ANNUAL REPORT 2017

THE NEXT GENERATION OF SECURITY

Content

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

PEOPLE, KNOWLEDGE AND TECHNOLOGY

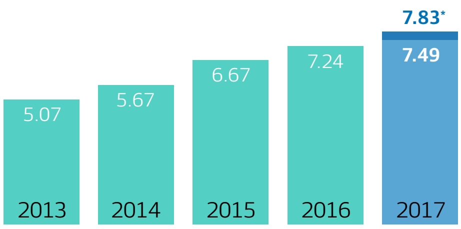
Technology and customer needs are evolving. The challenges of the future in our industry must be solved with the tools of tomorrow, not with the tools of yesterday. The security of the future is a combination of people, knowledge and technology. A combination of sensors, analytics and the knowledge of experienced people on-site. Data is gathered and used to understand the past, the present and the future – guiding our actions. By bringing all this together, we can mitigate risks before they become threats, act in real time when needed, and always keep the customer engaged in what is going on. This is the new reality we are facing. We call it the New face of security.

EARNINGS PER SHARE

TARGET: An annual average increase of **10 PERCENT**

2017: 9 percent**

PAGES 46, 72



* Adjusted for items affecting comparability
** Real change, adjusted for items affecting comparability

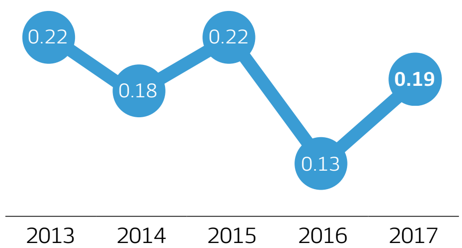
More than **345 000** EMPLOYEES

CASH FLOW

TARGET: A free cash flow to net debt ratio of at least **0.20**

2017: 0.19

PAGES 46, 72



TOTAL SALES

92 197 MSEK

Organic sales growth 5%

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THE SHARE

Closing price at year-end was SEK 143.20, corresponding to a market capitalization of BSEK 49.8. The Board proposes a dividend of SEK 4.00 (3.75) per share.

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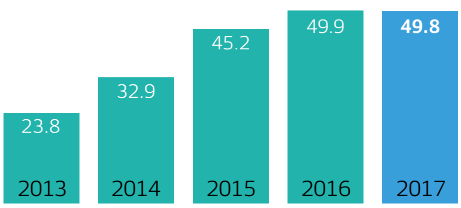
MARKET CAPITALIZATION, ROUNDED, BSEK



MARKET

Operations in **55** countries

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The New Face of Security

I am very pleased to announce that Securitas has delivered another very good year, with strong financial results. The best ever – again! Our long-term strategy to combine people, technology and knowledge is proving to be successful. We are creating customer value and growing faster than the security market on average, and are recognized as the leader of the global security industry. Now we are setting the scene for the next paradigm shift – the New face of security.

Our path to success

Over the past decade, the security industry has undergone a major transformation, the most exciting change it has ever faced. Securitas is at the forefront of this journey thanks to our persistent and continuous investments in integrated security solutions.

Since 2011, Securitas has invested in the future to become what we are today: the leading security solutions and electronic security company – as market leader in the US and most countries in Europe, with a strong presence in Latin America and a growing footprint in the AMEA region (Africa, the Middle East, Asia and Australia). We have made major investments in technology resources, hired thousands of engineers and technical support experts, integrated numerous acquisitions and made substantial investments in equipment installations at our customers' sites.

We also have a strong operational culture and model, where everyone works towards the same target and result.

Securitas' solid culture, engaged and dedicated employees, and strong brand have all contributed to this success. During the past few years, we have sharpened our mindset, drive and commitment to the strategy. Sustainability is well integrated into our operations. We believe this will ensure our long-term growth and give us a competitive advantage.

2017 – another record year

Securitas delivered another excellent year in 2017, with strong financial results. Our best to date – yet again. Our focus on achieving our long-term financial goals while delivering superior customer value in our daily operations is proving to be successful.

Earnings per share for full-year 2017, adjusted for changes in exchange rates, improved 9 percent excluding the one-off effects of the new tax legislation in the US. The strong macroeconomic conditions and shortage of qualified labor in the US and Europe will result in higher wage inflation in the coming year. We believe we are strategically well positioned to offset such an increase through price increases and by offering alternative security solutions using technology.

We continue to deliver on our strategy. Security solutions and electronic security grew 19 percent in 2017 compared with 2016 and represented 18 percent (16) of total sales for the year. Securitas will continue to increase this relative share through organic growth and acquisitions.

Better service through risk assessments

We are experts in assessing risks. Based on our experience and industry knowledge, we offer a broad spectrum of protective services. They include on-site guarding, mobile guarding, remote guarding enabled through a range of electronic security services and corporate risk management, extended to include a greater focus on fire and safety services and, in the long run, data generated intelligence services. Time and time again, we are able to prove to our customers that we create value and reduce the risk of business interruptions. We simply make security more predictive. The strategy works, but there is still considerable untapped potential.

I am honored to have led the company during this decade of a true paradigm shift. Now we are ready to embark on the next stage of the journey.

Paving the way to intelligent security

We are now paving the way and make investments to turn predictive security into intelligent security. This will be enabled by reporting, analyzing and using large volumes of data and leveraging the largely unutilized database we have at our customers' sites.

Using both historical and real-time data generated by our security officers, as well as equipment such as sensors and cameras at the sites, combined with external crime and incident data sources, we will be able to create the optimal basis for the most professional risk assessments – based on facts, not opinions. The security company with the most data will be more credible than smaller security companies with less data or an inability to make use of the data at their disposal.

Securitas is already the market leader in Europe and North America, and intelligent security using artificial intelligence will give us a decisive competitive edge by creating productivity gains and value for the customers. I am convinced that this will allow Securitas to continue to grow faster than the security market on average.

The volumes of available historical data will increase exponen-

tially, enabling us to analyze and better understand past, present and future incidents. This way, we can provide adequate real-time responses, and higher-quality feedback reports, situational analyses and improvement suggestions to our customers on an unprecedented scale. The security equation will be continuously updated based on the data flow, and preset actions can be taken to allow crimes to be detected before they happen.

Modern technology, big data, digitization and artificial intelligence will make life more difficult for perpetrators. In the past, security officers have only been able to react to incidents that have already occurred. By applying modern technology, intelligence and know-how to the data we receive, we can now prevent crimes from ever happening.

Number one intelligent security company beyond 2020

I am now stepping down after 11 years as Securitas' President and CEO. It has been a great privilege to lead this fantastic company and work with all our dedicated and skilled employees.

Magnus Ahlqvist is ready to take over. I am confident that he will successfully lead Securitas in the next paradigm shift. Securitas is well equipped, has a strong position in the global security service industry and is ready to become the number one intelligent security company beyond 2020.

Alf Göransson
President and CEO
Securitas AB
Until March 1, 2018

Stronger Focus on Digital Technology

Securitas is a game-changer on the security market. We are leading the ongoing transformation of the security industry from traditional guarding to protective services. In the coming years, we will see a stronger focus on digital technology.

Securitas is a solid company and our team is strong. Our culture is based on values, ownership and long-term achievement, and we share a great sense of responsibility towards our customers and a commitment to delivering high-quality services.

In addition to our strengths in on-site, mobile and remote guarding, we have a clear advantage in terms of our technical knowledge. We have invested and continue to invest in technology, which gives us a platform to offer better security solutions to our customers.

I am very excited about working with all the great people in the Securitas team around the world during this new phase, as we devote greater focus to new digital technology in security. Delivering the best commitment and service to our customers will be our top priority during this journey and we will do so by continuously investing in the knowledge of our people.

Digitization and continuously improved use of technology will lead to better security solutions. We will be able to work smarter and create better security and safety for our customers by identifying what is needed to prevent crimes before they actually happen.

Magnus Ahlqvist
President and CEO
Securitas AB
From March 1, 2018

SHAPING GLOBAL SECURITY OF TOMORROW

By being a trusted advisor and combining people, knowledge and technology to deliver protective services, we bring value to our customers. This is how we contribute to a safer society and shape the global security of tomorrow: protecting homes, workplaces and societies.

PEOPLE Our employees are committed to strengthening our customers' security. Unity and cooperation are key to ensuring that we think globally and act locally, provide security according to our customers' needs and are engaged in the communities in which we operate.

KNOWLEDGE Group-wide access to in-depth knowledge and experience enables us to lead the transformation of the security industry. Sharing of knowledge, enhanced by further digitization of Securitas' operations, means that we can provide our customers with superior analytics, risk assessments and solutions for predictive security.

TECHNOLOGY Technology is strengthening Securitas' delivery of security services and solutions. Providing our customers with the right technology, in combination with our people and their knowledge, makes security more effective and more cost efficient.

Strong Trends Underlying Market Growth

The rapid transformation of the security industry is continuing, driven by extensive technological advances. But in many markets, growth is also the result of higher demand for manned guarding. The main global demand driver at present is the real and perceived risk of crime and other incidents.

Increased vulnerability and the escalating cost of disruptions for a growing number of corporate and public activities have moved security issues higher up on the agendas of decision makers and the general public all over the world. This constitutes a highly important growth driver for the security industry, enabling it to expand into new areas, thereby becoming more closely involved in customers' core business.

GLOBAL DRIVERS

In terms of demand, however, the number one global driver for security services is still the real and perceived risk of crime and other incidents. Although some categories of reported crime rates are falling in many countries, there is a widespread perception that crime is increasing, which is increasing the demand for security solutions. One reason for this is the heightened awareness of threats to communities, companies and individuals, including acts of terrorism and increased violence, combined with reduced police presence in public areas. These threats might cause severe disruptions to today's highly complex and networked society. Countering them therefore involves other players than just national and international intelligence agencies, and the police. Private security companies are increasingly providing support in new areas, where we can help prevent disruptions from happening or limit the impact if incidents should occur.

FACTORS CONTRIBUTING TO GOOD GROWTH

Another important global demand driver for security services derives from the new and complex threats that the police and other authorities are facing, many times in combination with budget restraints. As a result, authorities are increasingly seeking ways to cooperate with the private security industry, recognizing the potential gains of outsourcing certain parts of their tasks.

These and other factors are contributing to the good growth of the global security market, which is expected to continue to grow at an annual rate in the range of 5 percent in the coming years leading up to 2020.

Technology development is changing the security industry entirely. Since technology is rapidly becoming smarter, more cost efficient and increasingly applicable in many different security solutions, it is one of the main drivers of increasing sales and growth. Technology is also enabling the development of complex and interoperable security systems, and Securitas is at the forefront of this area.

However, manned guarding is still the most widely used security service globally. It accounts for the majority of the total private security services sales: 55 percent in 2017. With some 345 000 employees in 55 countries, manned guarding also remains the backbone of Securitas' business. Manned guarding is expected to benefit from rapid growth in emerging markets as a result of low capital requirements and labor costs.

GROWING URBAN POPULATION

In many emerging markets, incomes are increasing and the middle class is growing. This is resulting in more people and companies having more resources to protect and the means to buy security services. If, at the same time, the security market in these countries becomes more regulated and security officers are better screened and trained, public trust in private security providers will improve, which in turn will provide an opportunity for growth for security companies. Urbanization is another driver – the urban population is expected to grow faster than the total world population in the coming decade, with the fastest growth in Africa and Asia.

SECURITAS' GROWTH OPPORTUNITIES

- Increasing the use of technology
- Developing more customized and cost-effective services
- Providing more risk management services
- Continuing to establish presence in developing markets
- Creating services that support authorities

Source: Securitas and Freedonia

MARKET SIZE FOR SECURITY SERVICES 2017*

28 USD BILLION
NORTH AMERICA

30 USD BILLION
EUROPE

28 USD BILLION
ASIA*

19 USD BILLION
LATIN AMERICA

11 USD BILLION
AFRICA/MIDDLE EAST

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

Source: Securitas and Freedonia

MARKET DRIVERS

1 **INCREASED VULNERABILITY AND ESCALATING COST OF DISRUPTIONS.** Sophisticated production processes are highly sensitive to disruptions, creating growing demand for security solutions in both the private and public domain.

2 **REAL AND PERCEIVED RISK OF CRIME** is an important driver underlying the demand of security services. Although reported rates for certain crimes are falling in many countries, there is currently a widespread perception that crime is on the rise, which is boosting the demand for security solutions.

3 **PREVIOUSLY INSOURCED SECURITY** is increasingly being handed over to private sector security companies due to limited resources in the public sector and, in some cases, to open the market to competition due to political decisions. An added value is also the private security companies' risk and security expertise.

4 **RISING LEVELS OF ECONOMIC ACTIVITY AND PROSPERITY** in developing regions are resulting in more facilities, places of business and homes requiring security, and more people, businesses and governments that can afford to buy security solutions.

5 **GLOBAL URBANIZATION** is leading to denser populations, widening socioeconomic inequalities and rising crime rates, thereby creating a need for additional security services.

6 **INFRASTRUCTURAL DEVELOPMENT** is resulting in demand for qualified security solutions and services for growing public transportation systems and public property.

7 **HEIGHTENED LEVELS OF TENSION** across the globe, with social and political unrest. Natural disasters, terrorism and political instability are boosting the need for flexible and efficient security solutions.

DEMAND DEVELOPMENT

1 **INCREASED COST-CONSCIOUSNESS** requires security companies to be efficient, well managed and innovative.

2 **MORE TAILORED INDUSTRY AND CUSTOMER SOLUTIONS** is something expected by customers.

3 **GREATER RISKS,** both perceived and real, are expected to be handled by senior management in rapidly moving and complex global business arenas.

4 **MORE TECHNICALLY MATURE CUSTOMERS,** together with increased digitization, new and cheaper equipment, and the rapid development of the Internet of Things and artificial intelligence, are expanding and changing the product mix demand and offerings available within the security industry.

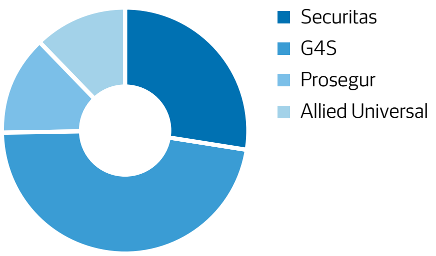
5 **SUSTAINABILITY AND TRANSPARENCY** are expected to a higher degree by customers and other stakeholders.

COMPETITORS

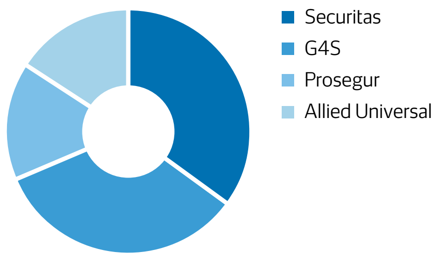
The security services market is highly diversified and predominately comprises smaller players active in their respective regions.

Although our offering and primary markets differ, our main competitors are G4S, Prosegur and Allied Universal.

EMPLOYEES



SALES



Source: Public information

THE FUTURE OF SENSORS

The next generation of monitoring hardware is much more than a passive surveillance camera – it is a combination of smart cameras, various types of sensors and analytical software. The future remote security solutions will not only record and detect incidents, but also analyze, draw conclusions and suggest appropriate actions. This makes the work of our people much more efficient as it automates time consuming tasks and leaves our employees doing what they do best – evaluate and respond in the best way.

Towards the Future at a Faster Pace

Securitas is continuously accelerating the pace towards full digitization and more intelligent security solutions. For our customers, increasingly sophisticated security solutions result in a more secure business environment with fewer disruptions and incidents. This means a heightened sense of safety, improved operations and, in many cases, cost savings.

In a world that is relying more and more on stable and uninterrupted operations, Securitas' customers are demanding a higher degree of security and more advanced security solutions. Early on, Securitas observed that the market conditions were changing rapidly, and formed a strategy to develop services that were both more effective and more cost-efficient. Over the past decade, Securitas has invested in technology, allowing us to create more sophisticated security solutions including electronic security. However, although technology is an increasingly important part of our operations, it is still crucial to our customers that our on-site, mobile and remote security officers remain the backbone of the services we provide. Our employees' extensive security knowledge, experience and expertise is a strength and a competitive advantage. Consequently, our strategy to develop our services by integrating people, technology and knowledge in innovative ways makes it possible to be one step ahead of our customers' expectations.

INCREASED TECHNOLOGY-BASED SOLUTIONS

Today, Securitas offers a broad and expanding spectrum of security services, including a rapidly increasing range of technology-based solutions. We provide our customers on-site, mobile and remote guarding, electronic security, fire and safety services, and corporate risk management. Our solutions are based on thorough analysis to ensure that we provide appropriate and tailor-made services to every customer. Accordingly, the balance between manned guarding and electronic security services varies depending on customers' needs. In all the markets where Securitas is present, the technology-based part of our services is growing at a good pace. However, the technological maturity of these solutions still varies in different parts of the world. The strongest market for advanced electronic security solutions is in Europe and the US.

DETECTION OF CRIMES

Since early 2017, a large part of the information from customer sites is reported in a digital format. This gives Securitas a unique opportunity to gather all possible data – from incident reports, camera feeds, sensors and access control – and to combine it with data from external sources, such as crime statistics and police reports. This unparalleled database permits us to analyze and utilize large volumes of information, thus laying the foundation for predictive security. Advanced analytics creates the possibility to monitor ongoing threats, draw conclusions about future events and make real-time adjustments of actions and security levels, depending on the changing needs of our customers. Eventually, we will be able to automate the analysis of data by individual customer, industry segment and geography. We will share updated risk assessments for different sites with customers on a minute-by-minute, hourly or daily basis. The more data that is fed into the system by our security officers and from technical installations, the more effective, intelligent and forward-looking our predictions will be.

These state-of-the-art surveillance services ensure real-time detection of crimes and other incidents, and enable prompt actions to stop criminals or mitigate the consequences of incidents. At the same time, we consider and address possible implications on data privacy. Our ambition is to deliver true predictive security that enables us to detect crimes and other incidents before they happen and, if possible, even prevent them from occurring.

FROM REACTIVE TO PREDICTIVE SECURITY

The core of our services is our Securitas Operation Centers (SOCs), where skilled and experienced security professionals gather and analyze all incident reports and data.

