS 16 Leases had a positive impact on the operating result in the business segment.

The Swedish krona exchange rate weakened against foreign currencies, primarily the Euro, which had a small positive effect on operating income in Swedish kronor. The real change was 4 percent in the first half year.

**Quarterly sales development**




**Quarterly operating income development**



# Security Services Ibero-America

Security Services Ibero-America provides security services for large and medium-sized clients in nine Latin American countries as well as in Portugal and Spain in Europe. Security Services Ibero-America has a combined total of approximately 170 branch managers and 63 000 employees.

| | Q2 | | *Change, %* | | H1 | | *Change, %* | | Full year |
|---|---|---|---|---|---|---|---|---|---|
| **MSEK** | **2019** | **2018** | ***Total*** | ***Real*** | **2019*** | ***2018*** | ***Total*** | ***Real*** | **2018** |
| **Total sales** | **3 306** | **3 147** | **5** | **16** | **6 546** | **6 159** | **6** | **17** | **12 315** |
| *Organic sales growth, %* | *16* | *11* | | | *17* | *10* | | | *12* |
| *Share of Group sales, %* | *12* | *12* | | | *12* | *13* | | | *12* |
| **Operating income before amortization** | **151** | **148** | **2** | **-1** | **304** | **282** | **8** | **10** | **550** |
| *Operating margin, %* | *4.6* | *4.7* | | | *4.6* | *4.6* | | | *4.5* |
| *Share of Group operating income, %* | *11* | *12* | | | *11* | *12* | | | *10* |

* 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 with MSEK –4 and a remeasurement of operating income before amortization of MSEK –1 for H1 2019.

### April–June 2019

Organic sales growth was 16 percent (11). The improvement derived mainly from Spain with double-digit organic sales growth and from price increases in Argentina.

Security solutions and electronic security sales represented MSEK 918 (816) or 28 percent (26) of total sales in the business segment.

The operating margin was 4.6 percent (4.7), a decline mainly due to Argentina. Spain showed continued strong performance supported by high margin security solutions sales in Spain – of which an important part are short term contracts – and leverage from the strong topline growth. 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 Euro while it strengthened against the Argentinian peso. The net effect was positive on operating income in Swedish kronor. The real change in the segment was –1 percent in the second quarter.

### January–June 2019

Organic sales growth was 17 percent (10). The improvement derived mainly from Spain with double-digit organic sales growth and from price increases in Argentina. The client retention rate was 91 percent (93), a decline due to contract terminations in Argentina, Chile and Peru.

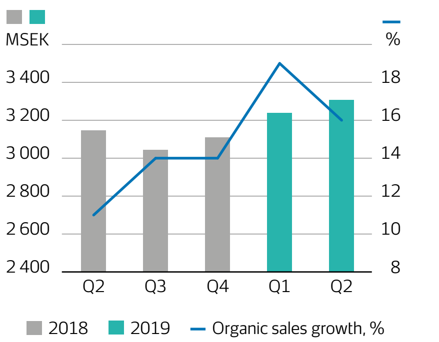
Security solutions and electronic security sales represented MSEK 1 803 (1 579) or 28 percent (26) of total sales in the business segment.

The operating margin was 4.6 percent (4.6), supported by Spain but burdened by Argentina. The situation in Argentina remains challenging. As previously communicated, management changes have been made. A thorough investigation into improper behavior is being conducted and further actions will be taken where required.

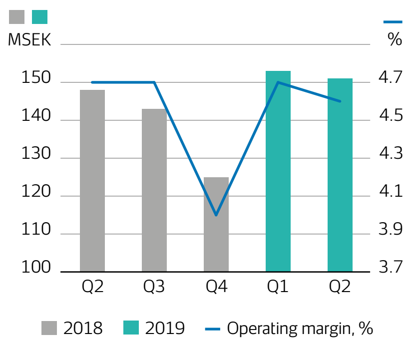
The adoption of IFRS 16 Leases had a positive impact on the operating result in the business segment.

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 10 percent in the first half year.

**Quarterly sales development**




**Quarterly operating income development**



# 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.

**April–June 2019**
Cash flow from operating activities amounted to MSEK 946 (801), equivalent to 69 percent (62) of operating income before amortization.

The impact from changes in accounts receivable was MSEK –266 (–463). Changes in other operating capital employed were MSEK –45 (119).

Free cash flow was MSEK 616 (528), equivalent to 68 percent (57) of adjusted income.

Cash flow from investing activities, acquisitions, was MSEK –233 (–721).

Cash flow from items affecting comparability amounted to MSEK –77 (0). Refer to note 8 for further information.

Cash flow from financing activities was MSEK –1 083 (312) due to dividend paid of MSEK –1 606 (–1 460) and a net increase in borrowings of MSEK 523 (1 772).

Cash flow for the period was MSEK –777 (119).

**January–June 2019**
Cash flow from operating activities amounted to MSEK 879 (–124), equivalent to 33 percent (–5) of operating income before amortization.

The impact from changes in accounts receivable was MSEK –399 (–737). Changes in other operating capital employed were MSEK –1 202 (–1 484).

Cash flow from operating activities include net investments in non-current tangible and intangible assets, amounting to MSEK –187 (–280). The net investments include capital expenditures in equipment for solution contracts and is the result of investments of MSEK –1 487 (–1 075) and reversal of depreciation of MSEK 1 300 (795). The adoption of IFRS 16 Leases impacted investments with MSEK –456 and reversal of depreciation with MSEK 422.

Free cash flow was MSEK 10 (–900), equivalent to 1 percent (–53) of adjusted income.

Cash flow from investing activities, acquisitions, was MSEK –382 (–1 235), of which purchase price payments accounted for MSEK –362 (–1 238), assumed net debt for MSEK 36 (41) and acquisition related costs paid for MSEK –56 (–38).

Cash flow from items affecting comparability amounted to MSEK –143 (0). Refer to note 8 for further information.

Cash flow from financing activities was MSEK –61 (1 116) due to dividend paid of MSEK –1 606 (–1 460) and a net increase in borrowings of MSEK 1 545 (2 576).

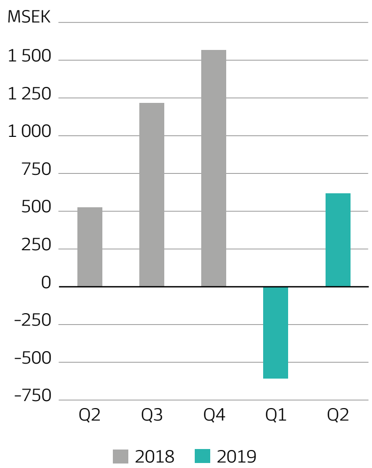
Cash flow for the period was MSEK –576 (–1 019). The closing balance for liquid funds after translation differences of MSEK 41 was MSEK 2 694 (3 229 as of December 31, 2018).

**Free cash flow**

| MSEK | Jan–Jun 2019 |
|---|---|
| Operating income before amortization[1] | 2 667 |
| Net investments[2] | -187 |
| Change in accounts receivable | -399 |
| Change in other operating capital employed | -1 202 |
| **Cash flow from operating activities** | **879** |
| Financial income and expenses paid | -344 |
| Current taxes paid | -525 |
| **Free cash flow** | **10** |

1) Effect from IFRS 16 amounts to MSEK 34.
2) Net effect from IFRS 16 amounts to MSEK -34, consisting of investments MSEK -456 and reversal of depreciation MSEK 422.

**Quarterly free cash flow**



# Capital employed and financing

### Capital employed as of June 30, 2019

The Group's operating capital employed was MSEK 14 293 (9 199 as of December 31, 2018), corresponding to 13 percent of sales (9 as of December 31, 2018), 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 10 percent (9 as of December 31, 2018). The adoption of IFRS 16 Leases increased the Group´s operating capital employed by MSEK 3 433 as of January 1, 2019. The increase in operating capital employed is further explained by the free cash flow. The translation of foreign operating capital employed to Swedish kronor increased the Group's operating capital employed by MSEK 104.

The Group's total capital employed was MSEK 38 370 (32 170 as of December 31, 2018). The translation of foreign capital employed to Swedish kronor increased the Group's capital employed by MSEK 846. The return on capital employed was 13 percent (15 as of December 31, 2018). Adjusted for the impact of IFRS 16 Leases the return on capital employed would have been 14 percent (15 as of December 31, 2018).

### Financing as of June 30, 2019

The Group's net debt amounted to MSEK 20 460 (14 513 as of December 31, 2018). The net debt was negatively impacted mainly by a change in lease liabilities of MSEK –3 415, a dividend of MSEK –1 606, paid to the shareholders in May 2019, the translation of net debt in foreign currency to Swedish kronor of MSEK –456 and payments for acquisitions of MSEK –382.

The free cash flow to net debt ratio amounted to 0.14 (0.07). The net debt to EBITDA ratio was 2.9 (2.6). The interest coverage ratio amounted to 9.4 (12.1). Adjusted for the impact of IFRS 16 Leases the free cash flow to net debt ratio would have been 0.16 (0.07) and the net debt to EBITDA ratio would have been 2.5 (2.6), while the interest coverage ratio would have been 10.7 (12.1).

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 June 30, 2019, the facility was undrawn. Further information regarding financial instruments and credit facilities is provided in note 9.

Standard and Poor's rating for Securitas is BBB. The "stable" outlook was upgraded to "positive" outlook on April 16, 2019.

Shareholders' equity amounted to MSEK 17 910 (17 657 as of December 31, 2018). The translation of foreign assets and liabilities into Swedish kronor increased shareholders' equity by MSEK 390. Refer to the statement of comprehensive income on page 17 for further information.

The total number of shares amounted to 365 058 897 (365 058 897) as of June 30, 2019. On June 24, 2019, 125 000 shares were repurchased. Refer to pages 13 and 20 for further information.

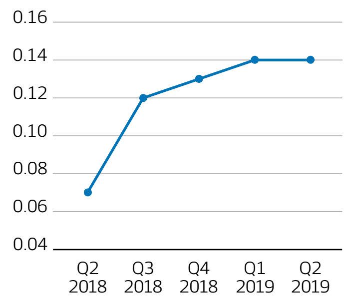
**Capital employed and financing**

| MSEK | Jun 30, 2019 |
|---|---|
| Operating capital employed | 14 293 |
| Goodwill | 22 070 |
| Acquisition related intangible assets | 1 523 |
| Shares in associated companies | 484 |
| **Capital employed** | **38 370** |
| Net debt | 20 460 |
| Shareholders' equity | 17 910 |
| **Financing** | **38 370** |

**Net debt development**

| MSEK | |
|---|---|
| **Jan 1, 2019** | **-14 513** |
| Free cash flow | 10 |
| Acquisitions | -382 |
| Items affecting comparability | -143 |
| Dividend paid | -1 606 |
| Lease liabilities | -3 415 |
| **Change in net debt** | **-5 536** |
| Revaluation | 45 |
| Translation | -456 |
| **Jun 30, 2019** | **-20 460** |

**Free cash flow/Net debt**



# Acquisitions and divestitures

**ACQUISITIONS AND DIVESTITURES JANUARY–JUNE 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 North America | Jan 10 | 100 | 290 | 154 | 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 | 90 | 128 | 59 |
| Other acquisitions and divestitures[5][6] | | – | – | –15 | 23 | –4 | 2 |
| **Total acquisitions and divestitures January–June 2019** | | | | **435** | **326** | **278** | **157** |
| Amortization of acquisition related intangible assets | | | | | | – | –136 |
| Exchange rate differences and remeasurement for hyperinflation | | | | | | 731 | 44 |
| **Closing balance** | | | | | | **22 070** | **1 523** |

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/received plus acquired/divested net debt but excluding any deferred considerations.

5) Related to other acquisitions and divestitures for the period and updated previous year acquisition calculations for the following entities: Nortrax Veg og Trafikk, Norway, WHD Wachdienst Heidelberg, Wach- und Schließgesellschaft Hof Inh. I Müller, Germany and Securitas Interim (divestiture), France. Related also to deferred considerations paid in Sweden, France, Austria, Czech Republic and Australia.

6) Deferred considerations have been recognized mainly based on an assessment of the future profitability development in the acquired entities for an agreed period. The net of new deferred considerations, payments made from previously recognized deferred considerations and revaluation of deferred considerations in the Group was MSEK 117. Total deferred considerations, short-term and long-term, in the Group's balance sheet amount to MSEK 396.

All acquisition calculations are finalized no later than one year after the acquisition is made. Transactions with non-controlling interests are specified in the statement of changes in shareholders' equity on page 20. Transaction costs and revaluation of deferred considerations can be found in note 7 on page 26.

**Global Elite Group, the US**

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

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

**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.

**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 MAUD 11 (MSEK 72) annual sales, 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.

## ACQUISITIONS AFTER THE SECOND QUARTER

Securitas subsidiary Securitas Critical Infrastructure Services, Inc (SCIS), under the independent direction of its Board, has entered into an agreement to acquire certain inspection and background investigations assets of MSM Security Services LLC. The purchase price is approximately MUSD 11 (MSEK 102), contingent upon reaching certain business development targets. 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 transaction is expected to close after regulatory approval, which is expected during the third quarter of 2019.

# 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 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 will take effect from January 1, 2020:

- Santiago Galaz is appointed Executive Chairman of Securitas North America and steps down from Securitas Group Management.
- Greg Anderson is appointed to President, North American Guarding, and a member of Securitas Group Management.
- José Castejon is 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 retires from his role as Chief Operating Officer, North America and steps down from Securitas Group Management. Bill will assist as an advisor and continue working with select clients through 2021.

Additionally, a process to identify a global SVP of People and member of Securitas Group Management has been initiated.

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).

# Other significant events

For critical estimates and judgments, provisions and contingent liabilities refer to the 2018 Annual Report and to note 12 on page 28. If no significant events have occurred relating to the information in the Annual Report, no further comments are made in the Interim Report for the respective case.

**Board of Directors of Securitas AB (publ) resolved to repurchase the company's own shares to ensure the company's undertakings under share-related incentive programs**

The Board of Directors of Securitas AB has resolved, pursuant to the authorization granted by the Annual General Meeting held on 6 May 2019, to acquire the company's own shares of series B on Nasdaq Stockholm. The purpose of the acquisition is to ensure Securitas' undertakings in respect of share-related or share-based incentive programs (other than delivery of shares to participants of incentive programs), including covering social security costs.

The acquisition commenced on 5 June 2019 and shall end no later than 1 May 2020 and will be administrated by Skandinaviska Enskilda Banken (SEB), which, based on the trading order given by Securitas to SEB, will take trading decisions independently of Securitas with regard to the timing of the acquisition.

Acquisition may comprise a maximum of 1 000 000 series B shares on one or several occasions and shall be made on Nasdaq Stockholm in accordance with its Rule Book for Issuers. The acquisitions will be made at a price per share within the from time to time registered trading interval. Payment for the shares will be made in cash. Reporting will take place through the stock exchange in accordance with applicable rules. In the event of a fully executed share repurchase, the company will own shares representing maximum 0.3 percent of the issued shares in the company.

The total number of shares amounted to 365 058 897 (365 058 897) as of June 30, 2019. On June 24, 2019, 125 000 shares were repurchased. Refer to page 20 for further information.

# Risks and uncertainties

Risk management is necessary for Securitas to be able to fulfill its strategies and achieve its corporate objectives. Securitas' risks fall into three main categories; contract and acquisition risks, operational assignment risks and financial risks. Securitas' approach to enterprise risk management is described in more detail in the Annual Report for 2018.

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

For the forthcoming six-month period, the financial impact of certain items affecting comparability, provisions and contingent liabilities, as described in the Annual Report for 2018 and, where applicable, under the heading "Other significant events" above, may vary from the current financial estimates and provisions made by management. This could affect the Group's profitability and financial position.

# Parent Company operations

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

**January–June 2019**

The Parent Company's income amounted to MSEK 581 (487) and mainly relates to license fees and other income from subsidiaries.