Altogether, Securitas' foresighted decision to evolve its security services by investing in electronic security and combining it with people and knowledge has made us a leader in the transformation of the industry – from reactive to predictive security. Our customers are looking for a security partner that matches their own digitization ambitions, which has strengthened our aim to further consolidate our position. Every step – adding electronic security, risk analysis and big data – takes us further on this journey. Securitas is determined to extend our lead and are accelerating our efforts to fulfill our long-term strategy to be perceived as a trusted security advisor. We are encouraged by the fact that we continuously deliver improved results and are growing faster than the competition.

SECURITAS' STRATEGIC PRIORITIES IN BRIEF

- Create increased customer value through development of protective services, combining on-site, mobile and remote guarding with electronic security, fire and safety, and corporate risk management
- Create enhanced and sustainable shareholder value through growth in sales of security solutions and technology, which will increase profitability
- Extend our mobile patrol and response network and density
- Work proactively to expand the security market by assuming responsibility for security that is currently insourced, and to support the police
- Make selective acquisitions, predominantly of electronic security companies that support the strategy and of security companies in emerging markets
- Secure that we are an attractive employer and a value driven company that continuously develop our employees

A Trusted Advisor in Security

Through its operations, Securitas plays an important role in ensuring the security and safety of society at large. We thereby create value for a large number of stakeholders.

Today, Securitas provides security to customers and communities in 55 countries all over the world. As we further develop our services into intelligent security solutions, advanced technical equipment and the gathering of large amounts of data make it possible to predict risks rather than just reacting to them. This progressive approach means a strong increase in the value we offer our stakeholders.

MISSION OF MUTUAL TRUST

Our mission to protect homes, workplaces and communities is a mission of mutual trust. To fulfill it, we depend on close, reliable and long-term relationships with various stakeholders. The single most important stakeholder is, of course, the customer. Providing our customers with services that result in secure business environments and a heightened sense of safety is always our number one priority. When we invest in electronic security at the customers' sites, this means fewer interruptions and incidents and improved day-to-day operations. Since technology-driven security solutions are more cost-efficient, they bring more value for money and increased predictability in terms of future costs. They also lead to better business opportunities and profitability for Securitas' customers. For example, features such as intelligent sensors and smart cameras make it possible for retail businesses to count customers, and to monitor who enters a store or shopping mall and how long they stay in different areas. This means that the design of the security solutions is now not only relevant to the customers' security managers, but also to all members of the commercial management team.

By ensuring improved customer satisfaction, we have provided added customer value. In doing so, we have also created value for society at large. When industries, stores and authorities can conduct business in an uninterrupted way and the risk of crime and violence is curbed, this improves overall security conditions, well-being and productivity in local communities.

OUR ABILITY TO CREATE VALUE

Securitas' ability to create value for its stakeholders depends on the competence and diligence of our more than 345 000 employees all over the world. Our people are Securitas' most important asset, which also make them a profoundly important stakeholder.

As a company listed on the stock exchange, Securitas' relationships with its shareholders and investors are highly important. Securitas' accelerated transformation means improved cost efficiency, stronger customer loyalty, longer customer contracts and more predictable future sales. Altogether, this results in increased operating income and a higher return on capital employed, which will increase shareholder value and ultimately help Securitas attract new shareholders.

OUR STAKEHOLDERS' BEST INTEREST IN MIND

As Securitas delivers on our strategies and makes decisions to further develop our services, we always have our stakeholders' best interests in mind. As we move forward towards even more knowledge- and data-driven security solutions, we enforce our position as the industry leader. We do so in the certainty that these solutions will benefit and create more value for all our stakeholders.

CUSTOMERS
- Increased security with fewer business interruptions
- More value for money
- Increased focus on core business

SOCIETY
- Safer cities and communities
- Fewer interruptions in critical functions
- Reduced risk of violence
- Reduced costs for disruptions

EMPLOYEES
- Safe working conditions
- More qualified assignments
- Higher job satisfaction

SHAREHOLDERS
- Enhanced shareholder value
- More attractive investment

ON THE ROAD TO TRUE PREDICTIVE SECURITY

Every year, we take several important steps towards more intelligent security solutions. Analyzing and utilizing gathered data from many thousands of customer sites takes us closer to delivering true predictive security. Our goal is to be able to prevent crimes and other incidents from occurring by knowing in advance what is about to take place.

However, to realize the full potential of predictive security we need to further develop the way we analyze data and the algorithms we use to cross-check real-time information against historical data. This work requires seamless cooperation between our security officers, data analysts and statisticians, who work together to refine the methods we apply.

The main part of Securitas' forward-looking work – designed to take us to the next level of intelligent security solutions – is conducted with our own resources within our own organization. We also make acquisitions of electronic security companies and selective acquisitions to increase Securitas' global footprint and to add specialized services that are crucial to further broaden our strong service offering to our global customers. In 2017, we entered the Australian market through the acquisition of the security services company PSGA.

Transformation to a Modern Security Solution

The transformation of a major assignment with a global manufacturing company resulted in maintained high security level, reduced cost and improved health and safety conditions for the employees. For Securitas, it meant a long-term contract with increased profitability.

A global manufacturing company's operation in one country had been required to reduce its security budget. At the same time, it was important to maintain a high standard of security at its six sites and the company called on Securitas to offer a solution.

The customer's existing security systems were in poor condition, and the challenge for Securitas was to present a security solution that included updated electronic security, on-site and mobile guarding, and fire and safety services, without increasing the customer's costs.

A number of experts from Securitas carried out a comprehensive risk analysis, visiting each of the production sites to gather information and to ensure that the best solution for the customer could be presented. Our key account manager had extensive knowledge about the customer segment, which made it easier to understand the customer's particular security needs and where we could add most value. Technical solutions and fire and safety specialists also participated in the visits, as did Securitas' local branch manager.

The customer agreed to Securitas' proposals and, using the knowledge acquired from the risk analysis, Securitas first installed turnstiles and an access control system to ensure the safety of the employees working at the high-risk sites. The initial phase also included a mobile security officer who patrolled the premises and responded to alarms.

MODERN ELECTRONIC SECURITY SOLUTION

The customer's production sites had both ingoing and outgoing traffic, with supplies coming in and finished products going out. To improve security and supervision of the transports, the next phase included the installation of automated vehicle barriers and fencing as well as a system with automated number plate recognition.

Some time later, a fire and safety solution was created, including modern firefighting equipment, evacuation planning and drills, and emergency planning. The on-site security officers were given adequate fire and safety training.

The final phase involved a modernization of the customer's old electronic security solution. The solution enabled the sites to have a complete upgrade of their CCTV system, including a new dedicated network installation. The upgrade consisted of 150 IP cameras using intelligent video analytics and a video management system that enabled all the sites to be linked together on one platform. When an incident occurs, the video system sends an alarm to the security officers and provides live information on specific areas that need their attention.

SINGLE POINT OF CONTACT

The CCTV system also included IP network speakers across the sites, giving the security officers the ability to warn potential intruders before dispatching a mobile response officer. An on-site central CCTV monitoring hub was created, with backup monitoring from the Securitas Operation Center, to ensure 24/7 coverage. Since there are potential health and safety risks involved in the production at the customer's sites, the upgraded surveillance camera solutions provide greater security for the customer's employees by enabling risks to be detected at an early stage and allowing fast action to be taken should an accident occur.

Securitas acts as the single point of contact for the entire security solution and all involved suppliers. The solution also includes comprehensive maintenance of the equipment and remote technical support.

Now that the complete solution is in place, the five-year contract has led not only to cost savings for the customer, but also to added value in the form of a modern, comprehensive security solution including electronic security and reduced health and safety risks for the employees. For Securitas, the result was a long-term contract with increased profitability.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EXT 253

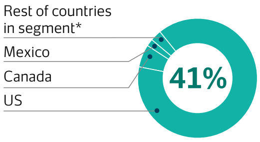
SECURITAS' MARKETS

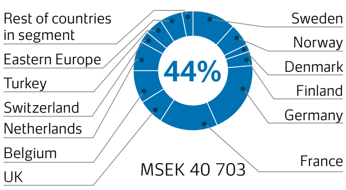
- Argentina
- Australia
- Austria
- Belgium
- Bosnia and Herzegovina
- Cambodia
- Canada
- Chile
- China
- Colombia
- Costa Rica
- Croatia
- Czech Republic
- Denmark
- Ecuador
- Egypt
- Estonia
- Finland
- France
- Germany
- Greece
- Hong Kong
- Hungary
- India
- Indonesia
- Ireland
- Jordan
- Latvia
- Luxembourg
- Mexico
- Montenegro
- Morocco
- the Netherlands
- Norway
- Panama
- Peru
- Poland
- Portugal
- Romania
- Saudi Arabia
- Serbia
- Singapore
- Slovakia
- South Africa
- South Korea
- Spain
- Sri Lanka
- Sweden
- Switzerland
- Thailand
- Turkey
- the United Arab Emirates
- the United Kingdom
- Uruguay
- USA
- Vietnam

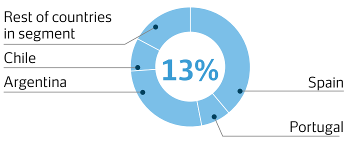
A strong global position

Securitas is a knowledge leader in security with a strong global position. Our operations are organized into a flat, decentralized structure with three business segments: Security Services North America, Security Services Europe and Security Services Ibero-America. Operations in Africa, the Middle East, Asia and Australia are organized in the division AMEA, which is included under Other in the segment reporting.

PERFORMANCE IN 2017 BY BUSINESS SEGMENT







	SALES	OPERATING INCOME BEFORE AMORTIZATION	TOTAL CAPITAL EMPLOYED	NUMBER OF EMPLOYEES	OPERATING MARGIN,%
SECURITY SERVICES **NORTH AMERICA**	41% MSEK 38 108	48% MSEK 2 254	51% MSEK 14 167	33% 114 000	5.9
SECURITY SERVICES **EUROPE**	44% MSEK 40 703	49% MSEK 2 275	35% MSEK 9 671	35% 120 000	5.6
SECURITY SERVICES **IBERO-AMERICA**	13% MSEK 11 971	11% MSEK 506	11% MSEK 3 125	18% 61 000	4.2
GROUP**	MSEK 92 197	MSEK 4 677	MSEK 27 583	345 000	

* Pertains to Pinkerton Corporate Risk Management ** Includes Other and eliminations

SANTIAGO GALAZ Divisional President Security Services North America

MAGNUS AHLQVIST Divisional President Security Services Europe

The market dynamics in the US are strong and Securitas is leading the way.

In 2017, the market dynamics in the US were strong and Securitas was growing faster than the US security market. We are one of the few security companies that can offer a complete range of protective services that includes on-site, mobile and remote guarding, electronic security, fire and safety, and corporate risk management. Security Services North America is built on closeness to the local market, with approximately 400 branch offices, 750 local branch managers and over 103 000 security officers.

In addition to our on-site, mobile and remote guarding services, we have significantly expanded our electronic security presence and capabilities through Securitas Electronic Security, a full-service solutions business providing design, installation and service of access control, intrusion and video monitoring systems.

In 2017, organic sales growth continued at a good pace and sales of security solutions and electronic security grew at a healthy speed.

Securitas is a large employer and we create many new jobs, including the hiring of over 40 000 military veterans in the US during the last five years. Our extensive training programs and "promote from within" policies have provided compelling career paths across our employee base. We also continuously develop tools that help both our customers and our employees in their daily work to ensure a high level of professionalism.

Strong increase in sales of security solutions and electronic security.

Securitas plays an important role in society by keeping its customers, employees and local communities safe. Our customers appreciate our strategy and the solutions we develop for them, and sales within security solutions and electronic security continued to grow at a good pace in 2017. We devoted considerable focus to customer-centricity and investing in our protective services capability to ensure that Securitas is the best possible partner for our customers – today and in the future.

As the only pan-European security solutions company, with operations in 26 countries and airport security in 15 countries, Securitas has a vast footprint across Europe. This gives us an excellent position to offer customized security solutions, including an increasing degree of electronic security. Our extensive security knowledge and strong culture of sharing best practice and innovation, and working in cross-border projects reinforce our high-quality service offerings.

Good recruitment processes, employee development and talent management are high on the agenda to ensure we can continue to attract and retain competent employees. To make sure that we do business in a responsible way, sustainability is an integrated part of our day-to-day work.

Magnus Ahlqvist will remain as Divisional President, Security Services Europe during 2018. In March 2018, he assumed the position of President and CEO of Securitas AB.

LUIS POSADAS Divisional President
Security Services Ibero-America

Continuing to invest in electronic security. Securitas continues to invest in security solutions and electronic security in Latin America and in Spain and Portugal. This strategy is paying off and serves as the base for the differentiated service offerings we present to our customers. This is particularly evident in Spain and Portugal, where the security market is mature with intense price competition. Organic sales growth in both countries is nevertheless outpacing growth of the security market. Macroeconomic growth in Latin America is slowing down, but the security market is still growing at a good pace.

Our comprehensive offering, including on-site, mobile and remote guarding, electronic security, fire and safety services, and corporate risk management, gives us a competitive edge. Securitas Operation Centers serve as hubs for the various services we offer and are a vital part of our business that differentiates us from our competitors.

Organic sales growth in 2017 was supported by sales of security solutions and electronic security, which increased at a satisfactory pace.

Employee training at all levels and talent management are important factors in our success and help to create motivated employees and strong local leadership. We integrate sustainability into all our operations.

ANDREAS LINDBACK Divisional President
Africa, Middle East and Asia (AMEA)

The operations in Africa, the Middle East, Asia and Australia support our global footprint. Securitas has built a strong geographical footprint in AMEA in order to serve our global customers. Further expansion into new geographical markets to support customers is a priority.

Over the last few years, we have focused on increasing our capacity to deliver technology-based solutions in order to help our customers improve their on-site security in an innovative and cost-efficient way.

Both the region we serve and our service delivery are diverse, geographically and in market terms, from emerging markets to advanced markets with a high technology content in the security solutions.

The region has a strong customer base in manufacturing and financial services and is growing quickly in IT and cloud-based services, including customers from the region as well as customers with their base in the US and Europe.

In India and Vietnam, Securitas operates under partnerships with local companies.

In August 2017, Securitas entered the Australian market. In January 2018, our technology capabilities in the region were further strengthened through an acquisition in Hong Kong.

The AMEA division is included under Other in our segment reporting.

Contributing to a Safer Society

It is the combination of people, knowledge and technology that sets us apart. Important to our approach to sustainability, all three elements are necessary to ensure the security and safety of our customers and society at large. Securitas' core business is security; people, knowledge and technology underpin everything we do. These three elements build on each other and are central to our mission to increase safety and security among customers and the general public. Together, they make us an agile and resilient security partner in a complex and changing world. This holistic perspective also helps ensure long-term growth and gives a competitive advantage.

It starts with our people. Our security officers remain the backbone of the services we provide. They face a more challenging security environment than ever before. Our business depends on being able to attract and retain people with the right skillset and values, to meet future demands. That is why fair wages, human rights and good working conditions play an important role in our approach.

We aim to take care of our people – ensure that they are paid fairly, protected from harm and that they can live up to their full potential. Increasingly, we see this as our competitive edge.

Securitas' most valuable assets are our more than 345 000 employees. In 55 countries around the world, it is our aim to be the employer of choice. In an industry with a high employee turnover rate in some countries, we see that ensuring a good working environment and providing fair wages gives us access to the best and most engaged talent in the sector. It is important that we attract people who reflect our values and that we empower them to deliver on our evolving security offering.

WORKING ENVIRONMENT AND FAIR WAGES

Paying fair wages is important for us. We work in many diverse markets around the world and prioritize fair wages and working conditions wherever we operate. We exert our influence in discussions with customers, unions and with industry associations, all of which are important stakeholders for improving workers' conditions across markets.

Good working conditions are equally as important as fair wages. Decent labor practices, the right to organize, human rights and non-discrimination are all vital to Securitas, our employees and our customers.

We strive to ensure decent practices and control the working environment of our employees when they are on assignments at customer sites. If we see that conditions are not deemed adequate or we cannot come to a mutual agreement on how to improve, we will not accept the assignment.

OCCUPATIONAL HEALTH AND SAFETY

We do not compromise on safety. Health and safety aspects can vary depending on the assignment, and customer sites are therefore assessed from a health and safety perspective. Security officers receive training, instruction and equipment in line with the assignment. We work actively with occupational health and safety issues in all countries and 17 countries of operation are OHSAS 18001 certified.

An important part of our risk assessment revolves around safety issues. Most of our operations have a so-called 'near-miss program', which helps us identify and scope safety hazards.

LISTENING TO OUR PEOPLE

We conduct recurring employee surveys as one way of listening to our employees. Our long-term ambition is to extend the survey to all employees in all major markets.

Results consistently indicate that a critical factor for employees' job satisfaction is feeling empowered. In response to this, in 2017 Securitas in Sweden introduced a new way to help ensure everyone's voice is heard. In the new internal website, Workplace by Facebook, employees have the same opportunity to express themselves and share their ideas, opinions and criticisms.

GENDER BALANCE

In a male-dominated industry, one of our challenges is increasing gender diversity. We recognize this is an area of growing priority, for both Securitas and our stakeholders and we are working on achieving a better balance.

HOW WE WORK

Securitas leads by example with our experience and knowledge, our company culture, and our strong values. For our strategy to succeed there must be trust in our offering, our brand and the way we work. Our culture and fundamental values – Integrity, Vigilance and Helpfulness – are at the heart of our approach, guided by key policies and guidelines, such as Securitas' Values and Ethics Code. This is backed by robust governance, organizational integrity, efficient operations, training on our policies and procedures and a thorough risk-assessment process to ensure that we are managing risks and leveraging sustainability opportunities.

CASE

UNITED ARAB EMIRATES: HOME AWAY FROM HOME

People from all over the world come to the United Arab Emirates (UAE) to find work. Private companies and public-sector entities alike depend on a foreign workforce. Security officers in Securitas UAE come from many different countries.

For Securitas, all aspects of employment, from the recruitment process to employment conditions, must follow both local laws and our own policies. At times, recruitment campaigns are carried out in the job seekers' home countries. In these cases, Securitas' managers are directly involved in the process and ensure that agents representing Securitas in the foreign country follow our policies.