Financial income and expenses amounted to MSEK 2 371 (2 256). Income before taxes amounted to MSEK 2 446 (2 301).

**As of June 30, 2019**

The Parent Company's non-current assets amounted to MSEK 46 211 (43 506 as of December 31, 2018) and mainly comprise shares in subsidiaries of MSEK 43 523 (41 332 as of December 31, 2018). Current assets amounted to MSEK 7 389 (7 329 as of December 31, 2018) of which liquid funds accounted for MSEK 1 364 (1 326 as of December 31, 2018).

Shareholders' equity amounted to MSEK 29 203 (28 499 as of December 31, 2018). 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 24 397 (22 336 as of December 31, 2018) and mainly consist of interest-bearing debt.

For further information, refer to the Parent Company's condensed financial statements on page 29.

# Signatures of the Board of Directors

The Board of Directors and the President and CEO certify that the interim report gives a true and fair overview of the Parent Company's and Group's operations, their financial position and results of operations, and describes significant risks and uncertainties facing the Parent Company and other companies in the Group.

Stockholm, July 31, 2019

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
Employee Representative

Åse Hjelm
Employee Representative

Jan Prang
Employee Representative

Magnus Ahlqvist
President and Chief Executive Officer

# Report of Review

(Translation of Swedish Original)

Review report over Interim Financial Statements (Interim report) prepared in accordance with IAS 34 and Chapter 9 of the Swedish Annual Accounts Act.

**Introduction**

We have reviewed this report for the period January 1, 2019 to June 30, 2019 for Securitas AB. The Board of Directors and the CEO and President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

**Scope of Review**

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

**Conclusion**

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

Stockholm, July 31, 2019
PricewaterhouseCoopers AB

| | |
|---|---|
| Patrik Adolfson<br>Authorised Public Accountant<br>Auditor in charge | Madeleine Endre<br>Authorised Public Accountant |

# Consolidated financial statements

## STATEMENT OF INCOME

| MSEK | Apr–Jun 2019 | Apr–Jun 2018 | Jan–Jun 2019 | Jan–Jun 2018 | Jan–Dec 2018 |
|---|---|---|---|---|---|
| Sales | 27 134 | 25 208 | 53 329 | 48 319 | 99 707 |
| Sales, acquired business | 550 | 258 | 1 099 | 503 | 1 760 |
| **Total sales[4)]** | **27 684** | **25 466** | **54 428** | **48 822** | **101 467** |
| *Organic sales growth, %[5)]* | 5 | 7 | 6 | 7 | 6 |
| Production expenses[2)] | –22 882 | –21 039 | –44 995 | –40 344 | –83 570 |
| **Gross income[2)]** | **4 802** | **4 427** | **9 433** | **8 478** | **17 897** |
| Selling and administrative expenses[2)] | –3 443 | –3 153 | –6 793 | –6 130 | –12 654 |
| Other operating income[4)] | 9 | 8 | 17 | 15 | 30 |
| Share in income of associated companies | 9 | 4 | 10 | 14 | 31 |
| **Operating income before amortization[2)]** | **1 377** | **1 286** | **2 667** | **2 377** | **5 304** |
| *Operating margin, %* | 5.0 | 5.0 | 4.9 | 4.9 | 5.2 |
| Amortization of acquisition related intangible assets | –70 | –65 | –136 | –128 | –260 |
| Acquisition related costs[7)] | –17 | –16 | –29 | –25 | –120 |
| Items affecting comparability[8)] | –46 | – | –66 | – | –455 |
| **Operating income after amortization[2)]** | **1 244** | **1 205** | **2 436** | **2 224** | **4 469** |
| Financial income and expenses[2, 3, 9)] | –150 | –103 | –289 | –196 | –441 |
| **Income before taxes[2)]** | **1 094** | **1 102** | **2 147** | **2 028** | **4 028** |
| *Net margin, %* | 4.0 | 4.3 | 3.9 | 4.2 | 4.0 |
| Current taxes | –318 | –264 | –623 | –477 | –962 |
| Deferred taxes[2)] | 18 | –7 | 30 | –30 | –45 |
| **Net income for the period[2)]** | **794** | **831** | **1 554** | **1 521** | **3 021** |
| | | | | | |
| **Whereof attributable to:** | | | | | |
| Equity holders of the Parent Company | 795 | 833 | 1 553 | 1 522 | 3 016 |
| Non-controlling interests | –1 | –2 | 1 | –1 | 5 |
| | | | | | |
| Earnings per share before and after dilution[2)] (SEK) | 2.18 | 2.28 | 4.25 | 4.17 | 8.26 |
| Earnings per share before and after dilution and before items affecting comparability[2)] (SEK) | 2.27 | 2.28 | 4.39 | 4.17 | 9.17 |

## STATEMENT OF COMPREHENSIVE INCOME

| MSEK | Apr–Jun 2019 | Apr–Jun 2018 | Jan–Jun 2019 | Jan–Jun 2018 | Jan–Dec 2018 |
|---|---|---|---|---|---|
| **Net income for the period** | **794** | **831** | **1 554** | **1 521** | **3 021** |
| | | | | | |
| **Other comprehensive income for the period** | | | | | |
| **Items that will not be reclassified to the statement of income** | | | | | |
| Remeasurements of defined benefit pension plans net of tax | –29 | 13 | 5 | 31 | –72 |
| **Total items that will not be reclassified to the statement of income[10)]** | **–29** | **13** | **5** | **31** | **–72** |
| | | | | | |
| **Items that subsequently may be reclassified to the statement of income** | | | | | |
| Remeasurement for hyperinflation net of tax[3)] | 20 | – | 42 | – | 314 |
| Cash flow hedges net of tax | 56 | –9 | 17 | 20 | 63 |
| Cost of hedging net of tax | 15 | 4 | 19 | 6 | –44 |
| Net investment hedges net of tax | –126 | –254 | –358 | –444 | –381 |
| Other comprehensive income from associated companies, translation differences | –2 | 24 | 18 | 24 | 19 |
| Translation differences | –37 | 815 | 730 | 1 344 | 668 |
| **Total items that subsequently may be reclassified to the statement of income[10)]** | **–74** | **580** | **468** | **950** | **639** |
| **Other comprehensive income for the period[10)]** | **–103** | **593** | **473** | **981** | **567** |
| **Total comprehensive income for the period** | **691** | **1 424** | **2 027** | **2 502** | **3 588** |
| | | | | | |
| **Whereof attributable to:** | | | | | |
| Equity holders of the Parent Company | 692 | 1 425 | 2 025 | 2 502 | 3 583 |
| Non-controlling interests | –1 | –1 | 2 | 0 | 5 |

Notes 2–10 refer to pages 23–27.

## STATEMENT OF CASH FLOW

| Operating cash flow MSEK | Apr–Jun 2019 | Apr–Jun 2018 | Jan–Jun 2019 | Jan–Jun 2018 | Jan–Dec 2018 |
|---|---|---|---|---|---|
| **Operating income before amortization** | **1 377** | **1 286** | **2 667** | **2 377** | **5 304** |
| Investments in non-current tangible and intangible assets | –780 | –556 | –1 487 | –1 075 | –2 188 |
| Reversal of depreciation | 660 | 415 | 1 300 | 795 | 1 693 |
| Change in accounts receivable | –266 | –463 | –399 | –737 | –1 575 |
| Change in other operating capital employed | –45 | 119 | –1 202 | –1 484 | –62 |
| **Cash flow from operating activities** | **946** | **801** | **879** | **–124** | **3 172** |
| *Cash flow from operating activities, %* | 69 | 62 | 33 | –5 | 60 |
| Financial income and expenses paid | –55 | –39 | –344 | –282 | –432 |
| Current taxes paid | –275 | –234 | –525 | –494 | –856 |
| **Free cash flow** | **616** | **528** | **10** | **–900** | **1 884** |
| *Free cash flow, %* | 68 | 57 | 1 | –53 | 48 |
| Cash flow from investing activities, acquisitions and divestitures | –233 | –721 | –382 | –1 235 | –1 755 |
| Cash flow from items affecting comparability[8)] | –77 | – | –143 | – | –117 |
| Cash flow from financing activities | –1 083 | 312 | –61 | 1 116 | –376 |
| **Cash flow for the period** | **–777** | **119** | **–576** | **–1 019** | **–364** |