Like most foreign workers in the UAE, security officers live in labor accommodations. Securitas ensures that the accommodations are clean, well-equipped with good kitchen facilities, Internet connection, exercise equipment, and with organized activities such as beach outings, quiz nights and sports. Employees are also provided with a full yearly medical check-up, including eye and dental examinations.

Number of employees per business segment

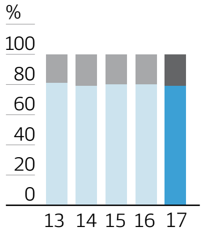
	2017	2016	2015
Security Services North America	**113 636**	111 997	108 107
Security Services Europe	**120 513**	117 155	118 151
Security Services Ibero-America	**60 993**	60 848	59 508
Other	**50 383**	45 945	42 079
Total	**345 525**	**335 945**	**327 845**

Work-related injuries

	2017	2016	2015
Actual number of work-related injuries	**5 647**	6 139	6 361
Injury rate	**1.7**	1.8	1.9
Actual number of work-related fatalities	**7**	4	8

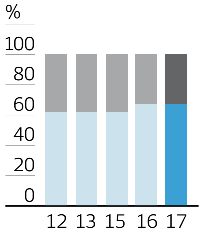
Definitions according to GRI Standards

Gender distribution, average number of yearly employees



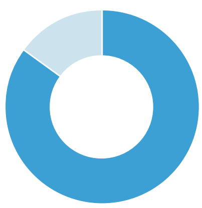
Women, 2017: 21% (20)
Men, 2017: 79% (80)

Gender distribution, Board of Directors



Women, 2017: 33% (33)
Men, 2017: 67% (67)

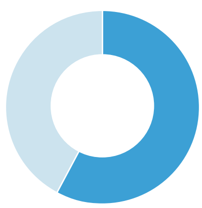
Share of employees with full-time and part-time employment, respectively



Full-time, 85% (85)
Part-time, 15% (15)

Definitions according to GRI Standards

Share of employees covered by collective bargaining agreements



58% (55)

We build on the experience and expertise of our people, leveraging our competence to meet new challenges. More effective solutions are needed to detect and prevent crime. Expanding business areas within technology requires Securitas to develop and empower our existing employees in new capacities. With our focus on innovation, we provide our employees with the tools they need to help our customers stay safer.

In a world increasingly dependent on stable and uninterrupted operations, Securitas' customers are demanding a higher degree of security and more advanced security solutions. That is why investing in knowledge is a core part of our strategy.

The role of the security officer is changing and the tasks they perform are multiplying. Most importantly, the value they add for our customers is growing larger. Security officers of tomorrow will be equipped with technology that enhances the value they deliver and raises the bar for safety for the customer, and for themselves. Using this technology efficiently will require a wide set of skills.

Securitas has its own training centers in most of our countries of operation. By contributing to employees' professional growth and to the understanding of the security profession, we are both improving the knowledge and skills of employees and building the business.

INTELLIGENT SECURITY BEYOND 2020

The next step in our knowledge journey is intelligent security. Securitas has been anticipating this trend and have made significant investments. We will turn predictive security into intelligent security by reporting, analyzing and relying on large volumes of data. This increases a sense of security, reduces crime and protects property, information and people. Surveillance services ensure real-time detection of incidents and enable prompt actions or mitigate their consequences.

Our ambition is to use both historical and real-time data generated by our security officers and deploy equipment such as sensors and cameras at the sites. These measures, combined with external crime and data sources, improve our fact-based risk assessments.

Training hours

	2017	2016	2015
Total number of hours of training	**8 046 648**	7 957 045	6 624 460
Average number of hours of training per employee	**25.78**	24.09	21.87

Definitions according to GRI Standards

CASE
SHARING KNOWLEDGE WITH OUR CUSTOMERS

We seek innovative ways to transfer our knowledge about security and our solutions to our customers and to society. One of the ways in which we do this is through the Securitas Experience Center in Malmo, Sweden. This is an environment that in a realistic way demonstrates how advanced technology in combination with trained employees enhances security. The center functions as an important knowledge center for all the countries in which Securitas have operations. Visitors can experience how security solutions work in different environments and test the equipment and solutions themselves. For example, they can test how the technology can automatically detect intruders in complete darkness. The overall aim is to show customers and other stakeholders how the Securitas approach – people, knowledge, technology – all fits together.

Over the past decade, we have made significant investments in technology, allowing us to create more sophisticated solutions, including electronic security. This builds on our knowledge and depends on our people to be effective and serve the needs of our customers. With growing digitization, ensuring the safety of our services and protecting information and privacy are top priorities.

We consider and address the implications of an increasingly technology driven industry on data privacy and surveillance practices.

With our combination of on-site, mobile and remote guarding and electronic security we can deliver increased safety, improved operations – with fewer disruptions and incidents – and, in many cases, cost savings. We can improve risk assessment and scale security needs. Monitoring services ensure real-time detection of crimes and other incidents and enable prompt actions to stop criminals or mitigate the consequences of incidents. Robotics and use of drones is one area of exploration that offers monitoring possibilities that can enhance, for example, fire and safety security.

Significant opportunities lie in developing our technology offering, but it also poses challenges and high expectations to deliver these solutions responsibly. These include the societal impacts of big data, the Internet of Things, robotics and connectivity.

RESPONSIBLE APPROACH

It is important to protect data on behalf of our customers and the general public. It is also essential that data is only shared and aggregated based on legal grounds and in interest of protecting the privacy rights of individuals. At Securitas we have policies, processes and training in place to manage data privacy.

Our emphasis and processes for risk assessment have enabled us to analyze risks efficiently, including newer implications of increased digitization. As we continue to invest in increasingly sophisticated electronic solutions for security, our aim will remain to ensure trust in the technology and our ability to deploy it responsibly.

Securitas has policies, processes and training in this area that are built on the General Data Protection Guidelines (GDPR), adopted by the European Parliament and which will come into force in 2018.

CASE

AXIS PARTNERSHIP FOUNDED ON SHARED VALUES

The use of remote video is on the rise – and with it, the need for heightened data security. To meet this need, Securitas has a global cooperation to drive the development of remote video solutions with Axis Communications, a market leader in IP (Internet Protocol) cameras and network video solutions. Axis offers intelligent network video solutions to customers around the world through partners in 179 countries.

The partnership is built on a set of shared values. Axis meets the Securitas Values and Ethics Code and actively works with sustainability issues within their supply chain. Axis' goal is to take integrity and privacy into consideration in all business processes and to promote it in the entire value chain, from product development and manufacturing to distribution and sales.

Data privacy is particularly important within our remote video solutions, where we offer a secure and protected framework for video surveillance. Axis also has a sharp focus on IT security and data privacy issues. It aims to eliminate vulnerabilities in its solutions, with customer information handled in well-protected systems.

Read more in the Securitas AB Sustainability Report 2017 at www.securitas.com /our responsibility

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE SWEDISH CORPORATE GOVERNANCE CODE (THE CODE)

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

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

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

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

Securitas complies with the Code principle of "comply or explain" and has two deviations to explain for 2017.

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

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

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

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

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

COMMENTS BY THE CHAIRMAN

Securitas is continuing to lead the transformation of the global security industry – shifting from traditional guarding to protective services based on people, technology and knowledge. The cost of manpower continues to increase at the same time as technology is becoming more affordable. We are in the forefront of the transformation and are skilled at integrating different forms of technology to support our people, bringing value to our customers and contribute to a safer society.

We have a strong strategic focus, and our way to achieve Vision 2020 is based on a phased approach, whereby we strengthen our foundation and accelerate the growth of protective services. We are now ready to take the next step, to become the number one intelligent security company beyond 2020.

The role of the Board of Directors of Securitas is to work for Securitas' long-term development and in the best interests of the company's shareholders and other stakeholders. Sound corporate governance is a prerequisite to achieve this.

This means formulating an overall strategy for the Group, but also applying solid and appropriate corporate governance processes that create the foundation for a responsible and sustainable business, which requires systematic and purposeful work.

To facilitate this work, we have solid systems, routines and procedures in place for monitoring targets, internal control and risk management. The Board performs its duties through formal Board meetings and committee work. New Board members were appointed during the year, bringing new expertise to the table, which has been beneficial in our strategic planning for the future development of Securitas.

Together with Securitas' management, we establish a direction for the company and make overall decisions on how Securitas' assets are to be used for investments, acquisitions and dividends. All of our decisions are well founded and thoroughly discussed to ensure that we are moving in a direction that is in line with the strategy, always considering a long-term perspective and promoting responsible and sustainable business.

The Board of Securitas is grateful to be working with a management team that is dedicated to driving the company's strategic agenda and with employees who invested a great deal of effort over the year in order to build a strong foundation for the future Securitas, which will benefit all stakeholders. Special thanks to Alf Göransson, who successfully led the company and its transformation for 11 years. We now welcome Magnus Ahlqvist as the new CEO, who will continue to guide Securitas in its journey as the leading security company in the industry.

Stockholm, March 15, 2018

Marie Ehrling
Chairman of the Board
Securitas AB

GOVERNANCE STRUCTURE

Solid system for Governance and Management

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

Securitas has a decentralized organizational model that promotes entrepreneurship and focuses on the approximately 1 700 branch managers who run the company's daily operations in 55 countries. The company's offerings improve when decisions are made in close proximity to customers and the employees who perform the services. Local decisions are therefore encouraged but require a solid governance and management system. To facilitate this work, Securitas has systems, routines and procedures in place for monitoring targets, internal control and risk management.

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

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

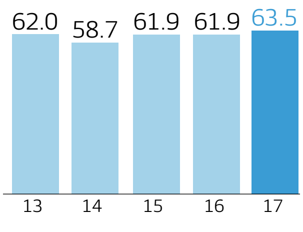
As part of our decentralized management approach, we are required to set and follow up on strict financial targets by continuously measuring and monitoring the Group's performance. Financial control is not simply about implementing controls, it also functions as an incentive for those employees who are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

THE FINANCIAL FRAMEWORK AND MODEL continuously measure the Group's performance, from the branch offices through to Group level. The aim of the Group's financial reporting is to produce the most timely and accurate information possible to enable managers and employees to make the decisions necessary for achieving profitable growth in line with Securitas' strategies,

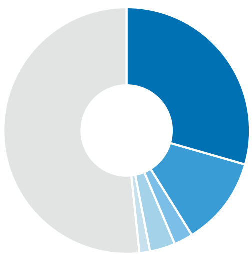
NUMBER OF SHAREHOLDERS 2013–2017

2013	26 054
2014	24 274
2015	25 734
2016	31 221
2017	**33 913**

ANNUAL GENERAL MEETING ATTENDANCE 2013–2017
% of voting rights

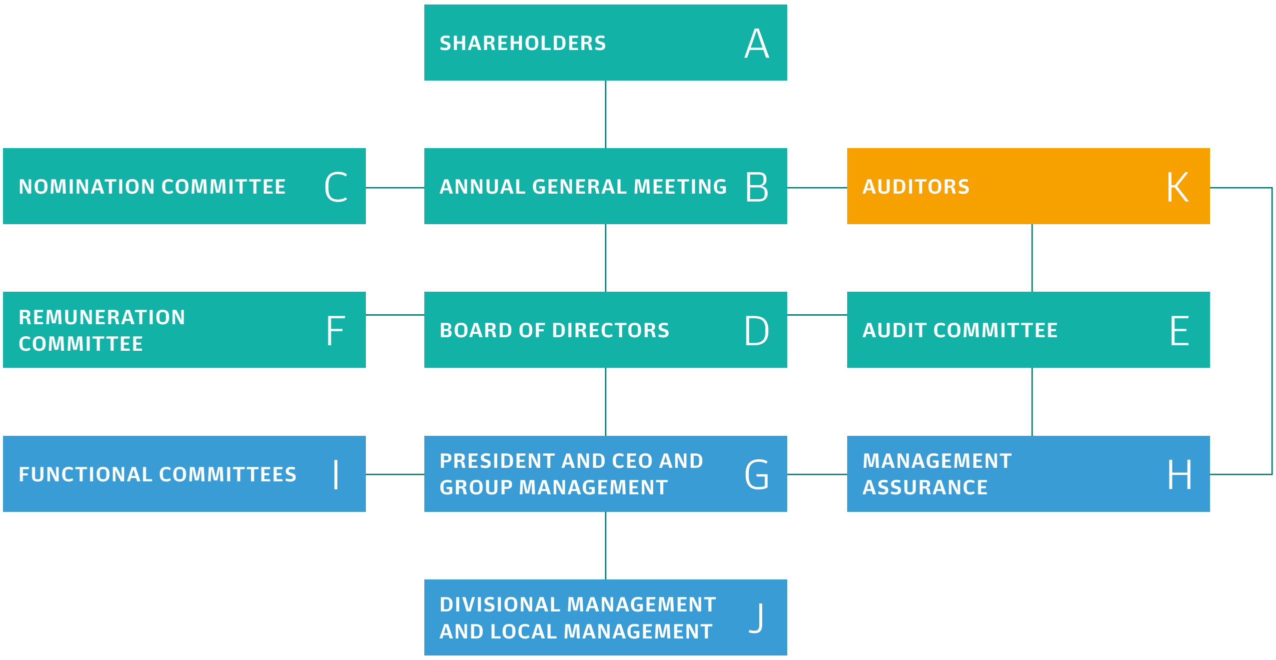


ELECTED MEMBERS,[1] NOMINATION COMMITTEE



- Carl Douglas, major shareholder, 29.58%[2]
- Mikael Ekdahl, Melker Schörling AB, major shareholder, 11.60%[2]
- Jan Andersson, Swedbank Robur Funds, 2.50%[2]
- Johan Sidenmark, AMF, 3.42%[2]
- Johan Strandberg, SEB Investment Management, 1.31%[2]
- Share of votes not represented in the Nomination Committee, 51.59%[2]

1 At the Annual General Meeting held on May 3, 2017.
2 Share of votes as of May 3, 2017.



and to control risks to ensure that the company's objectives are achieved. Financial reporting also forms the basis for sound internal control. The financial model makes it possible to monitor a number of key figures that can be understood by all managers. Each branch has its own statement of income, for which it is fully responsible. It also helps managers to understand the connection between risks and opportunities, and how various factors impact their areas of responsibility as well as how we can monitor and control these factors. It visualizes the direct link between income and expenses in the statement of income, capital employed in the balance sheet and the generation of free cash flow. Refer to pages 46-47 for more information.

A SHAREHOLDERS

At the top of the governance structure, shareholders influence the overall direction of the company. Strong principal shareholders provide considerable attention and interest in our business, and establish commitment to the success of the business.

On December 31, 2017, the principal shareholders in Securitas were Gustaf Douglas who, through his family and Investment AB Latour Group, held 10.9 percent (10.9) of the capital and 29.6 percent (29.6) of the votes, and Melker Schörling who, through his family and Melker Schörling AB, held 5.4 percent (5.4) of the capital and 11.6 percent (11.6) of the votes. For more detailed information about shareholders, see the table on page 135.

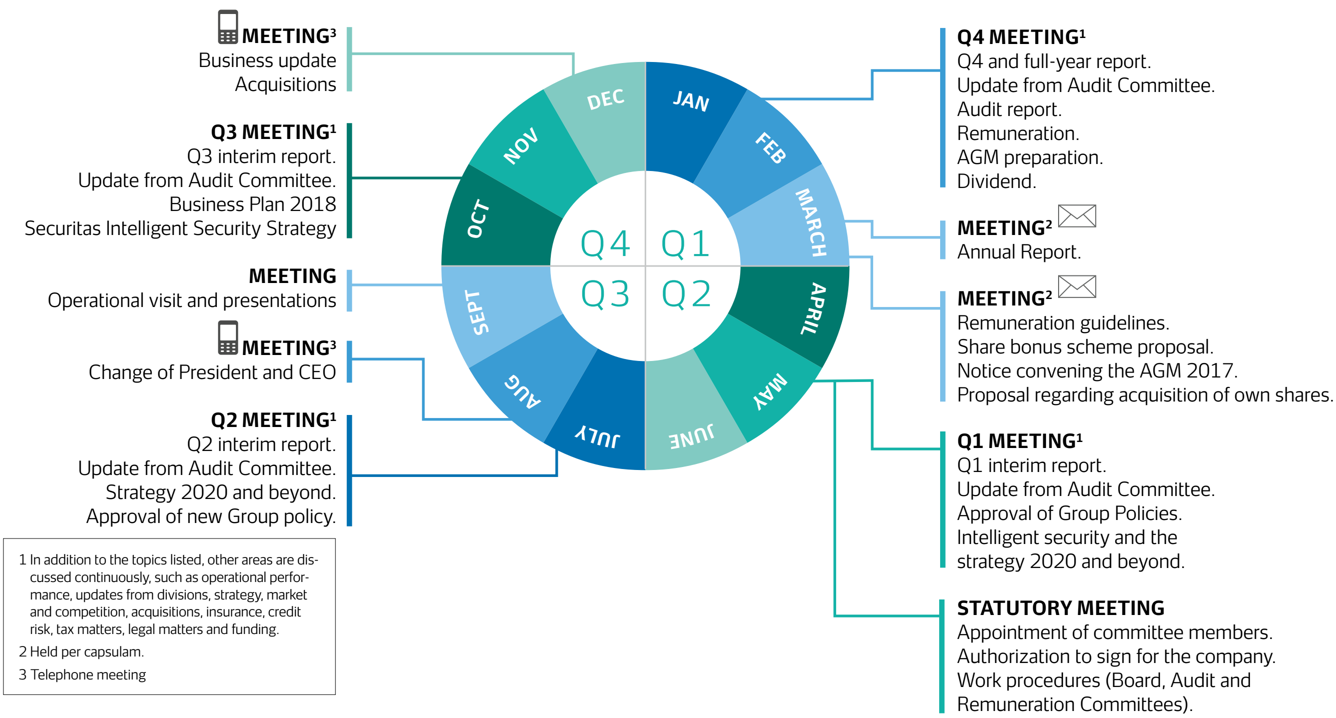
B ANNUAL GENERAL MEETING

All shareholders are able to exercise their influence at the Annual General Meeting, which is the company's highest decision-making body. The Annual General Meeting decides on changes to the Articles of Association. The Articles of Association contain no limitation on the number of votes that each shareholder may exercise at a shareholders' meeting. Each shareholder may thus vote for all shares held at the shareholders' meeting. The Annual General Meeting of Securitas AB was held on May 3, 2017, and the minutes are available on www.securitas.com, where all resolutions passed can be found. One of the resolutions passed in 2017 was the authorization for the Board to resolve upon acquisition of the company's own shares. Shareholders representing 63.5 percent (61.9) of the votes attended either personally or by proxy. For information about election and remuneration of Board members, see the Board of Directors section (D).

C NOMINATION COMMITTEE

The Nomination Committee is a body established by the Annual General Meeting with the task of preparing motions regarding the election of Board members, the Chairman of the Board and remuneration to Board members and Board committees. The Nomination Committee applies rule 4.1 in the Swedish Corporate Governance Code as its diversity policy. As basis for its proposal, the Nomination Committee takes the complete outcome of the performed evaluation of the Board and its work into account as well as the competences needed in the

THE WORK OF THE BOARD OF DIRECTORS



1 In addition to the topics listed, other areas are discussed continuously, such as operational performance, updates from divisions, strategy, market and competition, acquisitions, insurance, credit risk, tax matters, legal matters and funding.
2 Held per capsulam.
3 Telephone meeting

future. The committee sought to establish a Board composition with equal gender distribution, characterized by diversity and width regarding the qualifications, experience and background of the Board members. The Board at the moment consists of three women and six men, that is, the percentage of women in the Board is 33 percent which is two percent below the level of ambition that the Swedish Corporate Governance Board has expressed. It is the ambition of the Nomination Committee to continue the work to create an equal gender distribution in the Board.

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

In 2017, Carl Douglas was re-elected as Chairman of the Nomination Committee. Refer to AGM minutes for information on procedures for replacing members of the Nomination Committee who leave before its work is concluded.

The Committee has adopted working instructions that govern its work. The Nomination Committee should hold meetings as often as necessary to fulfill its duties. However, the Nomination Committee should hold at least one meeting annually. The Nomination Committee met six times in 2017.

D BOARD OF DIRECTORS

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

The Annual General Meeting re-elected Marie Ehrling as Chairman of the Board and Carl Douglas as Vice Chairman. For further information about the members of the Board of Directors and the President and CEO including remuneration, see pages 31-33.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

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

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

The Board of Directors of Securitas AB has approved a number of policies that apply to governance. Examples of such policies are found on page 41.

The Board ensures the quality of financial reporting through Group policies, procedures and frameworks, clear structures with defined responsibilities and through documented delegation of authority, which is further described in the enterprise risk management and internal control report, beginning on page 36. The Board has formed an Audit Committee (see section E) and a Remuneration Committee (see section F).

THE WORK OF THE BOARD OF DIRECTORS

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

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

The Board held ten meetings in 2017, of which two were held per capsulam and two were held by phone. The auditors participated in the Board meeting that was held in conjunction with the yearly closing of the books, in February 2017, where they presented the audit.

E AUDIT COMMITTEE

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

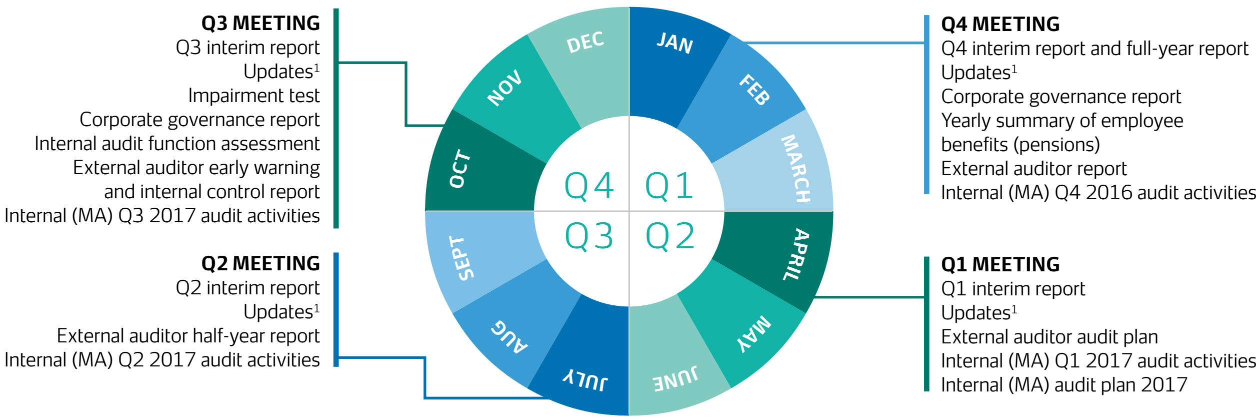
Specifically, the Committee monitors the financial reporting, the effectiveness of internal control, internal audit activities and the risk management system. The Committee also stays informed about annual statutory audits. It assesses the external auditor's independence and approves the performance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

The Committee presents its findings and proposals to the Board, prior to the Board's decision. The Committee met four times during 2017. The major topics discussed are listed below.

F REMUNERATION COMMITTEE

The Board has formed a Remuneration Committee to prepare decisions related to salaries, bonuses, share-

THE WORK OF THE AUDIT COMMITTEE



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

(MA) Management Assurance

based incentive schemes and other forms of compensation for Group Management, as well as other management levels if the Board of Directors so decides. The Committee presents its proposals to the Board, for the Board's decision. The Committee held two meetings during 2017.

A share-based incentive scheme was adopted at the Annual General Meeting 2017, enabling the Group to gradually have approximately 2 500 of Securitas' top managers as shareholders. The scheme strengthens employee commitment to Securitas' future success and development for the benefit of all shareholders. In principal, the adopted incentive scheme entails that one-third of any annual bonus, earned under the performance-based cash bonus schemes, is converted into a right to receive shares, with delayed allotment and subject to continued employment in Securitas. The scope and content of the incentive scheme is unchanged compared to the share–based incentive scheme that was adopted at the Annual General Meetings in 2010 and forward.

For more information on the actual outcome of the share-based incentive scheme in 2017, see note 12 on page 92.

The guidelines for remuneration to senior management that were adopted at the Annual General Meeting 2017 primarily entailed that remuneration to senior management and their terms of employment should be competitive and comply with market conditions, to ensure that Securitas is able to attract and keep competent senior management employees. The total remuneration to Group Management should consist of a fixed basic salary, variable remuneration, pensions and other benefits.

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

The variable remuneration should amount to a maximum of 60 percent of the fixed annual salary for the President and CEO, and a maximum of 42 to 200 percent of the fixed annual salary for other members of Group Management. The cost of the company for 2017 in terms of its obligations to pay variable remuneration to the Group Management is established to not exceed a total of MSEK 93 at maximum outcome. The complete guidelines for remuneration can be found on www.securitas.com.

Additional information on remuneration to the Board of Directors and Group Management, including the outcome, is disclosed in the Notes and comments to the consolidated financial statements 2017. See note 8 on pages 84-87.

G PRESIDENT AND CEO AND GROUP MANAGEMENT

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

In 2017, Group Management comprised the President and CEO and 11 executives with representatives from the divisions. For further information on Group Management, see pages 34-35.

H MANAGEMENT ASSURANCE

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

This function prepares an annual plan for its work, which is approved by the Audit Committee. The results of the function's work, which includes the execution and coordination of internal audit-related activities during the year, are presented at the Audit Committee meetings. The Management Assurance Director participated in all Audit Committee meetings during 2017.

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

I FUNCTIONAL COMMITTEES

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

J DIVISIONAL AND LOCAL MANAGEMENT

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

AUDITORS

The Annual General Meeting 2017 elected PricewaterhouseCoopers AB (PwC) as the Group's audit firm, with authorized public accountant Patrik Adolfson as auditor in charge, for a period of one year.

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

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

AUDITOR IN CHARGE

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

Audit fees and reimbursement to auditors (PwC) have been paid for audit assignments and other reviews in accordance with existing laws, and for advice and assistance in connection with reviews undertaken. Fees have also been paid for independent advice. This advice mainly pertains to audit-related consultations for accounting and tax compliance matters including tax returns.

	Group		Parent Company	
MSEK	2017	2016	2017	2016
Audit assignments	40.6	37.9	6.6	5.7
Additional audit assignments	3.1	3.5	1.2	1.7
Tax assignments	14.2	13.3	2.2	1.9
Other assignments[1]	10.3	29.0	1.5	1.6
Total PwC	**68.2**	**83.7**	**11.5**	**10.9**

1 Fees for other assignments performed by PwC include fees for audit-related advisory services relating to accounting, including IFRS, IT, acquisitions, divestitures and matters relating to the Group's internal bank. In 2016 MSEK 24.8 pertained to advisory services regarding the acquisition of Diebold's Electronic Security in North America.

Auditor Patrik Adolfson

COMPOSITION OF THE BOARD AND ATTENDANCE IN 2017

	Position			Attendance					
Board member	Board of Directors	Audit Committee	Remuneration Committee	Board meetings (10)	Audit Committee meetings (4)	Remuneration Committee meetings (2)	Total fee[1], SEK	Independent to company (8)	Independent to share-holders (6)
Marie Ehrling	Chairman	–	Chairman	10	–	2	1 800 000	Yes	Yes
Carl Douglas	Vice Chairman	–	Member	9	–	2	850 000	Yes	No
Alf Göransson (President and CEO)	Member	–	–	10	–	–	0	No	Yes
Ingrid Bonde	Member	–	–	6[3]	–	–	550 000	Yes	Yes
John Brandon	Member	–	–	6[3]	–	–	550 000	Yes	Yes
Anders Böös	Member	Member	–	10	4	–	725 000	Yes	No
Fredrik Cappelen	Member	Chairman	–	8	4	–	825 000	Yes	Yes
Sofia Schörling Högberg	Member	Member	–	10	3	–	725 000	Yes	No
Dick Seger	Member	–	–	6[3]	–	–	550 000	Yes	Yes
Susanne Bergman Israelsson[2]	Member	–	–	8	–	–	0	–	–
Åse Hjelm[2]	Member	–	–	9	–	–	0	–	–
Jan Prang[2]	Member	–	–	10	–	–	0	–	–

1 Total fee includes fees for committee work. In total, SEK 775 000 was paid out for committee work, of which SEK 150 000 for Remuneration Committee work and SEK 625 000 for Audit Committee work. For more details, refer to the minutes of the Annual General Meeting 2017 on Securitas' website: www.securitas.com.

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

3 Appointed member of the Board of Directors at the Annual General Meeting on May 3, 2017.

For comparative information about remuneration to the Board of Directors and senior management, please see note 8 on pages 84-87.

BOARD OF DIRECTORS

MARIE EHRLING

Chairman, b. 1955
Director of Securitas AB since 2006 and Chairman since 2016
Chairman of Telia Company AB, Vice Chairman of Axel Johnson AB and Director of Axel Johnson International
Previously: President of Telia Sonera Sverige, Deputy CEO of SAS AB, responsible for SAS Airlines and other executive positions at SAS
Shares in Securitas: 7 000 Series B shares

CARL DOUGLAS

Vice Chairman, b. 1965
Deputy Director of Securitas AB since 1992, Director since 1999 and Vice Chairman since 2008
Vice Chairman of ASSA ABLOY AB, Director of Investment AB Latour
Shares in Securitas: 12 642 600 Series A shares and 27 190 000 Series B shares[1]

ALF GÖRANSSON[2]

Member, b. 1957
President and CEO of Securitas AB since 2007
Chairman of International Security Ligue and Loomis AB, Director of Hexpol AB and Axel Johnson Inc., US
Previously: President and CEO of NCC AB 2001–2007, CEO of Svedala Industri AB 2000–2001, Business Area Manager at Cardo Rail 1998–2000 and President of Swedish Rail Systems AB in the Scancem Group 1993–1998
Shares in Securitas: 100 702 Series B shares

INGRID BONDE

Member, b. 1959
Director of Securitas AB since 2017
Chairman of Hoist Finance AB, The Swedish climate policy council and Director of Loomis AB
Previously: Board member, CFO and deputy CEO of Vattenfall AB, President and CEO of AMF Pensionsförsäkringar AB, Vice President Finance of SAS AB and Director General of the Swedish Financial Supervisory Authority
Shares in Securitas: 2 600 Series B shares

JOHN BRANDON

Member, b. 1956
Director of Securitas AB since 2017
Director of Hexagon AB
Previously: Vice President of Apple International, Vice President of Apple Americas and Asia, and President and CEO of Academic Systems.
Shares in Securitas: 0

ANDERS BÖÖS

Member, b. 1964
Director of Securitas AB since 2016
Director of Investment AB Latour and Stronghold Invest AB
Previously: CEO of H&Q AB and Drott AB, Chairman of IFS AB and Cision AB, Director of Haldex AB and Niscayah AB
Shares in Securitas: 25 000 Series B shares

1 Private holdings and through Investment AB Latour Group.
2 As of March 1, 2018, Alf Göransson left his position as President, CEO, member of the Group Management and Board of Directors.
3 Private holdings and through Melker Schörling AB. In addition, related parties hold 4 800 Series B shares.
All figures refer to holdings on December 31, 2017.

FREDRIK CAPPELEN

Member, b. 1957
Director of Securitas AB since 2008
Chairman of Terveystalo Oy, Dustin Group AB, Dometic Group AB and Transcom AB
Previously: President and Group Chief Executive of Nobia 1995–2008, Chairman of Byggmax Group AB and Sanitec Oy, Vice Chairman of Munksjö AB
Shares in Securitas: 4 000 Series B shares

SOFIA SCHÖRLING HÖGBERG

Member, b. 1978
Director of Securitas AB since 2005
Director of Melker Schörling AB, Hexagon AB and ASSA ABLOY AB
Shares in Securitas: 4 500 000 Series A shares and 15 237 000 Series B shares[3]

DICK SEGER

Member, b. 1953
Director of Securitas AB since 2017
Previously: CEO, Chairman of the Board and Board member of Verisure Group (previous Securitas Direct).
Shares in Securitas: 26 Series B shares

EMPLOYEE REPRESENTATIVES

SUSANNE BERGMAN ISRAELSSON

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

ÅSE HJELM

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

JAN PRANG

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

GROUP MANAGEMENT

1 As of March 1, 2018, Alf Göransson left his position as President, CEO, member of the Group Management and Board of Directors. He was replaced as President and CEO by Magnus Ahlqvist, also Divisional President for Security Services Europe.

2 The actual allocation of shares to Group Management under the Securitas share-based incentive scheme 2016 can be found on page 87, and the total potential allocation of shares to Group Management under the Securitas share-based incentive scheme 2017 can be found on page 85.

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

1. ALF GÖRANSSON

President and CEO of Securitas AB[1]
Born: 1957
Employed: 2007
Shares in Securitas: 100 702 Series B shares[2]

2. BART ADAM

Chief Financial Officer
Born: 1965
Employed: 1999
Shares in Securitas: 31 337 Series B shares[2]

3. MAGNUS AHLQVIST

Divisional President[1]**,**
Security Services Europe
Born: 1974
Employed: 2015
Shares in Securitas: 101 920 Series B shares[2], 200 000 share options[3]

4. MARTIN ALTHÉN

Chief Information Officer
Born: 1968
Employed: 2016
Shares in Securitas: 0

5. WILLIAM BARTHELEMY

Chief Operating Officer,
Security Services North America
Born: 1954
Employed: 1999
Shares in Securitas: 52 072 Series B shares[2]

6. SANTIAGO GALAZ

Divisional President,
Security Services North America
Born: 1959
Employed: 1995
Shares in Securitas: 201 679 Series B shares[2]

7. GISELA LINDSTRAND

Senior Vice President, Corporate Communications and Public Affairs
Born: 1962
Employed: 2007
Shares in Securitas: 4 082 Series B shares[2]

8. JAN LINDSTRÖM

Senior Vice President, Finance
Born: 1966
Employed: 1999
Shares in Securitas: 9 576 Series B shares[2]

9. AIMÉ LYAGRE

Chief Operating Officer and Chief Technology Officer, Security Services Europe
Born: 1959
Employed: 2004
Shares in Securitas: 21 470 Series B shares[2]

10. MARC PISSENS

President Aviation
Born: 1950
Employed: 1999
Shares in Securitas: 49 234 Series B shares[2]

11. LUIS POSADAS

Divisional President,
Security Services Ibero-America
Born: 1958
Employed: 1995
Shares in Securitas: 35 973 Series B shares[2]

12. HENRIK ZETTERBERG

Senior Vice President, General Counsel
Born: 1976
Employed: 2014
Shares in Securitas: 1 301 Series B shares[2], 45 000 share options[3]

Antonio Villaseca, Senior Vice President Technical Solutions, decided to gradually retire as of July 1, 2017 and is since June 30, 2017 no longer a member of Securitas Group Management.

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

ENTERPRISE RISK MANAGEMENT

Proactive Risk Management and Internal Control

Securitas' process for enterprise risk management (ERM) seeks to identify, prioritize and manage the key risks to our business at all levels and in all parts of the business. Securitas' internal control system is designed to manage, rather than eliminate, the risk of failing to achieve business objectives. The system provides reasonable, but not absolute, assurance against material misstatement or loss, as well as compliance with the main policies.

Internal control over financial reporting is included as a part of the overall internal control of Securitas and constitutes a central part of the Group's corporate governance. The description below covers a broader perspective on how Securitas' internal control is organized, using a structure based on the COSO model, but also makes specific reference to items pertaining directly to internal control over financial reporting. On pages 39-43 we describe the company's enterprise risk management process, which sets the overall process for Securitas' proactive and continuous work with risk management and internal control. Securitas' insurance and claims strategy is to "act as if uninsured". Refer to page 44 for more information about insurance as a risk management tool.

CONTROL ENVIRONMENT

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

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

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

Policies that apply to internal control over financial reporting are described in Securitas' Group Policies, which include the company's model for financial control (for more detailed information on the model, refer to pages 46-47), and in the Securitas Reporting Manual, which specifically focuses on reporting matters to ensure compliance with reporting requirements and rules. This creates an environment that supports reliable and accurate reporting.