| Cash flow MSEK | Apr–Jun 2019 | Apr–Jun 2018 | Jan–Jun 2019 | Jan–Jun 2018 | Jan–Dec 2018 |
|---|---|---|---|---|---|
| Cash flow from operations | 1 259 | 1 063 | 1 225 | 138 | 3 858 |
| Cash flow from investing activities | –753 | –1 256 | –1 357 | –2 273 | –3 846 |
| Cash flow from financing activities | –1 283 | 312 | –444 | 1 116 | –376 |
| **Cash flow for the period** | **–777** | **119** | **–576** | **–1 019** | **–364** |

| Change in net debt MSEK | Apr–Jun 2019 | Apr–Jun 2018 | Jan–Jun 2019 | Jan–Jun 2018 | Jan–Dec 2018 |
|---|---|---|---|---|---|
| **Opening balance** | **–19 290** | **–14 467** | **–14 513** | **–12 333** | **–12 333** |
| Cash flow for the period | –777 | 119 | –576 | –1 019 | –364 |
| Change in lease liabilities | 44 | –31 | –3 415 | –46 | –31 |
| Change in loans | –523 | –1 741 | –1 545 | –2 530 | –1 053 |
| **Change in net debt before revaluation and translation differences** | **–1 256** | **–1 653** | **–5 536** | **–3 595** | **–1 448** |
| Revaluation of financial instruments[9)] | 91 | –8 | 45 | 33 | 26 |
| Translation differences | –5 | –604 | –456 | –837 | –758 |
| **Change in net debt** | **–1 170** | **–2 265** | **–5 947** | **–4 399** | **–2 180** |
| **Closing balance** | **–20 460** | **–16 732** | **–20 460** | **–16 732** | **–14 513** |

Notes 8–9 refer to page 26–27.

## CAPITAL EMPLOYED AND FINANCING

| MSEK | Jun 30, 2019 | Jun 30, 2018 | Dec 31, 2018 |
|---|---|---|---|
| **Operating capital employed[2)]** | **14 293** | **10 514** | **9 199** |
| *Operating capital employed as % of sales* | *13* | *10* | *9* |
| *Return on operating capital employed, %* | *43* | *54* | *58* |
| Goodwill | 22 070 | 20 845 | 21 061 |
| Acquisition related intangible assets | 1 523 | 1 358 | 1 458 |
| Shares in associated companies | 484 | 452 | 452 |
| **Capital employed[2)]** | **38 370** | **33 169** | **32 170** |
| *Return on capital employed, %* | *13* | *15* | *15* |
| **Net debt[2)]** | **–20 460** | **–16 732** | **–14 513** |
| **Shareholders' equity** | **17 910** | **16 437** | **17 657** |
| *Net debt equity ratio, multiple* | *1.14* | *1.02* | *0.82* |

## BALANCE SHEET

| MSEK | Jun 30, 2019 | Jun 30, 2018 | Dec 31, 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | 22 070 | 20 845 | 21 061 |
| Acquisition related intangible assets | 1 523 | 1 358 | 1 458 |
| Other intangible assets | 1 664 | 1 274 | 1 450 |
| Right-of-use assets[2)] | 3 594 | 237 | 222 |
| Other tangible non-current assets | 3 627 | 3 532 | 3 532 |
| Shares in associated companies | 484 | 452 | 452 |
| Non-interest-bearing financial non-current assets | 1 812 | 1 810 | 1 744 |
| Interest-bearing financial non-current assets | 485 | 545 | 499 |
| **Total non-current assets[2)]** | **35 259** | **30 053** | **30 418** |
| **Current assets** | | | |
| Non-interest-bearing current assets | 24 153 | 22 224 | 21 701 |
| Other interest-bearing current assets | 125 | 127 | 121 |
| Liquid funds | 2 694 | 2 630 | 3 229 |
| **Total current assets** | **26 972** | **24 981** | **25 051** |
| **TOTAL ASSETS[2)]** | **62 231** | **55 034** | **55 469** |

| MSEK | Jun 30, 2019 | Jun 30, 2018 | Dec 31, 2018 |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **Shareholders' equity** | | | |
| Attributable to equity holders of the Parent Company | 17 884 | 16 418 | 17 632 |
| Non-controlling interests | 26 | 19 | 25 |
| **Total shareholders' equity** | **17 910** | **16 437** | **17 657** |
| *Equity ratio, %* | *29* | *30* | *32* |
| **Long-term liabilities** | | | |
| Non-interest-bearing long-term liabilities | 336 | 357 | 336 |
| Long-term lease liabilities[2)] | 2 717 | 126 | 116 |
| Other interest-bearing long-term liabilities | 16 427 | 16 931 | 15 858 |
| Non-interest-bearing provisions | 2 605 | 3 411 | 2 527 |
| **Total long-term liabilities[2)]** | **22 085** | **20 825** | **18 837** |
| **Current liabilities** | | | |
| Non-interest-bearing current liabilities and provisions | 17 616 | 14 795 | 16 587 |
| Current lease liabilities[2)] | 920 | 111 | 106 |
| Other interest-bearing current liabilities | 3 700 | 2 866 | 2 282 |
| **Total current liabilities[2)]** | **22 236** | **17 772** | **18 975** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES[2)]** | **62 231** | **55 034** | **55 469** |

Note 2 refers to pages 23–24.

## CHANGES IN SHAREHOLDERS' EQUITY

| | Jun 30, 2019 | | | Jun 30, 2018 | | | Dec 31, 2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| MSEK | Attributable to equity holders of the Parent Company | Non-controlling interests | Total | Attributable to equity holders of the Parent Company | Non-controlling interests | Total | Attributable to equity holders of the Parent Company | Non-controlling interests | Total |
| **Opening balance January 1, 2019/2018** | **17 632** | **25** | **17 657** | **15 518** | **21** | **15 539** | **15 518** | **21** | **15 539** |
| Total comprehensive income for the period | 2 025 | 2 | 2 027 | 2 502 | 0 | 2 502 | 3 583 | 5 | 3 588 |
| Transactions with non-controlling interests | 0 | –1 | –1 | –1 | –2 | –3 | –2 | –1 | –3 |
| Share based incentive schemes | –167 | – | –167[1] | –141 | – | –141 | –7 | – | –7 |
| Dividend paid to the shareholders of the Parent Company | –1 606 | – | –1 606 | –1 460 | – | –1 460 | –1 460 | – | –1 460 |
| **Closing balance June 30/December 31, 2019/2018** | **17 884** | **26** | **17 910** | **16 418** | **19** | **16 437** | **17 632** | **25** | **17 657** |

[1] Refers to a swap agreement in Securitas AB shares of MSEK –147, hedging the share portion of Securitas share based incentive scheme 2018, and adjustment to grant date value of non-vested shares of MSEK 1, related to Securitas share based incentive scheme 2017. Refers also to repurchase of own shares of MSEK –21.

## DATA PER SHARE

| SEK | Apr–Jun 2019 | Apr–Jun 2018 | Jan–Jun 2019 | Jan–Jun 2018 | Jan–Dec 2018 |
|---|---|---|---|---|---|
| Share price, end of period | 162.90 | 147.45 | 162.90 | 147.45 | 142.25 |
| | | | | | |
| Earnings per share before and after dilution[1, 2, 3] | 2.18 | 2.28 | 4.25 | 4.17 | 8.26 |
| Earnings per share before and after dilution and before items affecting comparability[1, 2, 3] | 2.27 | 2.28 | 4.39 | 4.17 | 9.17 |
| | | | | | |
| Dividend | – | – | – | – | 4.40 |
| | | | | | |
| P/E-ratio after dilution and before items affecting comparability | – | – | – | – | 16 |
| | | | | | |
| Share capital (SEK) | 365 058 897 | 365 058 897 | 365 058 897 | 365 058 897 | 365 058 897 |
| Number of shares outstanding[1, 3] | 364 933 897 | 365 058 897 | 364 933 897 | 365 058 897 | 365 058 897 |
| Average number of shares outstanding[1, 3, 4] | 365 049 282 | 365 058 897 | 365 054 063 | 365 058 897 | 365 058 897 |

[1] There are no convertible debenture loans. Consequently there is no difference before and after dilution regarding earnings per share and number of shares.
[2] 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.
[3] On June 24, 2019, 125 000 shares were repurchased.
[4] Used for calculation of earnings per share.

# Segment overview April–June 2019 and 2018

## APRIL–JUNE 2019

| MSEK | Security Services North America | Security Services Europe | Security Services Ibero-America | Other | Eliminations | Group |
|---|---|---|---|---|---|---|
| Sales, external | 12 050 | 11 826 | 3 306 | 502 | – | 27 684 |
| Sales, intra-group | 0 | 0 | 0 | 1 | –1 | – |
| **Total sales** | **12 050** | **11 826** | **3 306** | **503** | **–1** | **27 684** |
| *Organic sales growth, %* | *5* | *1* | *16* | – | – | *5* |
| **Operating income before amortization** | **756** | **586** | **151** | **–116** | **–** | **1 377** |
| *of which share in income of associated companies* | *–1* | – | – | *10* | – | *9* |
| *Operating margin, %* | *6.3* | *5.0* | *4.6* | – | – | *5.0* |
| Amortization of acquisition related intangible assets | –16 | –40 | –8 | –6 | – | –70 |
| Acquisition related costs | –1 | –12 | – | –4 | – | –17 |
| Items affecting comparability | –23 | –13 | 0 | –10 | – | –46 |
| **Operating income after amortization** | **716** | **521** | **143** | **–136** | **–** | **1 244** |
| Financial income and expenses | – | – | – | – | – | –150 |
| **Income before taxes** | **–** | **–** | **–** | **–** | **–** | **1 094** |

## APRIL–JUNE 2018

| MSEK | Security Services North America | Security Services Europe | Security Services Ibero-America | Other | Eliminations | Group |
|---|---|---|---|---|---|---|
| Sales, external | 10 477 | 11 407 | 3 147 | 435 | – | 25 466 |
| Sales, intra-group | 1 | – | 0 | 0 | –1 | – |
| **Total sales** | **10 478** | **11 407** | **3 147** | **435** | **–1** | **25 466** |
| *Organic sales growth, %* | *8* | *5* | *11* | – | – | *7* |
| **Operating income before amortization** | **639** | **583** | **148** | **–84** | **–** | **1 286** |
| *of which share in income of associated companies* | *–2* | – | – | *6* | – | *4* |
| *Operating margin, %* | *6.1* | *5.1* | *4.7* | – | – | *5.0* |
| Amortization of acquisition related intangible assets | –13 | –40 | –8 | –4 | – | –65 |
| Acquisition related costs | –13 | –3 | – | 0 | – | –16 |
| Items affecting comparability | – | – | – | – | – | – |
| **Operating income after amortization** | **613** | **540** | **140** | **–88** | **–** | **1 205** |
| Financial income and expenses | – | – | – | – | – | –103 |
| **Income before taxes** | **–** | **–** | **–** | **–** | **–** | **1 102** |

# Segment overview January–June 2019 and 2018

## JANUARY–JUNE 2019

| MSEK | Security Services North America | Security Services Europe | Security Services Ibero-America | Other | Eliminations | Group |
|---|---|---|---|---|---|---|
| Sales, external | 23 616 | 23 277 | 6 546 | 989 | – | 54 428 |
| Sales, intra-group | 3 | 0 | 0 | 2 | –5 | – |
| **Total sales** | **23 619** | **23 277** | **6 546** | **991** | **–5** | **54 428** |
| *Organic sales growth, %* | *5* | *3* | *17* | – | – | *6* |
| **Operating income before amortization** | **1 411** | **1 153** | **304** | **–201** | **–** | **2 667** |
| *of which share in income of associated companies* | *–7* | – | – | *17* | – | *10* |
| *Operating margin, %* | *6.0* | *5.0* | *4.6* | – | – | *4.9* |
| Amortization of acquisition related intangible assets | –32 | –79 | –15 | –10 | – | –136 |
| Acquisition related costs | –9 | –16 | – | –4 | – | –29 |
| Items affecting comparability | –32 | –16 | –1 | –17 | – | –66 |
| **Operating income after amortization** | **1 338** | **1 042** | **288** | **–232** | **–** | **2 436** |
| Financial income and expenses | – | – | – | – | – | –289 |
| **Income before taxes** | **–** | **–** | **–** | **–** | **–** | **2 147** |

## JANUARY–JUNE 2018

| MSEK | Security Services North America | Security Services Europe | Security Services Ibero-America | Other | Eliminations | Group |
|---|---|---|---|---|---|---|
| Sales, external | 19 842 | 21 982 | 6 158 | 840 | – | 48 822 |
| Sales, intra-group | 1 | – | 1 | 0 | –2 | – |
| **Total sales** | **19 843** | **21 982** | **6 159** | **840** | **–2** | **48 822** |
| *Organic sales growth, %* | *8* | *4* | *10* | – | – | *7* |
| **Operating income before amortization** | **1 151** | **1 097** | **282** | **–153** | **–** | **2 377** |
| *of which share in income of associated companies* | *–5* | – | – | *19* | – | *14* |
| *Operating margin, %* | *5.8* | *5.0* | *4.6* | – | – | *4.9* |
| Amortization of acquisition related intangible assets | –24 | –78 | –17 | –9 | – | –128 |
| Acquisition related costs | –18 | –7 | – | 0 | – | –25 |
| Items affecting comparability | – | – | – | – | – | – |
| **Operating income after amortization** | **1 109** | **1 012** | **265** | **–162** | **–** | **2 224** |
| Financial income and expenses | – | – | – | – | – | –196 |
| **Income before taxes** | **–** | **–** | **–** | **–** | **–** | **2 028** |

# Notes

## NOTE 1 Accounting principles

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The interim report comprises pages 1–30 and pages 1–16 are thus an integrated part of this financial report.

Securitas' consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 1 Supplementary Accounting Rules for Groups. The most important accounting principles under IFRS, which is the basis for the preparation of this interim report, can be found in note 2 on pages 73 to 79 in the Annual Report for 2018. The accounting principles are also available on the Group's website www.securitas.com under the section Investors – Financial data – Accounting Principles.

The Parent Company's financial statements are prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 2 Accounting for Legal Entities. The most important accounting principles used by the Parent Company can be found in note 41 on page 131 in the Annual Report for 2018.

**Adoption and impact of new and revised IFRS that have been applied as from January 1, 2019**
IFRS 16 Leases came into force on January 1, 2019 and has been adopted by Securitas as of that date. For further information regarding Securitas adoption of IFRS 16, refer to note 2 in this interim report as well as to note 2 and note 40 in the Annual Report 2018.

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

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

**Introduction and effect of new and revised IFRS that are effective as from 2020 and onwards**
The effect on the Group's financial statements from standards and interpretations that are mandatory for the Group's financial year 2020 or later remain to be assessed.

**Usage of key ratios not defined in IFRS**
For definitions and calculations of key ratios not defined in IFRS, refer to notes 5 and 6 in this interim report as well as to note 3 in the Annual Report 2018.

## NOTE 2 Adoption of IFRS 16 Leases

Securitas has adopted IFRS 16 as of January 1, 2019. The cumulative effect of the adoption has been recognized without restatement of the comparative periods.

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

In the consolidated statement of income, depreciation of the right-of-use assets is accounted for on the lines production expenses and selling and administrative expenses. Interest expenses are accounted for on the line financial income and expenses. 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 right-of-use assets on January 1, 2019 have been measured at an amount equal to the lease liabilities.

Extension clauses are evaluated for each lease agreement and are applied based on our best estimate at each closing. Leases for which the lease term ends within 12 months of the date of initial application have been accounted for as short-term leases and are thus excluded from the lease liabilities accounted for under IFRS 16.

IFRS 16 has been adopted on segment level. As a consequence, the Group will change the level of impairment testing for goodwill from country level to segment level in 2019.