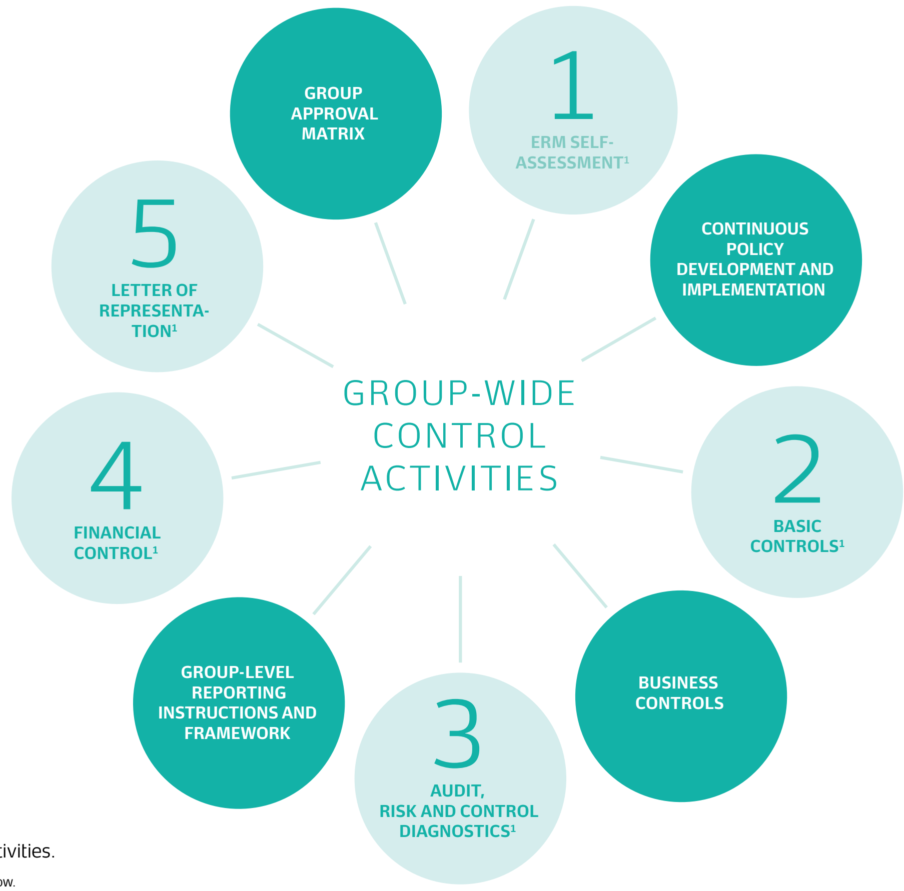
RISK ASSESSMENT

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

Enterprise risk management (ERM) is an integral component of Securitas' operations, and risk awareness is part of the company culture. Risk assessments are conducted within the framework of the Securitas ERM process, regardless whether the assessments pertain to operational risks or financial reporting risks. Securitas does not classify compliance risk as a separate category. Instead, it is included in the operational category. Risk assessment is a dynamic process that aims to identify and analyze risks in relation to Securitas' objectives. It serves as the basis for implementing mitigating actions after considering the controls in place (reduce, transfer/share or accept the risk in question). See page 40 for more details on the risk assessment and planning process.

GROUP-WIDE CONTROL ACTIVITIES

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



This illustration shows an overview of the key Group-wide control activities.

1 Described in further detail below.

1 ERM SELF-ASSESSMENT

Every major country throughout the Group performs an annual self-assessment, which is a part of the process to manage enterprise-wide risks. It covers key risks, including financial reporting risks, measures taken and compliance with Securitas Group Policies and Securitas Reporting Manual. An example of an operational risk included in the self-assessment package is assignment execution risk. An example of a financial reporting risk is fraud and error. The self-assessments are subject to an annual revision and update. The content is updated on a continuous basis to reflect the risks that Securitas is facing, which includes ensuring that risks related to the strategy and development of the technology offering are incorporated as appropriate. For further information, refer to www.securitas.com.

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

2 BASIC CONTROLS

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

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

3 AUDIT, RISK AND CONTROL DIAGNOSTICS

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

4 FINANCIAL CONTROL

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

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

- Securitas Group Policies for financial planning and reporting, long-term financing and treasury, risks and insurance, communications, branding, legal issues and IT
- Guidelines in Securitas' financial model, which create the framework for a simple and clear internal reporting method, including timely and accurate follow-up of financial key figures (Securitas Six Fingers)
- Securitas' Reporting Manual, which provides all managers and financial staff with detailed instructions and definitions for financial reporting
- The controller, who is responsible for continuously ensuring that the financial information provided is accurate, transparent, relevant and up to date

Controllers at all levels hold a key role in terms of integrity, professionalism and the ability to work in teams in order to create the environment that is needed to achieve transparent, relevant and timely financial information. Local controllers are responsible for ensuring compliance with the approved set of policies and frameworks, and for ensuring that internal controls pertaining to financial reporting processes are implemented.

The controller is also responsible for reporting financial information to Group that is correct, complete and timely. The controller receives continuous feedback from the Group regarding reporting quality, which is an effective tool for enhanced reporting. In addition, each division has a divisional controller with corresponding responsibilities at the divisional level.

5 LETTER OF REPRESENTATION

The Group has a representation process in which operating unit presidents and controllers sign a letter of representation in connection with the year-end report, stating their opinion on whether or not the internal control over financial reporting and the reporting packages give a true and fair view of the financial position.

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

INFORMATION AND COMMUNICATION

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

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

MONITORING

Monitoring is performed at different levels and by different functions within the organization depending on whether it is related to operational or financial reporting matters. Key functions include the Board of Directors, the Audit Committee, Group Management, functional committees, Management Assurance, the Group risk organization, and local and divisional management. Refer to page 43 for more information.

Four-step process for managing enterprise risk

Securitas' enterprise risk management process (ERM) is engrained in the business and based on close cooperation between operative management and all functions working with the different parts of the risk management process.

1 The process starts with risk identification and prioritization during the ERM planning process

2 Securitas Group Policies as well as local processes, rules and procedures establish the framework for day-to-day risk management

3 The identified risks and adopted policies also set the structure for all compliance monitoring in the Group

4 The ultimate responsibility for governance of risk management lies with the Board of Directors, but the work involved in minimizing risks takes place through a structured process of assigning responsibility to all levels of the organization

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

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

To support the ERM work, Securitas has a web-based governance, risk and compliance (GRC) system that comprises all four steps in Securitas' enterprise risk management process and gathers the ERM information in one database. The GRC system supports the overall ERM work in the Group. It is used to streamline the ERM processes to further structure current processes and workflows. The main workflows included in the system are ERM self-assessment, ERM business plan, policy management, sustainability reporting, audit module and risk register. Also, the system automates current processes, such as reports, with the aim to improve the overall quality of the ERM work and serves as a single point of information.

The four steps and current actions are described in further detail on the following pages.

To illustrate how the process works, we have selected one of our key risks: The following examples pertain to the risk of non-compliance with the requirements in Securitas' Values and Ethics Code.

1 INPUT AND RISK IDENTIFICATION

The ERM process is integrated into the Group's business planning and performance monitoring processes, regardless of the risk category concerned. As part of the overall annual business plan process, each level of the organization prepares an ERM business plan.

The ERM business plan includes risk assessment, controls, risk management activities and action plans. It determines the main focus and priorities for operational risk management at the country, division and Group level for the coming year. Securitas' ERM business plan risk assessment tool is used to facilitate the risk assessment process, as well as action planning, depending on the level of risk and controls that are in place.

Key risk determination The yearly risk assessment process is coordinated by the Group risk organization, which is also responsible for maintaining the risk register. The risk register contains about 50 risks and is updated annually, primarily based on the country ERM business plans, but also on other sources of input such as audits, self-assessment results and management input. Out of the 50 risks, about 15 are selected as top risks that will be subjected to monitoring activities. Out of these, six risks are currently considered key Group risks and have been assigned primary focus for the coming year. For examples of these risks and how they are managed, refer to www.securitas.com.

The ultimate prioritization of key risks for each year is decided by Group Management and presented to the Audit Committee.

Six key risks 2017

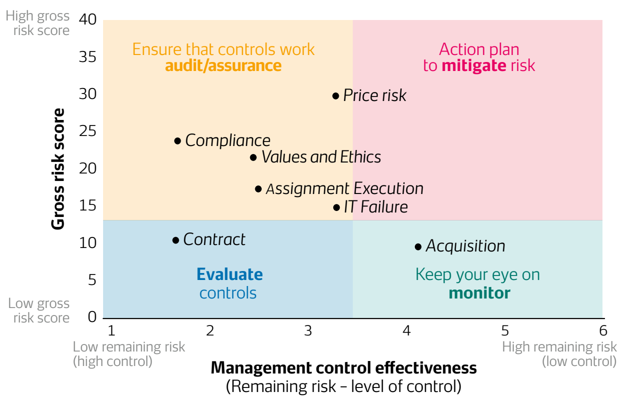
> Customer contract risk
> Assignment execution risk
> Compliance (regulatory and other) risk
> Business continuity risk including IT failure risk
> Price risk
> Securitas' Values and Ethics compliance risk

EXAMPLE – INPUT AND RISK IDENTIFICATION: SECURITAS' VALUES AND ETHICS COMPLIANCE RISK

The top six key Group risks and a minimum of two country / division-specific risks are assessed in the ERM business plan risk assessment tool. Securitas' values and ethics compliance risk is one of the mandatory risks that all countries are required to plot out using a risk map. If the risk is managed incorrectly – for instance, through insufficient information to and training of employees, a lack of adequate policies and guidelines, or inadequate follow-up – it can ultimately for example result in reputational damage, lost revenues, penalties, fines, difficulties in recruiting.

First, each risk is assessed on a gross basis (impact and likelihood), which results in a gross risk score. The next step is to evaluate each risk on a net basis (gross risk score and management control effectiveness). This means that the control activities also have to be documented. Actions are then formulated based on where the "net" risk ends up in the heat map. The point is to further mitigate risks with the highest remaining exposure. For risks with a high gross risk score and a high level of control, we need to have assurance that the controls work.

PART OF THE RISK ASSESSMENT TOOL – NET RISK: EXAMPLE COUNTRY X



2 POLICY DEVELOPMENT

One of the cornerstones of the ERM process is Securitas Group Policies, which establish the framework for all policies and compliance monitoring in the Group. The Group Policies are developed by management and key policies are approved by the Board.

Using all available input, both from internal ERM processes, including yearly risk assessment and establishing risk business plans, but also external such as changing regulations an assessment is made whether new policies need to be created or existing policies need to be updated. A general policy update is released after the statutory Board meeting in May every year, but specific policies are also issued when necessary throughout the year.

Some of the key policies adopted by Securitas that are relevant from a governance perspective are:

> **Contract policy** sets out the process and main principles for managing customer contract risk, based on standard terms, a full customer and contract risk evaluation, as well as a framework of key policies for contracting guarding services and electronic security solutions. The objective is to manage the risks arising from customer contracts, and to ensure that all customer contracts have a fair and reasonable allocation of responsibility and risk between the customer and Securitas and that the price reflects the risk taken on by Securitas.

> **Securitas' Values and Ethics Code** ensures that the company upholds and promotes the highest ethical business standards. Securitas' basic requirement is to act within the framework of laws and international conventions, such as the United Nations Universal Declaration of Human Rights. This means that Securitas respects and complies with competition rules, labor market regulations, agreements and safety requirements, environmental legislation and any other provisions that set the parameters of our operations. Read more about our work with Securitas' values and Ethics Compliance risk below.

> **Communication policy** in accordance with the stock market's requirements for information with the aim of ensuring that the company fulfills these requirements.

> **Competition law compliance policy** to ensure that Securitas and its subsidiaries or affiliates are committed to full compliance with all competition laws and regulations.

> **Insider policy** as a complement to the insider legislation in force in Sweden.

EXAMPLE – POLICY DEVELOPMENT: SECURITAS' VALUES AND ETHICS COMPLIANCE RISK

In addition to Securitas' Values and Ethics Code, the Group has adopted a number of policies as complement to the Values and Ethics Code:

> ***Anti-corruption policy** sets out the principle of zero tolerance for any corrupt practices, with clear definitions, requirements for risk assessment, guidance regarding third-party relationships, training and follow-up.*

> ***Securitas group emissions policy** states that we should strive to continually reduce our climate impact, focusing primarily on the energy and transport areas.*

> ***Securitas supplier and subcontractor policy** stipulates that all supply arrangements are to be in accordance with applicable laws and all suppliers are to comply with Securitas' Values and Ethics Code.*

> ***Geographical scope policy** defines the conditions under which Securitas is permitted to establish a permanent or temporary presence in a country where it has not done business before. Each new country should be assessed based on its suitability, taking into consideration a values and ethics perspective.*

> ***Competition law policy** as described above.*

> ***Securitas integrity reporting policy** addresses investigations of cases regarding possible violations of Securitas' policies, including Securitas' Values and Ethics Code.*

3 RISK MANAGEMENT ACTIVITIES

Group Management sets the risk management policies for the entire Group. Accountability for managing risks is clearly assigned to management at Group, divisional and local level.

Group Management has overall responsibility for the management of risks, and for the implementation and maintenance of control systems in accordance with the Board's policies. Specifically, divisional management and established functional committees are responsible for ensuring that a process for creating risk awareness exists throughout the division. The divisional presidents are responsible for all aspects of the operations in their divisions, including operational risk management and risk minimization. Operating unit managers and country risk managers are responsible for ensuring that risk management is part of the local corporate culture at all levels within a country.

Accountability for managing risks is clearly assigned to management at Group, divisional and local level.

To be successful, all of Securitas' branch managers must understand the risks associated with providing services and be able to assess and control these risks. Securitas actively pursues different risk management activities to increase awareness and knowledge. One important tool is the business risk evaluation model "The Scale". For further information on this, refer to www.securitas.com.

RISK RESPONSIBILITIES

Principal activities	Branch/area	Country/division	Group
Risk assessment	■	■	■
Contract management	■	■	■
Loss prevention	■	■	
Claims settlement		■	■
Insurance purchasing			■

EXAMPLE – RISK MANAGEMENT ACTIVITIES: SECURITAS' VALUES AND ETHICS COMPLIANCE RISK

Training and awareness are key components of risk management

Securitas has training centers in most countries and provides both basic and highly specialized training for employees at all different levels. In some countries, it is not mandatory to complete basic training before being allowed to work as a security officer, but Securitas ensures that all new security officers receive at least basic security training. All our employees are trained in Securitas' Values and Ethics Code.

In addition, we also have training requirements for the policies related to Securitas' Values and Ethics Code, such as the Anti-corruption policy, Competition law policy and Supplier and subcontractor policy. It is important that managers undergo training to ensure proper understanding of the principles of these policies, including any local rules and regulations.

Extended due diligence

For each acquisition, it is a requirement to consider the Sustainability aspects included in the Group acquisition policy. The policy states that sustainability due diligence must always be performed when entering into new markets. Conducting any business in countries outside our permanent operational presence requires approval from the CEO and CFO, which is stated in the Group geographical scope policy. Securitas should avoid establishing a presence in countries with a disproportionate risk according to Securitas' Values and Ethics code or where Securitas cannot operate due to any other restrictions. When conducting the investigations, particular attention should be paid to countries where circumstances indicate an increased risk for corruption.

4 RISK-BASED MONITORING

Monitoring permeates all levels throughout the organization and is performed by different functions depending on whether it is related to operational or financial reporting matters. A range of activities are undertaken to monitor, follow up and mitigate risks.

- **The Board of Directors** plays an important role in the ongoing process of identifying and evaluating significant risks faced by the Group and the effectiveness of related controls.
- **The Audit Committee** monitors the effectiveness of the Group's ERM and internal control systems. In addition, the Committee also supports the Board with the task of ensuring internal control over financial reporting. This is accomplished through several activities such as the review of basic controls. The Committee also reviews all quarterly and annual financial reports before publication.
- **The President and CEO and Group Management** review performance through a comprehensive reporting system based on regular business reviews of actual results, analyses of variances, key performance indicators (Securitas' model for financial control, refer to pages 46-47) and regular forecasting.
- **The functional committees** determine and communicate appropriate policies and monitor the key issues within each area of responsibility, refer to page 30.
- **The ERM Committee** owns and manages the process which provides tools and helps management identify and manage the risks inherent in Securitas' line of business. The members of the committee consist of managers of the functional committees and other specialists.
- **The Group Management Assurance function** has a coordinating and monitoring role in relation to certain internal control activities at Group level. Risk assessments together with analysis of ERM self-assessment results are used as the basis for determining which activities are to be carried out in relation to monitoring from an audit perspective.
- **Local management** is primarily responsible for monitoring and ensuring compliance by local units with Securitas Group Policies including any division-specific policies and guidelines.

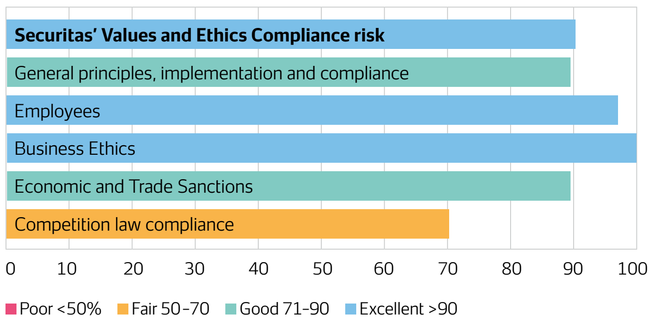
EXAMPLE – RISK-BASED MONITORING: SECURITAS' VALUES AND ETHICS COMPLIANCE RISK

Since Securitas' values and ethics compliance risk is considered a key risk, Securitas monitors this risk through the various Group activities listed below, in addition to local monitoring activities.

- *Securitas' values and ethics compliance risk is included in the yearly ERM self-assessment process, during which countries evaluate themselves in relation to certain areas, included in the graph to the right. The results are analyzed closely and followed up.*
- *Sustainability reviews are performed to test compliance with Securitas' Values and Ethics Code.*
- *The comprehensive country-focused risk assessments that are carried out prior to acquisitions in countries where Securitas does not currently conduct operations are monitored at Group level.*
- *The Group Sustainability Steering Committee establishes the principles for Securitas' sustainability work and closely follows up cases of alleged non-compliance with Securitas' Values and Ethics Code, reported through various reporting channels.*

ERM Scoring Model: Example Country Y – Securitas' Values and Ethics Compliance risk

A scale from poor (red) to excellent (blue) is used to give a quick overview and feedback to the country's president and risk owner(s). Good is the acceptable level[1] for most of the risks.