The effects on the consolidated statement of income and the consolidated balance sheet from the adoption of IFRS 16 are specified in the tables below.

**EFFECTS ON CONSOLIDATED STATEMENT OF INCOME**

| MSEK | Apr–Jun 2019 | Jan–Jun 2019 |
|---|---|---|
| Operating income before amortization* | 17 | 34 |
| Financial expenses | -37 | -73 |
| **Income before taxes** | **-20** | **-39** |
| Deferred taxes | 6 | 11 |
| **Net income for the period** | **-14** | **-28** |
| | | |
| Earnings per share before and after dilution (SEK) | -0.04 | -0.08 |
| Earnings per share before and after dilution and before items affecting comparability (SEK) | -0.04 | -0.08 |

* Depreciation of right-of-use assets included in operating income was MSEK -220 for April–June 2019 and MSEK -422 for January–June 2019.

**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 | 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** |

**EFFECTS ON CONSOLIDATED CAPITAL EMPLOYED AND FINANCING**

| MSEK | Jan 1, 2019 |
|---|---|
| **Capital employed** | |
| Previously recognized financial lease assets Jan 1, 2019 | 222 |
| Additional right-of-use assets under IFRS 16 Jan 1, 2019 | 3 433 |
| **Operating capital employed Jan 1, 2019** | **3 655** |
| | |
| **Financing** | |
| Previously recognized financial lease liabilities Jan 1, 2019 | 222 |
| Additional lease liabilities under IFRS 16 Jan 1, 2019 | 3 433 |
| **Net debt Jan 1, 2019** | **3 655** |

**EFFECTS ON CONSOLIDATED BALANCE SHEET**

| MSEK | Jan 1, 2019 |
|---|---|
| **Assets** | |
| Previously recognized financial lease assets Jan 1, 2019 | 222 |
| Additional right-of-use assets under IFRS 16 Jan 1, 2019 | 3 433 |
| **Total right-of-use assets Jan 1, 2019*** | **3 655** |
| | |
| **Liabilities** | |
| Previously recognized financial lease liabilities Jan 1, 2019 | 222 |
| Additional lease liabilities under IFRS 16 Jan 1, 2019 | 3 433 |
| **Total lease liabilities Jan 1, 2019*** | **3 655** |

* As of June 30, 2019 total right-of-use assets were MSEK 3 594 while total long-term and current lease liabilities were MSEK 3 636.

Note 2, cont.

| | Jun 30, 2019 | Impact from IFRS 16 | Jun 30, 2019 adjusted for IFRS 16 | Jun 30, 2018 |
|---|---|---|---|---|
| Net debt to EBITDA | 2.9 | -0.4 | 2.5 | 2.6 |
| Free cash flow to net debt | 0.14 | 0.02 | 0.16 | 0.07 |
| Interest coverage ratio | 9.4 | 1.3 | 10.7 | 12.1 |
| Operating capital employed as % of sales | 13 | -3 | 10 | 10 |
| *Return on operating capital employed, %* | 43 | 7 | 50 | 54 |
| *Return on capital employed, %* | 13 | 1 | 14 | 15 |
| Net debt to equity ratio | 1.14 | -0.19 | 0.95 | 1.02 |
| *Equity, %* | 29 | 1 | 30 | 30 |

## NOTE 3 Remeasurement for hyperinflation

The impact on the consolidated statement of income from the application of IAS 29 Financial reporting in Hyperinflationary economies is illustrated below. The SEK/ARS rate as of December 31, 2018 was 0.23 and as of June 30, 2019 it was 0.22.

### REMEASUREMENT IMPACT RECOGNIZED IN OTHER COMPREHENSIVE INCOME

| MSEK | Apr-Jun 2019 | Apr-Jun 2018 | Jan-Jun 2019 | Jan-Jun 2018 | Jan-Dec 2018 |
|---|---|---|---|---|---|
| Remeasurement on first time adoption July 1, 2018 | – | – | – | – | 275 |
| Remeasurement current period | 20 | – | 42 | – | 39 |
| **Total remeasurement for hyperinflation, net of taxes** | **20** | **–** | **42** | **–** | **314** |

### NET MONETARY GAIN RECOGNIZED IN THE CONSOLIDATED STATEMENT OF INCOME

| MSEK | Apr-Jun 2019 | Apr-Jun 2018 | Jan-Jun 2019 | Jan-Jun 2018 | Jan-Dec 2018 |
|---|---|---|---|---|---|
| Financial income and expenses | 3 | – | 10 | – | 23 |
| **Total monetary gain** | **3** | **–** | **10** | **–** | **23** |

## NOTE 4 Revenue

| MSEK | Apr-Jun 2019 | % | Apr-Jun 2018 | % | Jan-Jun 2019 | % | Jan-Jun 2018 | % | Jan-Dec 2018 | % |
|---|---|---|---|---|---|---|---|---|---|---|
| Guarding services | 21 478 | 77 | 20 036 | 79 | 42 256 | 77 | 38 557 | 79 | 79 567 | 79 |
| Security solutions and electronic security | 5 768 | 21 | 5 066 | 20 | 11 296 | 21 | 9 588 | 20 | 20 440 | 20 |
| Other | 438 | 2 | 364 | 1 | 876 | 2 | 677 | 1 | 1 460 | 1 |
| **Total sales** | **27 684** | ***100*** | **25 466** | ***100*** | **54 428** | ***100*** | **48 822** | ***100*** | **101 467** | ***100*** |
| Other operating income | 9 | 0 | 8 | 0 | 17 | 0 | 15 | 0 | 30 | 0 |
| **Total revenue** | **27 693** | ***100*** | **25 474** | ***100*** | **54 445** | ***100*** | **48 837** | ***100*** | **101 497** | ***100*** |

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

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

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

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

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

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

**Revenue per segment**
The disaggregation of revenue by segment is shown in the table below. Total sales agree to total sales in the segment overviews.

| | Security Services North America | | Security Services Europe | | Security Services Ibero-America | | Other | | Eliminations | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| MSEK | Apr-Jun 2019 | Apr-Jun 2018 | Apr-Jun 2019 | Apr-Jun 2018 | Apr-Jun 2019 | Apr-Jun 2018 | Apr-Jun 2019 | Apr-Jun 2018 | Apr-Jun 2019 | Apr-Jun 2018 | Apr-Jun 2019 | Apr-Jun 2018 |
| Guarding services | 9 413 | 8 354 | 9 244 | 8 958 | 2 388 | 2 331 | 434 | 394 | -1 | -1 | 21 478 | 20 036 |
| Security solutions and electronic security | 2 199 | 1 760 | 2 582 | 2 449 | 918 | 816 | 69 | 41 | – | – | 5 768 | 5 066 |
| Other | 438 | 364 | – | – | – | – | – | – | – | – | 438 | 364 |
| **Total sales** | **12 050** | **10 478** | **11 826** | **11 407** | **3 306** | **3 147** | **503** | **435** | **-1** | **-1** | **27 684** | **25 466** |
| Other operating income | – | – | – | – | – | – | 9 | 8 | – | – | 9 | 8 |
| **Total revenue** | **12 050** | **10 478** | **11 826** | **11 407** | **3 306** | **3 147** | **512** | **443** | **-1** | **-1** | **27 693** | **25 474** |

Note 4, cont.

| MSEK | Security Services North America Jan–Jun 2019 | Security Services North America Jan–Jun 2018 | Security Services Europe Jan–Jun 2019 | Security Services Europe Jan–Jun 2018 | Security Services Ibero-America Jan–Jun 2019 | Security Services Ibero-America Jan–Jun 2018 | Other Jan–Jun 2019 | Other Jan–Jun 2018 | Eliminations Jan–Jun 2019 | Eliminations Jan–Jun 2018 | Group Jan–Jun 2019 | Group Jan–Jun 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Guarding services | 18 466 | 15 874 | 18 179 | 17 344 | 4 743 | 4 580 | 873 | 761 | -5 | -2 | 42 256 | 38 557 |
| Security solutions and electronic security | 4 277 | 3 292 | 5 098 | 4 638 | 1 803 | 1 579 | 118 | 79 | – | – | 11 296 | 9 588 |
| Other | 876 | 677 | – | – | – | – | – | – | – | – | 876 | 677 |
| **Total sales** | **23 619** | **19 843** | **23 277** | **21 982** | **6 546** | **6 159** | **991** | **840** | **-5** | **-2** | **54 428** | **48 822** |
| Other operating income | – | – | – | – | – | – | 17 | 15 | – | – | 17 | 15 |
| **Total revenue** | **23 619** | **19 843** | **23 277** | **21 982** | **6 546** | **6 159** | **1 008** | **855** | **-5** | **-2** | **54 445** | **48 837** |