[1] *Built-in "risk appetite" or tolerance in the model.*

INSURANCE AS A RISK MANAGEMENT TOOL

STRATEGY

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

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

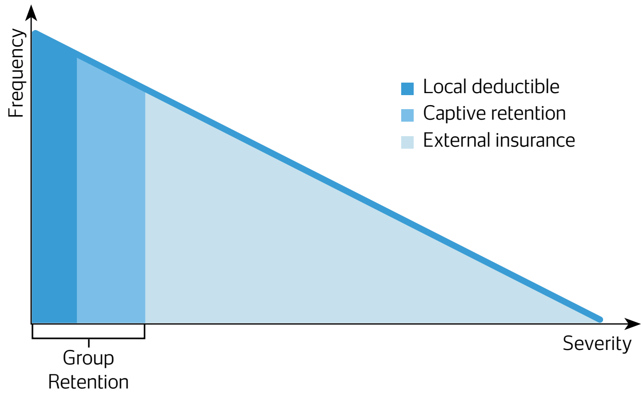
IMPORTANCE OF ACTIVE CLAIMS MANAGEMENT

Another significant part of Securitas' risk management work involves active claims management, as well as ongoing claims analysis of frequent and large losses with the aim of identifying the underlying driving forces. The claims are analyzed to find out if there are certain types of services, contracts, regions and so forth that cause insurance claims. Claims reports with updated information on claims and reserves are sent to all local risk managers and controllers on a monthly basis. Regular meetings are also held with the insurance companies and loss adjusters with the aim of continuously developing the claims handling process and claims prevention measures. As the Group's external insurance premiums are partly determined by the historic loss record, a favorable loss record will contribute to lower premiums and a lower cost of risk.

PROCUREMENT STRATEGY

Insurance programs are procured with the objective of creating a balanced and cost-efficient protection against negative financial impact. Securitas seeks to achieve economies of scale through coordinated insurance programs and the optimal utilization of the Group's insurance captives. The strategy is to cover the more frequent claims arising in Securitas' own books. First, a local deductible is charged to the branch that has caused the claim; after that, our own insurance companies (captives) cover part of the cost. Using insurance captives gives the Group an opportunity to handle part of the claims process internally, and provides Group Management with an option to establish some independence from the cyclical nature of commercial insurance markets (see the graph overleaf).

The design and purchase of all insurance programs is based on the risk exposure identified using the business risk evaluation model.



Distribution of risk with respect to claims. *The costs for high-frequency claims with a low value are charged to the local subsidiaries as a "local deductible cost" and to Securitas' insurance captives. Non-frequent and larger claims costs are absorbed by the external insurance companies.*

INSURANCE PROGRAMS

The following types of insurance are strategically important to the Group and are the subject of central purchasing:

- liability insurance, including aviation liability and aviation war liability,
- crime insurance,
- directors' and officers' liability insurance,
- fiduciary liability insurance and;
- employment practice liability insurance.

BENEFITS FOR OUR CUSTOMERS

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

Stockholm, March 15, 2018

Marie Ehrling
Chairman

Carl Douglas
Vice Chairman

Ingrid Bonde
Director

John Brandon
Director

Anders Böös
Director

Fredrik Cappelen
Director

Sofia Schörling Högberg
Director

Dick Seger
Director

Susanne Bergman Israelsson
Director
Employee Representative

Åse Hjelm
Director
Employee Representative

Jan Prang
Director
Employee Representative

Magnus Ahlqvist
President and Chief Executive Officer

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

(translation of the Swedish original)

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

Engagement and responsibility
It is the Board of Directors who is responsible for the corporate governance statement for the year 2017 (on pages 24-45) and that it has been prepared in accordance with the Annual Accounts Act.

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

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

Stockholm, March 15, 2018
PricewaterhouseCoopers AB

Patrik Adolfson
Authorized Public Accountant
Auditor in charge

Madeleine Endre
Authorized Public Accountant

SECURITAS' FINANCIAL MODEL – SIX FINGERS

How to Read and Understand our Finances

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

SECURITAS' MODEL FOR FINANCIAL KEY FIGURES

Volume-related factors

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

GROUP	OPERATIONS
	New sales
	Gross margin on new sales
	Terminations
	Gross margin on terminations
	Net change
	Price change
Organic sales growth	Organic sales growth
Acquired sales growth	
Real sales growth	
Total sales	**Total sales**

Efficiency-related factors

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

GROUP	OPERATIONS
	Employee turnover
	Wage cost increase
	Gross margin
	Indirect expenses
Operating margin	Operating margin
Income before tax	
Earnings per share	

Capital-usage-related factors

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

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

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

Six key figures represent the backbone of the Six Fingers model (highlighted in the text and table), but there are complementary key figures used by all divisions, such as organic sales growth and operating margin. There are also complimentary key figures tailored to measure the business in prioritized areas such as within security solutions and electronic security. These key figures include volume-, efficiency- and capital-usage-related factors that hold specific bearing on the Group's progress. Examples are the number of remote video solution installations, gross margin on security solution contracts (compared with traditional guarding contracts) and the investment in security equipment.

RELATIONSHIP BETWEEN INCOME, CASH FLOW AND BALANCE SHEET

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

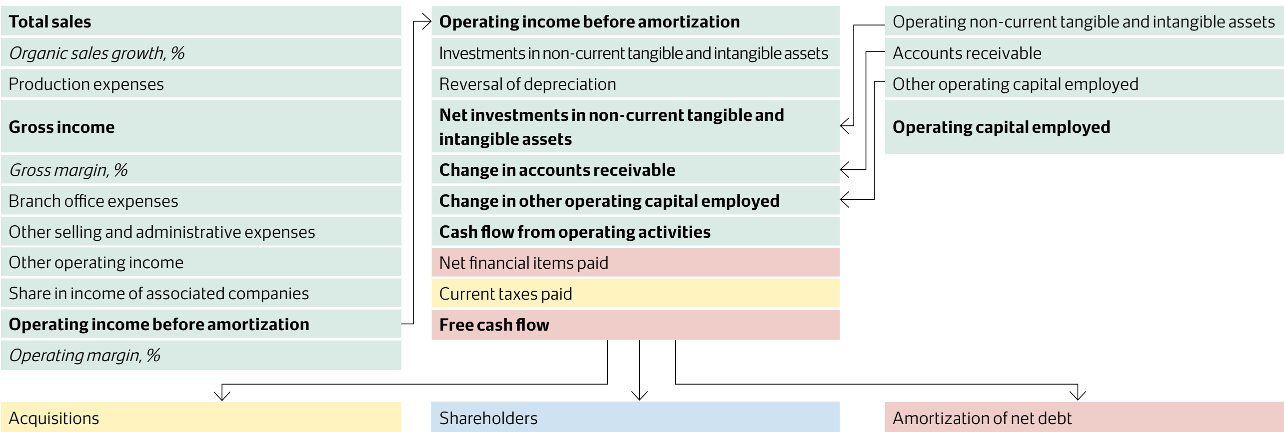
Statement of cash flow
In principle, operating income should generate the same amount of cash flow from operating activities. The cash flow is affected by investments in non-current tangible and intangible assets used in operations and by changes in working capital. Cash flow from operating activities is an important indicator at operational level. It is defined as operating income less investments in non-current tangible and intangible assets (including equipment for solution contracts) plus reversal of depreciation, change in accounts receivable and change in other operating capital employed.

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

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

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

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



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

The formal annual accounts and the consolidated accounts comprise pages 49–131

ANNUAL REPORT

Report of the Board of Directors

The Board of Directors and the President of Securitas AB (publ.), corporate registration number 556302-7241, with its registered office in Stockholm, hereby submit the Annual Report and consolidated financial statements for the 2017 financial year.

Securitas offers protective services based on customer-specific needs through different combinations of on-site, mobile and remote guarding, electronic security, fire and safety and corporate risk management. Securitas operates in 55 countries in North America, Europe, Latin America, Africa, the Middle East, Asia and Australia, with more than 345 000 employees.

In 2017 the Securitas Group consisted of the business segments Security Services North America, Security Services Europe and Security Services Ibero-America. In addition to these business segments, the Group conducts operations in Africa, the Middle East, Asia and Australia, which are included under the heading Other in the segment report in note 9.

With organic sales growth of 5 percent (7) in 2017, we grew faster than the security market. We improved the operating margin and earnings per share before items affecting comparability grew 9 percent adjusted for changes in exchanges rates. We are also delivering on our strategy. Security solutions and electronic security grew 19 percent (56) including acquisitions and 16 percent (22) organically, representing BSEK 16.7 (14.1) or 18 percent (16) of total sales in 2017. We will continue to increase this relative share through organic growth and acquisitions.

The net debt to EBITDA ratio reduced to 2.1 (2.4) in 2017. Free cash flow to net debt was 0.19 (0.13).

Sales

Sales amounted to MSEK 92 197 (88 162) and organic sales growth was 5 percent (7). In Security Services North America, organic sales growth was favorable in almost all units. Organic sales growth in Security Services Europe was 2 percent, despite the two previously communicated large contract terminations (the MSEK 400 retail contract in the UK in November 2016 and the terminated MSEK 320 Aviation contract at Arlanda Stockholm airport in Sweden in February 2017) and lower extra sales. Security Services Ibero-America declined slightly, due to the impact from Latin America.

Security solutions and electronic security grew 19 percent (56) including acquisitions and 16 percent (22) organically, representing BSEK 16.7 (14.1) or 18 percent (16) of total sales in 2017.

Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 5 percent (11).

SALES JANUARY–DECEMBER

MSEK	2017	2016	%
Total sales	**92 197**	**88 162**	***5***
Currency change from 2016	660	–	
Currency adjusted sales	**92 857**	**88 162**	***5***
Acquisitions/divestitures	-718	-5	
Organic sales	**92 139**	**88 157**	***5***

Operating income before amortization

Operating income before amortization was MSEK 4 677 (4 554) which, adjusted for changes in exchange rates, represented a real change of 4 percent (13).

The Group's operating margin was 5.1 percent (5.2). Security Services Europe and Security Services Ibero-America showed lower operating margins. A number of countries in Europe experienced operational overcapacity and negative leverage during the first nine months of the year while the decline in Ibero-America was mainly attributable to a weak performance in Peru and restructuring measures taken in Argentina. Total price adjustments in the Group were on par with wage cost increases.

OPERATING INCOME JANUARY–DECEMBER

MSEK	2017	2016	%
Operating income before amortization	**4 677**	**4 554**	***3***
Currency change from 2016	44	–	
Currency adjusted operating income before amortization	**4 721**	**4 554**	***4***

Operating income after amortization

Amortization of acquisition related intangible assets amounted to MSEK –255 (–288).

Acquisition related costs were MSEK –48 (–113). For further information refer to note 11.

Operating income after amortization was MSEK 4 374 (4 153).

Financial income and expenses

Financial income and expenses amounted to MSEK –376 (–389).

Income before taxes

Income before taxes was MSEK 3 998 (3 764) which, adjusted for changes in exchange rates, represented a real change of 7 percent.

Taxes, net income and earnings per share

The Group's tax rate was 31.5 percent (29.7). This includes a one-off tax expense of 3.1 percent (MSEK 123) in the income statement as well as a one-off tax effect of MSEK 25 recognized in other comprehensive income and affecting equity, combined in total MSEK 148. This refers to a revaluation of US net deferred tax assets as a result of a new tax rate due to the US tax reform. This amount will not impact cash flow. The Group's tax rate excluding the revaluation was 28.4 percent. Assessing the current tax base and tax matters, our best judgment is that our current full-year Group tax rate is expected to reduce to approximately 25.5 percent going forward.

Net income was MSEK 2 737 (2 646). Earnings per share amounted to SEK 7.49 (7.24), a total change of 3 percent compared with the preceding year. The real change of earnings per share was 4 percent in 2017. Earnings per share before items affecting comparability amounted to SEK 7.83, representing a total change of 8 percent compared with the preceding year and a real change of 9 percent in 2017.

CONDENSED STATEMENT OF INCOME
ACCORDING TO SECURITAS' FINANCIAL MODEL

MSEK	2017	2016
Total sales	**92 196.8**	**88 162.4**
Organic sales growth, %	*5*	*7*
Production expenses	-75 951.6	-72 686.8
Gross income	**16 245.2**	**15 475.6**
Selling and administrative expenses	-11 614.2	-10 970.8
Other operating income	23.8	20.5
Share in income of associated companies	22.0	28.2
Operating income before amortization	**4 676.8**	**4 553.5**
Operating margin, %	*5.1*	*5.2*
Amortization of acquisition related intangible assets	-255.1	-287.7
Acquisition related costs	-48.4	-112.6
Operating income after amortization	**4 373.3**	**4 153.2**
Financial income and expenses	-375.6	-389.6
Income before taxes	**3 997.7**	**3 763.6**
Taxes	-1 260.3	-1 117.7
Net income for the year	**2 737.4**	**2 645.9**

Securitas' financial model is described on pages 46–47.

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

Development in the Group's business segments

Security Services North America

SALES AND INCOME

MSEK	2017	2016	Change, % Total	Real
Total sales	**38 108**	**36 354**	***5***	***6***
Organic sales growth, %	*5*	*6*		
Share of Group sales, %	*41*	*41*		
Operating income before amortization	**2 254**	**2 129**	***6***	***7***
Operating margin, %	*5.9*	*5.9*		
Share of Group operating income, %	*48*	*47*		

Further information regarding the statement of income, cash flow and capital employed is provided in note 9.

Organic sales growth was 5 percent (6) and continued at a favorable pace, supported by strong new sales. Positive organic sales growth was seen in almost all units, with main contribution coming from the five geographical regions and the Pinkerton Corporate Risk Management business unit. Sales within security solutions and electronic security continued to grow at a favorable rate.

The operating margin was 5.9 percent (5.9). Favorable growth in security solutions and electronic security sales supported the operating margin development during the year as well as the strong performance of the Pinkerton Corporate Risk Management business unit, but was offset by start-up costs for a few larger contracts towards the end of the year.

The Swedish krona exchange rate strengthened slightly against the US dollar, which had a negative effect on operating income in Swedish kronor. The real change was 7 percent for the full year.

The client retention rate was 91 percent (94). The employee turnover rate in the business segment was 78 percent (71).

Security Services Europe

SALES AND INCOME

MSEK	2017	2016	Change, % Total	Real
Total sales	**40 703**	**39 694**	***3***	***3***
Organic sales growth, %	*2*	*6*		
Share of Group sales, %	*44*	*45*		
Operating income before amortization	**2 275**	**2 283**	***0***	***0***
Operating margin, %	*5.6*	*5.8*		
Share of Group operating income, %	*49*	*50*		

Further information regarding the statement of income, cash flow and capital employed is provided in note 9.

Organic sales growth was 2 percent (6). Germany and Turkey were key contributors to organic sales growth, although growth was offset by lower refugee-related extra sales, the terminated MSEK 400 retail contract in the UK in November 2016 and the terminated MSEK 320 Aviation contract at Arlanda Stockholm airport (Sweden) in February 2017. Sales within security solutions and electronic security increased at a good pace.

The operating margin was 5.6 percent (5.8), a decline attributable to higher costs and overcapacity in a few countries during the year as well as investments in the Vision 2020 strategy.

The Swedish krona exchange rate was unchanged against foreign currencies. The real change was 0 percent for the full year.

The client retention rate was 91 percent (90). The employee turnover rate was 30 percent (28).

Security Services Ibero-America

SALES AND INCOME

MSEK	2017	2016	Change, % Total	Real
Total sales	**11 971**	**10 805**	***11***	***13***
Organic sales growth, %	*13*	*14*		
Share of Group sales, %	*13*	*12*		
Operating income before amortization	**506**	**473**	***7***	***10***
Operating margin, %	*4.2*	*4.4*		
Share of Group operating income, %	*11*	*10*		

Further information regarding the statement of income, cash flow and capital employed is provided in note 9.

Organic sales growth was 13 percent (14), driven by Argentina, Chile, Colombia and Spain. Latin America showed organic sales growth of 19 percent (22). Organic sales growth was supported by sales within security solutions and electronic security, which increased at a favorable rate.

The operating margin was 4.2 percent (4.4), mainly due to a negative impact from Peru, which made a loss in the first half of the year. Furthermore, restructuring costs in Argentina in the second half of the year burdened the operating margin. The main positive impact was derived from Spain.

The Swedish krona exchange rate strengthened against the majority of the currencies in the business segment, which had a slight negative effect on operating income in Swedish kronor. The real change in the segment was 10 percent for the full year.

The client retention rate was 91 percent (93). The employee turnover rate was 29 percent (30).

Cash flow

Cash flow from operating activities amounted to MSEK 3 837 (3 039), equivalent to 82 percent (67) of operating income before amortization.

Cash flow from operating activities was impacted by net investments in non-current tangible and intangible assets, amounting to MSEK –343 (–429). The net investments include capital expenditures in equipment for solution contracts. Last year was impacted by investments in premises in the US related to the move of our main office and the integration of Diebold Incorporated's Electronic Security business.

The impact from changes in accounts receivable was MSEK –449 (–1 039). Changes in other operating capital employed were MSEK –48 (–46).

Free cash flow was MSEK 2 290 (1 721), equivalent to 68 percent (52) of adjusted income.

Cash flow from investing activities, acquisitions, was MSEK –304 (–3 566), of which purchase price payments accounted for MSEK –257 (–3 395), assumed net debt for MSEK 12 (–101) and acquisition related costs paid for MSEK –59 (–70). The main part of cash flow from investing activities last year related to the acquisition of the commercial contracts and operational assets of Diebold Incorporated's Electronic Security business in North America.

Cash flow from financing activities was MSEK –743 (2 146) due to dividend paid of MSEK –1 369 (–1 278) and a net increase in borrowings of MSEK 626 (3 424).

Cash flow for the year was MSEK 1 243 (284). The closing balance for liquid funds after translation differences of MSEK –47 was MSEK 3 611 (2 415).

CONDENSED STATEMENT OF CASH FLOW
ACCORDING TO SECURITAS' FINANCIAL MODEL

MSEK	2017	2016
Operating income before amortization	**4 676.8**	**4 553.5**
Investments in non-current tangible and intangible assets	-1 703.9	-1 658.3
Reversal of depreciation	1 361.4	1 229.0
Net investments in non-current tangible and intangible assets	**-342.5**	**-429.3**
Change in accounts receivable	-448.9	-1 039.3
Change in other operating capital employed	-48.1	-45.8
Cash flow from operating activities	**3 837.3**	**3 039.1**
Cash flow from operating activities, %	*82*	*67*
Financial income and expenses paid	-425.6	-301.4
Current taxes paid	-1 122.2	-1 016.7
Free cash flow	**2 289.5**	**1 721.0**
Free cash flow, %	*68*	*52*
Cash flow from investing activities, acquisitions and divestitures	-303.6	-3 566.5
Cash flow from items affecting comparability	–	-16.7
Cash flow from financing activities	-742.7	2 145.8
Cash flow for the year	**1 243.2**	**283.6**

Securitas' financial model is described on pages 46–47.

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

Capital employed and financing

Capital employed

The Group's operating capital employed was MSEK 7 271 (6 784), corresponding to 8 percent of sales (8), adjusted for the full-year sales figures of acquired units. The translation of foreign operating capital employed to Swedish kronor decreased the Group's operating capital employed by MSEK 274.

The annual impairment test of all Cash Generating Units (CGU), which is required under IFRS, took place during the third quarter 2017 in conjunction with the business plan process for 2018. None of the CGUs tested for impairment had a carrying amount that exceeded the recoverable amount. Consequently no impairment losses have been recognized in 2017. No impairment losses were recognized in 2016 either.

The Group's total capital employed was MSEK 27 583 (27 939). The translation of foreign capital employed to Swedish kronor decreased the Group's capital employed by MSEK 1 141. The return on capital employed was 17 percent (16).

Financing

The Group's net debt amounted to MSEK 12 333 (13 431). Free cash flow of MSEK 2 290 had a positive impact on net debt as well as the translation of net debt in foreign currency to Swedish kronor of MSEK 510. The net debt was negatively impacted mainly by a dividend of MSEK –1 369, paid to the shareholders in May 2017, and cash flow from investing activities of MSEK –304.

The free cash flow to net debt ratio amounted to 0.19 (0.13). The net debt to EBITDA ratio was 2.1 (2.4). The interest cover ratio amounted to 11.8 (11.1).

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 December 31, 2017, the facility was undrawn. Further information regarding financial instruments and credit facilities is provided in note 6.

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

Shareholders' equity amounted to MSEK 15 250 (14 508). The translation of foreign assets and liabilities into Swedish kronor decreased shareholders' equity by MSEK 631. Refer to the consolidated statement of comprehensive income on page 58 for further information.

The total number of outstanding shares amounted to 365 058 897 (365 058 897) as of December 31, 2017.

CONDENSED CAPITAL EMPLOYED AND FINANCING ACCORDING TO SECURITAS' FINANCIAL MODEL

MSEK	2017	2016
Operating capital employed	**7 271.0**	**6 784.0**
Operating capital employed as % of sales	*8*	*8*
Goodwill	18 719.1	19 379.6
Acquisition related intangible assets	1 172.8	1 356.1
Shares in associated companies	419.8	419.5
Total capital employed	**27 582.7**	**27 939.2**
Return on capital employed, %	*17*	*16*
Net debt	12 332.5	13 431.3
Shareholders' equity	15 250.2	14 507.9
Total financing	**27 582.7**	**27 939.2**

Securitas' financial model is described on pages 46–47.

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

NET DEBT DEVELOPMENT

MSEK	2017	2016
Opening balance January 1	**-13 431.3**	**-9 862.7**
Cash flow from operating activities	3 837.3	3 039.1
Financial income and expenses paid	-425.6	-301.4
Current taxes paid	-1 122.2	-1 016.7
Free cash flow	**2 289.5**	**1 721.0**
Cash flow from investing activities, acquisitions and divestitures	-303.6	-3 566.5
Cash flow from items affecting comparability	–	-16.7
Dividend paid	-1 369.0	-1 277.7
Change in net debt before revaluation and translation	**616.9**	**-3 139.9**
Revaluation of financial instruments	-28.8	22.6
Translation differences	510.7	-451.3
Change in net debt	**1 098.8**	**-3 568.6**
Closing balance December 31	**-12 332.5**	**-13 431.3**

Acquisitions and divestitures

ACQUISITIONS AND DIVESTITURES JANUARY-DECEMBER 2017 (MSEK)

Company	Business segment[1]	Included from	Acquired share[2]	Annual sales[3]	Enterprise value[4]	Goodwill	Acq. related intangible assets
Opening balance						**19 380**	**1 356**
Central de Alarmas Adler, Mexico	Security Services North America	May 1	100	74	49	38	11
PSGA, Australia[6]	Other	Aug 2	100	81	21	18	21
Other acquisitions and divestitures[5,6]		–	–	238	175	73	92
Total acquisitions and divestitures January–December 2017				**393**	**245**	**129**	**124**
Amortization of acquisition related intangible assets						–	–255
Exchange rate differences						–790	–52
Closing balance						**18 719**	**1 173**

1 Refers to business segment with main responsibility for the acquisition.
2 Refers to voting rights for acquisitions in the form of share purchase agreements. For asset deals no voting rights are stated.
3 Estimated annual sales.
4 Purchase price paid plus acquired net debt, but excluding any deferred considerations.
5 Related to other acquisitions and divestitures for the period and updated previous year acquisition calculations for the following entities: Diebold´s Electronic Security, North America, IBBC Poludnie, Poland, Amicus Bevakning (contract portfolio) and Brand & Säkerhetsservice i Tranås (contract portfolio), Sweden, NorAlarm Industri, Norway, Dansk Runderingsvagt (contract portfolio), Denmark, Vartioliike Harri Hakala (contract portfolio) and Turvatekijät (contract portfolio), Finland, HMF-Systems, Schutz- und Wachdienst Michel and Krokoszinski Sicherheitsdienst, Germany, ISS (contract portfolio), Ireland, Gooiland, the Netherlands, NoFire Safety, Austria, Microtech, Czech Republic, Sigurnost Buzov, Croatia, Sensormatic, Turkey, Consultora Videco, Argentina, Urulac, Uruguay, JC Ingeniería, Chile, Bren Security, Sri Lanka and Dubai Fire & Safety (divestiture), United Arab Emirates. Related also to deferred considerations paid in Sweden, Finland, Germany, the Netherlands, Croatia, Turkey, Argentina, Uruguay, China, South Korea, Sri Lanka and South Africa.
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 -32. Total deferred considerations, short-term and long-term, in the Group's balance sheet amount to MSEK 168.

All acquisition calculations are finalized no later than one year after the acquisition is made. Transactions with non-controlling interests are specified in the consolidated statement of changes in shareholders' equity and in note 29. Transaction costs and revaluation of deferred considerations can be found in note 11.

For further information regarding acquisitions and divestitures in 2017, refer to note 16.

Other significant events

Authorization to repurchase shares in Securitas AB

In order to be able to contribute to shareholder value, the Board considers it beneficial for the company to be able to adjust the company's capital structure as appropriate at any given point in time. The Board has therefore decided to propose to the Annual General Meeting on May 2, 2018, that the Board be authorized to be able to resolve on the acquisition of the company's shares for a period until the next Annual General Meeting, up to a maximum of ten (10) percent of the issued shares in the company. For this purpose, the Board intends to propose that any shares that have been repurchased as per such an authorization be cancelled.

Spain – tax audit

As described in previous interim and annual reports, the Spanish tax authority has rejected certain deductions. Separate years are currently handled at different levels of the competent courts. The Audiencia Nacional Court has in June 2017 issued a negative judgment regarding interest deductions for the years 2006–2007, contradictory to the earlier higher Supreme Court judgment on the same matter for 2003–2005, and contradictory to the earlier lower court TEAC's judgment for 2008–2009. Further, the court disallowed Securitas' appeal regarding an application of a de-merger regime in 2006. Securitas has requested a leave of appeal with the Supreme Court. For further information refer to note 37.

US – the events of September 11, 2001

The last outstanding dispute in the September 11 case was settled in December 2017. Terms of the settlement are confidential. The claim is insured. The case is closed. For further information refer to note 37.

Other significant events after the balance sheet date

Securitas has acquired the security solutions company Süddeutsche Bewachung in Germany. Enterprise value is estimated to MSEK 80 (MEUR 8.2). Süddeutsche Bewachung has annual sales of approximately MSEK 95 (MEUR 9.6) and 300 employees. The company offers on-site, mobile and remote guarding in the Rhein-Neckar area in the south-west of Germany, with headquarter located in Mannheim. The company has a very solid customer portfolio, comprising many customer segments. With this acquisition, Securitas strengthens its position in this area of Germany. The acquisition was consolidated in Securitas as of January 2, 2018.

Securitas has acquired the electronic security company Automatic Alarm in France. Enterprise value is estimated to approximately MSEK 430 (MEUR 44). Automatic Alarm is a nation-wide system integrator and installer of electronic security solutions, including intruder systems, video surveillance and access control, with multiyear maintenance contracts. The company, with 250 employees, has annual sales of approximately MSEK 370 (MEUR 38). The acquisition was consolidated in Securitas as of January 2, 2018.

Securitas has acquired the technology and installations company Johnson & Thompson in Hong Kong. With this acquisition, Securitas strengthens its position to deliver value added security solutions to customers in Hong Kong. Enterprise value is estimated to MSEK 46 (MHKD 43). Johnson & Thompson is a monitoring, maintenance and installation company focused on the retail and mid-sized corporate market in Hong Kong. The company has 22 employees and annual sales of approximately MSEK 17 (MHKD 16). By this acquisition, Securitas continues to strengthen the ability to optimize security solutions, covering a combination of on-site guarding and remote guarding, mobile, monitoring and electronic security services to its customers in the AMEA region. The acquisition was consolidated in Securitas as of January 2, 2018.

Securitas has agreed to acquire the division Kratos Public Safety and Security from Kratos Defense & Security Solutions, Inc. (NASDAQ:KTOS). The purchase price is approximately MSEK 550 (MUSD 69) on a cash and debt-free basis. The acquisition is expected to be neutral to Securitas earnings per share in 2018 and 2019, and accretive as of 2020.

Kratos Public Safety and Security (KPSS) is ranked as a top 10 system integrator in the United States. The operation has annual sales of approximately MSEK 1 100 (MUSD 135) and includes 400 employees. The primary focus is electronic security projects for commercial customers with special expertise in transportation, petrochemical, healthcare, and education vertical markets. The business provides design, engineering, installation and service of advanced integrated security technology and systems. KPSS has a wide breadth of capabilities including access, video, intrusion, and fire solutions supported by on-going maintenance, inspections, and monitoring services.

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

Securitas has acquired the electronic security company Alphatron Security Systems in the Netherlands, to further strengthen its technology capabilities in the country. Enterprise value is estimated to MSEK 120 (MEUR 12.3).

Alphatron Security Systems offers video solutions, access control systems and security management systems to industrial, public, aviation, construction and real estate customers. The company, with 48 employees and countrywide operations, has annual sales of approximately MSEK 102 (MEUR 10.4).

The acquisition of Alphatron Security Systems makes Securitas the market leader within security solutions and electronic security in the Netherlands. The acquisition was consolidated in Securitas as of March 1, 2018.

On February 27, 2018 Securitas issued a seven year MEUR 300 Eurobond. Settlement date was March 6, 2018.

In order to hedge the share portion of Securitas share-based incentive scheme 2017, the Group entered into a swap agreement with a third party in the beginning of March 2018.

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

Change in Group Management

The Board of Directors of Securitas AB has appointed Magnus Ahlqvist as the new President and CEO of Securitas AB, effective from March 1, 2018. He replaced Alf Göransson, who had requested to leave his position after having led Securitas successfully for 11 years.

Since September 1, 2015, Magnus Ahlqvist is Divisional President of Security Services Europe and a member of Securitas' Group Management. Magnus came to Securitas from Motorola Mobility, a Google company before it was taken over by Lenovo, where he was Corporate Vice President of EMEA and India in Motorola. Before that, he worked 12 years for Sony Ericsson and Sony Mobile Communications. His assignments were, among others, President of Sony Mobile Communications in China, Vice President and General Manager Spain & Portugal and Telefónica and General Manager in Canada. Magnus Ahlqvist, holds a Master of Science in Economics and Business Administration from the Stockholm School of Economics, and a leadership exam from Harvard Business School.

Alf Göransson left his position as President and CEO of Securitas on March 1, 2018. He will then during two years be an advisor to Securitas' President and CEO and will in this role among other things support in some customer relations activities, acquisition related matters and industry specific topics. Alf Göransson also left Securitas' Board of Directors at the same time as he resigned as President and CEO of Securitas.

Frida Rosenholm has been appointed Senior Vice President General Counsel of Securitas. She succeeds Henrik Zetterberg, who has been appointed COO for the division Security Services Europe with focus on Northern Europe. Since October 2012, Frida Rosenholm has been General Counsel of the EF Education First Group. Before joining EF, she held several senior positions with the listed companies Pergo AB and Pfleiderer AG. Prior to this, she was an associate at Mannheimer Swartling Advokatbyrå. Frida Rosenholm has a Master of Laws Degree from Stockholm University. She assumes this position in conjunction with the 2018 Annual General Meeting. She will be a member of Securitas Group Management.

Gisela Lindstrand, Senior Vice President Corporate Communications and Public Affairs at Securitas AB, has resigned for a similar position at another company. Gisela Lindstrand has lead Securitas Group's branding and communications since 2007. During this period, Securitas has become the leader in the transformation of the global security industry, from traditional guarding to a much broader spectrum of protective services. In this Group strategy work, the branding and communications activities have been crucial. Gisela Lindstrand will leave Securitas at the latest in May 2018 and will until then remain as member of Securitas Group Management.

Antonio Villaseca, Senior Vice President Technical Solutions, has as previously communicated, in the Annual Report for 2016, decided to gradually retire as of July 1, 2017 and is since June 30, 2017 no longer a member of Securitas Group Management.

Risk and uncertainties

Managing risk is necessary for Securitas to be able to fulfill its strategies and achieve its corporate objectives. Securitas' approach to enterprise risk management is described in more detail on pages 36–43.

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

Contract and acquisition risks

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

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

In addition to organic growth resulting from new and/or increased customer contracts the Group has grown by a significant number of acquisitions over the years and will, as part of the Group's strategy, continue to acquire security companies. The integration of new companies always carries certain risks. To a higher degree than previously, such acquisitions are also taking place in new markets such as Latin America, Africa, the Middle East and Asia or relate to acquisitions of security companies active within electronic security. The profitability of the acquired company may be lower than expected and/or certain costs in connection with the acquisition may be higher than expected.

The acquisitions made during 2017 are described under the heading Acquisitions and divestitures above and in note 16.

Operational assignment risks

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

Financial risks

Financial risks are mainly managed through continuous measurement and follow-up of financial performance, with the help of Securitas' financial model. This model identifies certain key figures that are vital to the profitability of the operations, and facilitates the detection and handling of risks. The financial model is described in more detail on pages 46–47. In addition, financial risks (other than relating to financial reporting) arise because the Group has external financing needs and operates in a number of foreign currencies. The risks are mainly interest rate risk, foreign currency risk, financing and liquidity risk and credit/counterparty risk.

The customer credit risk, that is the risk of Securitas' customers not being able to fulfill their obligation of paying invoices for services being provided, is reduced by the fact that the numerous customers are spread over many business sectors and geographies, and by established routines for monitoring and collecting of accounts receivable within the organization. Further information regarding financial risk management is provided above under the section Capital employed and financing/Financing and in note 6.

The preparation of financial reports requires the Board of Directors and Group Management to make estimates and judgments. Estimates and judgments will impact the statement of income and the balance sheet, as well as disclosures such as contingent liabilities. Actual results may differ from these estimates and judgments under different circumstances and conditions. Further information regarding critical estimates and judgments is provided in note 4.

For the forthcoming twelve-month period, the financial impact of certain previously recognized items affecting comparability, provisions and contingent liabilities, as described in note 32, note 35 and note 37 respectively, may vary from the current financial estimates and provisions made by management. This could affect the profitability and the financial position of the Group.

Sustainability report

With more than 345 000 employees in 55 countries, Securitas number one responsibility is to be a solid, trustworthy and stable employer to all our employees, striving to offer good working conditions, fair wages and opportunities for professional development. Our basic requirement is to act within the framework of laws and international conventions. This means that we respect and comply with labor market laws, agreements and safety requirements and other provisions that set the parameters for our operations.

The foundation for our work with responsibility issues is our ethics code, Securitas' Values and Ethics, which upholds and promotes high ethical business standards. Securitas' Values and Ethics is based on our three fundamental values: Integrity, Vigilance and Helpfulness. Integrity means being honest and also the right to openly express one's opinion. Vigilance entails striving to be attentive and able to observe, listen and evaluate. Helpfulness is about our employees always being ready to assist within the context of a particular assignment.

For information regarding the average number of yearly employees, the distribution between women and men and the total staff costs, refer to note 12.

Environmentally, our most important responsibility is to minimize transportation emissions. We also purchase products, thereby creating an environmental impact. One large category of products we purchase is uniforms for security officers. On the whole Securitas is a service company with relatively low environmental impact compared with a manufacturing company. The operations of the Group do not require a permit under the Swedish Environmental Code.

Securitas AB´s sustainability report describes the Group's work with regards to economic, environmental and social aspects. The report is prepared according to the Sustainability Reporting Standards, issued by Global Reporting Initiative (GRI). It focuses on the Group´s ability to create value for customers, shareholders and other stakeholders. In the sustainability report you can read more about Securitas' stakeholder engagement and materiality analysis. The sustainability report for 2017 is published on the Group´s website, www.securitas.com/our-responsibility.

Research and development

Securitas is a service company and does not carry out any research activities as defined in IAS 38 Intangible assets. The service offering of the Group is continuously being developed, not least as an integrated item when carrying out the service delivery to the customers. Technical solutions are an important part of the security solutions that Securitas offers. In order to support this development a Chief Technology Officer (CTO) position with supporting staff is implemented in all major countries as well as on divisional level. The Group's Chief Information Officer with team are leading the development of Securitas' global digitization and IS/IT transformation and are responsible for large scale global IT/business projects.