## NOTE 5 Organic sales growth and currency changes

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

| MSEK | Apr–Jun 2019 | Apr–Jun 2018 | Apr–Jun % | Jan–Jun 2019 | Jan–Jun 2018 | Jan–Jun % |
|---|---|---|---|---|---|---|
| **Total sales** | **27 684** | **25 466** | **9** | **54 428** | **48 822** | **11** |
| Currency change from 2018 | -437 | – | | -1 698 | – | |
| **Currency adjusted sales growth** | **27 247** | **25 466** | **7** | **52 730** | **48 822** | **8** |
| Acquisitions/divestitures | -550 | -12 | | -1 099 | -16 | |
| **Organic sales growth** | **26 697** | **25 454** | **5** | **51 631** | **48 806** | **6** |
| **Operating income before amortization** | **1 377** | **1 286** | **7** | **2 667** | **2 377** | **12** |
| Currency change from 2018 | -50 | – | | -125 | – | |
| **Currency adjusted operating income before amortization** | **1 327** | **1 286** | **3** | **2 542** | **2 377** | **7** |
| **Operating income after amortization** | **1 244** | **1 205** | **3** | **2 436** | **2 224** | **10** |
| Currency change from 2018 | -45 | – | | -117 | – | |
| **Currency adjusted operating income after amortization** | **1 199** | **1 205** | **0** | **2 319** | **2 224** | **4** |
| **Income before taxes** | **1 094** | **1 102** | **-1** | **2 147** | **2 028** | **6** |
| Currency change from 2018 | -66 | – | | -146 | – | |
| **Currency adjusted income before taxes** | **1 028** | **1 102** | **-7** | **2 001** | **2 028** | **-1** |
| **Net income for the period** | **794** | **831** | **-4** | **1 554** | **1 521** | **2** |
| Currency change from 2018 | -50 | – | | -109 | – | |
| **Currency adjusted net income for the period** | **744** | **831** | **-10** | **1 445** | **1 521** | **-5** |
| **Net income attributable to equity holders of the Parent Company** | **795** | **833** | **-5** | **1 553** | **1 522** | **2** |
| Currency change from 2018 | -50 | – | | -109 | – | |
| **Currency adjusted net income attributable to equity holders of the Parent Company** | **745** | **833** | **-11** | **1 444** | **1 522** | **-5** |
| Average number of shares outstanding | 365 049 282 | 365 058 897 | | 365 054 063 | 365 058 897 | |
| **Currency adjusted earnings per share** | **2.04** | **2.28** | **-10** | **3.96** | **4.17** | **-5** |

## NOTE 6 Definitions and calculation of key ratios

The calculations below relate to the period January–June 2019.

**Interest coverage ratio**
Operating income before amortization (rolling 12 months) plus interest income (rolling 12 months) in relation to interest expenses (rolling 12 months).
Calculation: (5 594 + 51) / 598 = 9.4

**Free cash flow as % of adjusted income**
Free cash flow as a percentage of adjusted income (operating income before amortization adjusted for financial income and expenses, excluding revaluation of financial instruments, and current taxes).
Calculation: 10 / (2 667 – 289 + 1 – 623) = 1%

**Free cash flow in relation to net debt**
Free cash flow (rolling 12 months) in relation to closing balance net debt.
Calculation: 2 794 / 20 460 = 0.14

**Net debt to EBITDA ratio**
Net debt in relation to operating income after amortization (rolling 12 months) plus amortization of acquisition related intangible assets (rolling 12 months) and depreciation (rolling 12 months).
Calculation: 20 460 / (4 681 + 268 + 2 198) = 2.9

**Operating capital employed as % of total sales**
Operating capital employed as a percentage of total sales adjusted for the full-year sales of acquired entities.
Calculation: 14 293 / 110 992 = 13%

**Return on operating capital employed**
Operating income before amortization (rolling 12 months) plus items affecting comparability (rolling 12 months) as a percentage of the average balance of operating capital employed.
Calculation: (5 594 – 521) / ((14 293 + 9 199) / 2) = 43%

**Return on capital employed**
Operating income before amortization (rolling 12 months) plus items affecting comparability (rolling 12 months) as a percentage of closing balance of capital employed.
Calculation: (5 594 – 521) / 38 370 = 13%

**Net debt equity ratio**
Net debt in relation to shareholders' equity.
Calculation: 20 460 / 17 910 = 1.14

## NOTE 7 Acquisition related costs

| MSEK | Apr–Jun 2019 | Apr–Jun 2018 | Jan–Jun 2019 | Jan–Jun 2018 | Jan–Dec 2018 |
|---|---|---|---|---|---|
| Restructuring and integration costs | -10 | -2 | -12 | -8 | -90 |
| Transaction costs | -6 | -13 | -15 | -15 | -25 |
| Revaluation of deferred considerations | -1 | -1 | -2 | -2 | -5 |
| **Total acquisition related costs** | **-17** | **-16** | **-29** | **-25** | **-120** |

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

## NOTE 8 Items affecting comparability

| MSEK | Apr–Jun 2019 | Apr–Jun 2018 | Jan–Jun 2019 | Jan–Jun 2018 | Jan–Dec 2018 |
|---|---|---|---|---|---|
| **Recognized in the statement of income** | | | | | |
| IS/IT transformation programs | -46 | – | -66 | – | -187 |
| Cost savings program, Security Services Europe | – | – | – | – | -268 |
| **Total recognized in the statement of income before tax** | **-46** | **–** | **-66** | **–** | **-455** |
| Taxes | 10 | – | 16 | – | 122 |
| **Total recognized in the statement of income after tax** | **-36** | **–** | **-50** | **–** | **-333** |
| | | | | | |
| **Cash flow impact** | | | | | |
| IS/IT transformation programs | -40 | – | -63 | – | -51 |
| Cost savings program, Security Services Europe | -37 | – | -80 | – | -66 |
| **Total cash flow impact** | **-77** | **–** | **-143** | **–** | **-117** |

## NOTE 9 Financial instruments and credit facilities

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

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

| MSEK | Apr–Jun 2019 | Apr–Jun 2018 | Jan–Jun 2019 | Jan–Jun 2018 | Jan–Dec 2018 |
|---|---|---|---|---|---|
| **Recognized in the statement of income** | | | | | |
| Revaluation of financial instruments | 0 | -1 | -1 | 0 | 2 |
| Deferred tax | – | – | – | – | – |
| **Impact on net income** | **0** | **-1** | **-1** | **0** | **2** |
| | | | | | |
| **Recognized in the statement of comprehensive income** | | | | | |
| Cash flow hedges | 71 | -11 | 21 | 26 | 80 |
| Cost of hedging | 20 | 4 | 25 | 7 | -56 |
| Deferred tax | -20 | 2 | -10 | -7 | -5 |
| **Total recognized in the statement of comprehensive income** | **71** | **-5** | **36** | **26** | **19** |
| | | | | | |
| Total revaluation before tax | 91 | -8 | 45 | 33 | 26 |
| Total deferred tax | -20 | 2 | -10 | -7 | -5 |
| **Total revaluation after tax** | **71** | **-6** | **35** | **26** | **21** |

Note 9, cont.

**Fair value hierarchy**
The methods and assumptions used by the Group in estimating the fair value of the financial instruments are disclosed in note 7 in the Annual Report 2018. Further information regarding the accounting principles for financial instruments is disclosed in note 2 in the Annual Report 2018.

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

| MSEK | Quoted market prices | Valuation techniques using observable market data | Valuation techniques using non-observable market data | Total |
|---|---|---|---|---|
| **June 30, 2019** | | | | |
| Financial assets at fair value through profit or loss | – | 4 | – | **4** |
| Financial liabilities at fair value through profit or loss | – | -12 | -396 | **-408** |
| Derivatives designated for hedging with positive fair value | – | 343 | – | **343** |
| Derivatives designated for hedging with negative fair value | – | -182 | – | **-182** |
| **December 31, 2018** | | | | |
| Financial assets at fair value through profit or loss | – | 16 | – | **16** |
| Financial liabilities at fair value through profit or loss | – | -10 | -272 | **-282** |
| Derivatives designated for hedging with positive fair value | – | 356 | – | **356** |
| Derivatives designated for hedging with negative fair value | – | -127 | – | **-127** |

**Financial instruments by category – carrying and fair values**
For financial assets and liabilities other than those disclosed in the table below, fair value is deemed to approximate the carrying value. A full comparison of fair value and carrying value for all financial assets and liabilities is disclosed in note 7 in the Annual Report 2018.

| | Jun 30, 2019 | | Dec 31, 2018 | |
|---|---|---|---|---|
| MSEK | Carrying value | Fair value | Carrying value | Fair value |
| Long-term loan liabilities | 14 310 | 14 689 | 13 939 | 14 065 |
| **Total financial instruments by category** | **14 310** | **14 689** | **13 939** | **14 065** |

**SUMMARY OF CREDIT FACILITIES AS OF JUNE 30, 2019**

| Type | Currency | Facility amount (million) | Available amount (million) | Maturity |
|---|---|---|---|---|
| EMTN FRN private placement | USD | 85 | 0 | 2019 |
| EMTN FRN private placement | USD | 40 | 0 | 2020 |
| EMTN FRN private placement | USD | 40 | 0 | 2021 |
| EMTN FRN private placement | USD | 60 | 0 | 2021 |
| EMTN FRN private placement | USD | 40 | 0 | 2021 |
| EMTN Eurobond, 2.625% fixed | EUR | 350 | 0 | 2021 |
| EMTN Eurobond, 1.25% fixed | EUR | 350 | 0 | 2022 |
| Multi Currency Revolving Credit Facility | USD (or equivalent) | 550 | 550 | 2022 |
| Multi Currency Revolving Credit Facility | EUR (or equivalent) | 440 | 440 | 2022 |
| EMTN Eurobond, 1.125% fixed | EUR | 350 | 0 | 2024 |
| EMTN Eurobond, 1.25% fixed | EUR | 300 | 0 | 2025 |
| Commercial Paper (uncommitted) | SEK | 5 000 | 2 200 | n/a |

## NOTE 10 Deferred tax on other comprehensive income

| MSEK | Apr–Jun 2019 | Apr–Jun 2018 | Jan–Jun 2019 | Jan–Jun 2018 | Jan–Dec 2018 |
|---|---|---|---|---|---|
| Deferred tax on remeasurements of defined benefit pension plans | 10 | -5 | -3 | -10 | 25 |
| Deferred tax on remeasurement for hyperinflation | – | – | – | – | -15 |
| Deferred tax on cash flow hedges | -15 | 2 | -4 | -6 | -17 |
| Deferred tax on cost of hedging | -5 | 0 | -6 | -1 | 12 |
| Deferred tax on net investment hedges | 34 | 71 | 97 | 125 | 107 |
| **Total deferred tax on other comprehensive income** | **24** | **68** | **84** | **108** | **112** |

## NOTE 11 Pledged assets

| MSEK | Jun 30, 2019 | Jun 30, 2018 | Dec 31, 2018 |
|---|---|---|---|
| Pension balances, defined contribution plans | 119 | 130 | 128 |
| Finance leases according to IAS 17 | n/a | 237 | 222 |
| **Total pledged assets** | **119** | **367** | **350** |

## NOTE 12 Contingent liabilities

| MSEK | Jun 30, 2019 | Jun 30, 2018 | Dec 31, 2018 |
|---|---|---|---|
| Guarantees | 0 | 0 | 1 |
| Guarantees related to discontinued operations | 16 | 16 | 15 |
| **Total contingent liabilities** | **16** | **16** | **16** |

For critical estimates and judgments, provisions and contingent liabilities, refer to note 4 and note 37 in the Annual Report 2018 as well as to the section Other significant events in this report.

# Parent Company

## STATEMENT OF INCOME

| MSEK | Jan–Jun 2019 | Jan–Jun 2018 |
|---|---|---|
| License fees and other income | 581 | 487 |
| **Gross income** | **581** | **487** |
| Administrative expenses | –306 | –306 |
| **Operating income** | **275** | **181** |
| Financial income and expenses | 2 371 | 2 256 |
| **Income after financial items** | **2 646** | **2 437** |
| Appropriations | –200 | –136 |
| **Income before taxes** | **2 446** | **2 301** |
| Taxes | –142 | –209 |
| **Net income for the period** | **2 304** | **2 092** |

## BALANCE SHEET

| MSEK | Jun 30, 2019 | Dec 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Shares in subsidiaries | 43 523 | 41 332 |
| Shares in associated companies | 112 | 112 |
| Other non-interest-bearing non-current assets | 718 | 520 |
| Interest-bearing financial non-current assets | 1 858 | 1 542 |
| **Total non-current assets** | **46 211** | **43 506** |
| **Current assets** | | |
| Non-interest-bearing current assets | 864 | 422 |
| Other interest-bearing current assets | 5 161 | 5 581 |
| Liquid funds | 1 364 | 1 326 |
| **Total current assets** | **7 389** | **7 329** |
| **TOTAL ASSETS** | **53 600** | **50 835** |
| | | |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | |
| **Shareholders' equity** | | |
| Restricted equity | 7 797 | 7 797 |
| Non-restricted equity | 21 406 | 20 702 |
| **Total shareholders' equity** | **29 203** | **28 499** |
| | | |
| **Untaxed reserves** | **630** | **455** |
| | | |
| **Long-term liabilities** | | |
| Non-interest-bearing long-term liabilities/provisions | 288 | 251 |
| Interest-bearing long-term liabilities | 16 400 | 15 818 |
| **Total long-term liabilities** | **16 688** | **16 069** |
| **Current liabilities** | | |
| Non-interest-bearing current liabilities | 1 243 | 744 |
| Interest-bearing current liabilities | 5 836 | 5 068 |
| **Total current liabilities** | **7 079** | **5 812** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **53 600** | **50 835** |

# Financial information

## PRESENTATION OF THE INTERIM REPORT

Analysts and media are invited to participate in a telephone conference on July 31, 2019 at **2:30 p.m. (CET)** where President and CEO Magnus Ahlqvist and CFO Bart Adam will present the report and answer questions. The telephone conference will also be audio cast live via Securitas website. To participate in the telephone conference, please dial in five minutes prior to the start of the conference call:

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

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

## FOR FURTHER INFORMATION. PLEASE CONTACT:

Micaela Sjökvist, Head of Investor Relations.
+ 46 761167443

## FINANCIAL INFORMATION CALENDAR

| | |
|---|---|
| November 6, 2019, 8.00 a.m. (CET) | Interim Report January–September 2019 |
| February 6, 2020, app. 1.00 p.m. (CET) | Full Year Report January–December 2019 |

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

## ABOUT SECURITAS

Securitas has a leading position in the security services industry with a strong local and global market presence. We currently operate in 58 countries and employ 370 000 people. Our operations have been organized in a decentralized structure and include 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. Securitas serves a wide range of customers of all sizes in a variety of industries and customer segments. Security solutions based on customer-specific needs are built through different combinations of on-site, mobile and remote guarding, electronic security, fire and safety, and corporate risk management. Securitas can respond to the unique and specific security challenges facing its customers, and tailor its offering according to their specific industry demands. Securitas is listed in the Large Cap segment at Nasdaq Stockholm.

### Group strategy

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

### Group financial targets

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

This is information that Securitas AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 1:00 p.m. (CET) on Wednesday, July 31, 2019.

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