Securitas is progressing well in the efforts to fully digitizing the core operations. In 2017, all new customer contracts and most renewals in the majority of the markets was operated and reported in a digital format, directed by Securitas Operation Centers. In 2018, Securitas expects all data from all customer sites to be reported in a digital format.

As of December 31, 2017 the Group had no capitalized research expenditures.

Information regarding the Securitas share

Information about the Securitas share regarding the number of shares of Series A and Series B, differences between shares in Series A and Series B as well as information on major shareholders can be found in note 29. Further information regarding the Securitas share can also be found on pages 134–135.

In order to be able to contribute to shareholder value, the Board considers it beneficial for the company to be able to adjust the company's capital structure as appropriate at each point in time. The Board has therefore decided to propose to the Annual General Meeting on May 2, 2018, that the Board be authorized to be able to resolve on the acquisition of the company's shares for a period until the next Annual General Meeting, up to a maximum of ten (10) percent of the issued shares in the company. For this purpose, the Board intends to propose that any shares that have been repurchased as per such an authorization be cancelled. There is currently an authorization by the Annual General Meeting held on May 3, 2017, to the Board of Directors to repurchase Securitas shares with the same terms and limitations as proposed to the Annual General Meeting for 2018. The Board of Directors has as of the date of this Annual Report, not taken any decisions to repurchase shares.

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

Group development

The security industry is going through a paradigm shift and Securitas is leading this transformation where technology is reshaping the industry. During 2015 Securitas launched the Vision 2020 – an initiative intended to shape our strategy so that the company becomes even stronger and more sustainable in the years ahead. In 2016 and 2017 we have continued to deliver good performance and in line with the strategy and the Vision 2020.

In accordance with our Vision 2020, we are the leading international security company specializing in protective services based on people, technology and knowledge. Securitas will continue to invest and play a leading role in combining guarding services with electronic security, fire and safety and corporate risk management, and actively pursue organic sales growth in security solutions and electronic security. We will also take advantage of acquisition opportunities within electronic security. An important step in this Group strategy was the integration during 2017 of Diebold Electronic Security in North America, making Securitas unique in the US market by being able to offer complete security solutions to our customers to optimize their security. As an important part of our strategy, Vision 2020, we are gradually increasing investments in digitizing our customers' historical and real-time data in order to deliver more predictive security. In combination with our security solutions and electronic security strategy, intelligent security will create greater customer value, enhanced security, and strengthen our leadership in the global security market.

With organic sales growth of 5 percent (7) in 2017, we grew faster than the security market. We improved the operating margin and earnings per share before items affecting comparability grew 9 percent adjusted for changes in exchanges rates. We are also delivering on our strategy. Security solutions and electronic security grew 19 percent (56) including acquisitions and 16 percent (22) organically, representing BSEK 16.7 (14.1) or 18 percent (16) of total sales in 2017. We will continue to increase this relative share through organic growth and acquisitions.

The net debt to EBITDA ratio reduced to 2.1 (2.4) in 2017. Free cash flow to net debt was 0.19 (0.13).

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

The Parent Company's income amounted to MSEK 1 089 (1 004) and mainly relates to license fees and other income from subsidiaries.

Financial income and expenses amounted to MSEK 1 549 (2 058). Income before taxes amounted to MSEK 2 365 (2 489).

Income before taxes includes dividends from subsidiaries of MSEK 2 182 (1 874), interest income of MSEK 466 (344), interest expense of MSEK -377 (-381) and other financial income and expenses, net, of MSEK -722 (221). For further information, refer to note 45.

Net income was MSEK 2 387 (2 292).

Cash flow for the year amounted to MSEK 718 (824).

The Parent Company's non-current assets amounted to MSEK 43 037 (42 499) and mainly comprise shares in subsidiaries of MSEK 41 296 (40 948). Current assets amounted to MSEK 6 823 (6 770) of which liquid funds amounted to MSEK 1 943 (1 225).

Shareholders' equity amounted to MSEK 27 664 (26 698). A dividend of MSEK 1 369 (1 278) was paid to the shareholders in May 2017.

The Parent Company's liabilities and untaxed reserves amounted to MSEK 22 196 (22 571) and mainly consist of interest-bearing debt.

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

Proposed guidelines for remuneration to senior management in Securitas for 2018
The Board of Directors of Securitas AB proposes that the Annual General Meeting on May 2, 2018 adopts guidelines for remuneration to senior management in accordance with the following.

The fundamental principle is that remuneration and other terms of employment for senior management shall be competitive and in accordance with market conditions, in order to ensure that the Securitas Group will be able to attract and keep competent senior management employees.

The total remuneration to senior management shall consist of a fixed basic salary, variable remuneration, pensions and other benefits. In addition to a fixed annual salary the Group Management may also receive variable remuneration, which shall be based on the outcome in relation to financial goals within the individual's area of responsibility (Group or division) and which shall be aligned with the interest of the shareholders. The variable remuneration shall amount to a maximum of 60 percent of the fixed annual salary for the President and CEO and a maximum of 42–200 percent of the fixed annual salary for other individuals of the Group Management. If cash payment of variable remuneration has been effected on grounds later proven to be obviously inaccurate, the company shall have the possibility to reclaim such paid remuneration.

The Board of Directors shall each year consider whether to propose that the Annual General Meeting shall resolve upon a share or share price related incentive program.

The cost of the company for 2018 in terms of its obligations to pay variable remuneration to the Group Management is estimated to not exceed a total of MSEK 84 at maximum outcome. Information on previously decided remuneration which has not yet been paid can be found in note 8.

Subject to applicable legislation, the entire Group Management shall be subject to defined contribution pension plans for which insurance premiums are transferred from the individual's total remuneration and paid by the company during the term of employment. In exceptional cases, the value of such insurance premiums can instead be paid as part of the remuneration to the members of the Group Management. Variable compensation shall not qualify for pension purposes unless local regulations provide otherwise.

Other benefits, such as company car, special health insurance or occupational health service shall be provided to the extent this is considered customary for senior management employees holding equivalent positions on the labor market where the senior management employee is active.

At dismissal, the notice period for all senior management employees shall amount to a maximum of twelve months with a right to redundancy payment after the end of the notice period, equivalent to a maximum of 100 percent of the fixed salary for a period not exceeding twelve months. At resignation by a senior management employee, the notice period shall amount to a maximum of six months.

These guidelines shall apply to individuals who are included in the Group Management during the term of application of these guidelines. The guidelines shall apply to agreements entered into after the adoption by the Annual General Meeting, and to changes made in existing agreements after this date. The Board shall be entitled to deviate from the guidelines in individual cases if there are specific reasons for such deviation.

Proposed allocation of earnings

The statements of income and the balance sheets of the Parent Company and the Group are subject to adoption by the Annual General Meeting on May 2, 2018.

Retained earnings in the Parent Company available for distribution:

	SEK
Hedging reserve	-3 935 444
Retained earnings	17 496 270 507
Net income for the year[1]	2 387 263 502
Total	**19 879 598 565**

1 Includes Group contributions to subsidiaries of SEK 17 056 285.

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

	SEK
a dividend to the shareholders of SEK 4.00 per share	1 460 235 588
retained earnings to be carried forward	18 419 362 977
Total	**19 879 598 565**

Proposal on record date for dividend

As record date for dividend, the Board has proposed May 4, 2018. If the Annual General Meeting so resolves, the dividend is expected to be distributed by Euroclear Sweden AB starting May 9, 2018.

Proposed authorization to acquire the Company's own shares

The Board has further proposed that the 2018 Annual General Meeting should authorize the Board to, on one or several occasions during the time up to the Annual General Meeting in 2019, decide on the acquisition of the Company's own shares. The proposal entails that the Board may decide on the acquisition so that the maximum number of shares held by the Company at each point in time does not exceed ten (10) percent of the total number of shares outstanding in the Company.

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

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

The Company's unappropriated earnings as per December 31, 2017 amount to SEK 17 492 335 063. The net income for the year amounts to SEK 2 387 263 502 of which SEK 17 056 285 is related to Group contributions to subsidiaries and SEK 326 024 is the result of financial instruments being valued pursuant to Chapter 4, Section 14a of the Swedish Annual Accounts Act.

The Company's equity would not have been impacted as per December 31, 2017, if financial instruments, having been valued at fair value pursuant to Chapter 4, Section 14a of the Swedish Annual Accounts Act, had instead been valued at the lower of cost or market, as there is no difference as of this date.

At the disposal of the Annual General Meeting is thereby a total amount of SEK 19 879 598 565 in unappropriated earnings before the decision on dividend for 2017.

Provided that the 2018 Annual General Meeting resolves to allocate the earnings in accordance with the Board's proposal, SEK 18 419 362 977 will be carried forward. After distribution of the proposed dividend and Group contributions, there will be full coverage for the Company's restricted equity.

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

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

As regards the Company's and the Group's result and position in general, refer to the statements of income, statements of comprehensive income, balance sheets and statements of cash flow as well as notes and comments.

Consolidated statement of income

MSEK	Note	2017	2016
Sales		91 479.1	85 026.0
Sales, acquired business		717.7	3 136.4
Total sales	9, 10	**92 196.8**	**88 162.4**
Production expenses	11, 12, 13	-75 951.6	-72 686.8
Gross income		**16 245.2**	**15 475.6**
Selling and administrative expenses	11, 12, 13	-11 614.2	-10 970.8
Other operating income	10	23.8	20.5
Share in income of associated companies	21	22.0	28.2
Amortization of acquisition related intangible assets	18	-255.1	-287.7
Acquisition related costs	11	-48.4	-112.6
Operating income	**11**	**4 373.3**	**4 153.2**
Financial income	14	53.7	42.2
Financial expenses	14	-429.3	-431.8
Income before taxes		**3 997.7**	**3 763.6**
Taxes	15	-1 260.3	-1 117.7
Net income for the year		**2 737.4**	**2 645.9**
Whereof attributable to:			
Equity holders of the Parent Company		2 735.6	2 642.0
Non-controlling interests		1.8	3.9
Average number of shares before and after dilution		365 058 897	365 058 897
Earnings per share before and after dilution (SEK)	3	7.49	7.24
Earnings per share before and after dilution and before items affecting comparability (SEK)	3	7.83	7.24

Consolidated statement of comprehensive income

MSEK	Note	2017	2016
Net income for the year		**2 737.4**	**2 645.9**
Other comprehensive income			
Items that will not be reclassified to the statement of income			
Remeasurements of defined benefit pension plans net of tax	31	45.4	-11.8
Total items that will not be reclassified to the statement of income		**45.4**	**-11.8**
Items that subsequently may be reclassified to the statement of income			
Cash flow hedges net of tax	6	-21.9	17.6
Net investment hedges net of tax		91.3	-253.4
Other comprehensive income from associated companies, translation differences		-25.3	22.1
Translation differences		-696.5	850.8
Total items that subsequently may be reclassified to the statement of income		**-652.4**	**637.1**
Other comprehensive income	**15**	**-607.0**	**625.3**
Total comprehensive income for the year		**2 130.4**	**3 271.2**
Whereof attributable to:			
Equity holders of the Parent Company		2 128.4	3 264.6
Non-controlling interests		2.0	6.6

Securitas' financial model – consolidated statement of income

Supplementary information

MSEK	2017	2016
Sales	91 479.1	85 026.0
Sales, acquired business	717.7	3 136.4
Total sales	**92 196.8**	**88 162.4**
Organic sales growth, %	*5*	*7*
Production expenses	-75 951.6	-72 686.8
Gross income	**16 245.2**	**15 475.6**
Gross margin, %	*17.6*	*17.6*
Expenses for branch offices	-5 101.3	-4 585.9
Other selling and administrative expenses	-6 512.9	-6 384.9
Total expenses	**-11 614.2**	**-10 970.8**
Other operating income	23.8	20.5
Share in income of associated companies	22.0	28.2
Operating income before amortization	**4 676.8**	**4 553.5**
Operating margin, %	*5.1*	*5.2*
Amortization of acquisition related intangible assets	-255.1	-287.7
Acquisition related costs	-48.4	-112.6
Operating income after amortization	**4 373.3**	**4 153.2**
Financial income and expenses	-375.6	-389.6
Income before taxes	**3 997.7**	**3 763.6**
Net margin, %	*4.3*	*4.3*
Taxes	-1 260.3	-1 117.7
Net income for the year	**2 737.4**	**2 645.9**

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

Securitas' financial model is described on pages 46–47.

Consolidated statement of cash flow

MSEK	Note	2017	2016
Operations			
Operating income		4 373.3	4 153.2
Adjustment for effect on cash flow from items affecting comparability	11	–	-16.7
Adjustment for effect on cash flow from acquisition related costs	11	-10.2	42.5
Reversal of depreciation	18, 19, 20	1 616.5	1 516.7
Financial items received		53.8	42.1
Financial items paid		-479.4	-343.5
Current taxes paid		-1 122.2	-1 016.7
Change in accounts receivable		-448.9	-1 039.3
Change in other operating capital employed		-48.1	-45.8
Cash flow from operations		**3 934.8**	**3 292.5**
Investing activities			
Investments in non-current tangible and intangible assets		-1 703.9	-1 658.3
Acquisitions and divestitures of subsidiaries	16	-245.0	-3 496.4
Cash flow from investing activities		**-1 948.9**	**-5 154.7**
Financing activities			
Dividend paid to shareholders of the Parent Company		-1 369.0	-1 277.7
Proceeds from bond loans	30, 33	3 299.5	3 261.6
Redemption of bond loans	30, 33	-3 307.7	–
Proceeds from commercial paper		–	600.0
Redemption of commercial paper		–	-850.0
Change in other interest-bearing net debt excluding liquid funds		634.5	411.9
Cash flow from financing activities	**6**	**-742.7**	**2 145.8**
Cash flow for the year		**1 243.2**	**283.6**
Liquid funds at beginning of year		2 414.5	2 071.2
Translation differences on liquid funds		-47.1	59.7
Liquid funds at year-end	**6, 28**	**3 610.6**	**2 414.5**

Securitas' financial model – consolidated statement of cash flow

Supplementary information

MSEK	2017	2016
Operating income before amortization	**4 676.8**	**4 553.5**
Investments in non-current tangible and intangible assets	-1 703.9	-1 658.3
Reversal of depreciation	1 361.4	1 229.0
Net investments in non-current tangible and intangible assets	**-342.5**	**-429.3**
Change in accounts receivable	-448.9	-1 039.3
Change in other operating capital employed	-48.1	-45.8
Cash flow from operating activities	**3 837.3**	**3 039.1**
Cash flow from operating activities as % of operating income before amortization	*82*	*67*
Financial income and expenses paid	-425.6	-301.4
Current taxes paid	-1 122.2	-1 016.7
Free cash flow	**2 289.5**	**1 721.0**
Free cash flow as % of adjusted income	*68*	*52*
Acquisitions and divestitures of subsidiaries	-245.0	-3 496.4
Acquisition related costs paid	-58.6	-70.1
Cash flow from items affecting comparability	–	-16.7
Cash flow from financing activities	-742.7	2 145.8
Cash flow for the year	**1 243.2**	**283.6**

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

Securitas' financial model is described on pages 46–47.

Consolidated balance sheet

MSEK	Note	2017	2016
ASSETS			
Non-current assets			
Goodwill	17	18 719.1	19 379.6
Acquisition related intangible assets	18	1 172.8	1 356.1
Other intangible assets	19	667.9	526.9
Buildings and land	20	304.2	283.5
Machinery and equipment	20	3 184.9	3 054.3
Shares in associated companies	21	419.8	419.5
Deferred tax assets	15	1 004.0	1 347.9
Interest-bearing financial non-current assets	22	499.7	411.7
Other long-term receivables	23	815.6	769.1
Total non-current assets		**26 788.0**	**27 548.6**
Current assets			
Inventories	24	388.3	353.1
Accounts receivable	25	13 349.3	13 352.6
Current tax assets	15	606.9	490.4
Other current receivables	26	4 224.5	4 052.9
Other interest-bearing current assets	27	164.7	189.2
Liquid funds	28	3 610.6	2 414.5
Total current assets		**22 344.3**	**20 852.7**
TOTAL ASSETS		**49 132.3**	**48 401.3**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		365.1	365.1
Other capital contributed		7 362.6	7 362.6
Other reserves		-650.7	1.9
Retained earnings		8 152.0	6 757.6
Shareholders' equity attributable to equity holders of the Parent Company		**15 229.0**	**14 487.2**
Non-controlling interests		**21.2**	**20.7**
Total shareholders' equity	**29**	**15 250.2**	**14 507.9**
Long-term liabilities			
Long-term loan liabilities	30	13 024.6	12 806.9
Other long-term liabilities	30	237.7	258.1
Provisions for pensions and similar commitments	31	1 072.8	1 177.0
Deferred tax liabilities	15	905.6	919.2
Other long-term provisions	32	1 106.1	1 069.8
Total long-term liabilities		**16 346.8**	**16 231.0**
Current liabilities			
Short-term loan liabilities	33	3 582.9	3 639.8
Accounts payable		1 698.8	1 332.4
Current tax liabilities	15	335.5	401.4
Other current liabilities	34	10 865.6	10 960.3
Short-term provisions	35	1 052.5	1 328.5
Total current liabilities		**17 535.3**	**17 662.4**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**49 132.3**	**48 401.3**

Securitas' financial model – consolidated capital employed and financing

Supplementary information

MSEK	2017	2016
Operating capital employed		
Other intangible assets	667.9	526.9
Buildings and land	304.2	283.5
Machinery and equipment	3 184.9	3 054.3
Deferred tax assets	1 004.0	1 347.9
Other long-term receivables	815.6	769.1
Inventories	388.3	353.1
Accounts receivable	13 349.3	13 352.6
Current tax assets	606.9	490.4
Other current receivables	4 224.5	4 052.9
Total assets	**24 545.6**	**24 230.7**
Other long-term liabilities	237.7	258.1
Provisions for pensions and similar commitments	1 072.8	1 177.0
Deferred tax liabilities	905.6	919.2
Other long-term provisions	1 106.1	1 069.8
Accounts payable	1 698.8	1 332.4
Current tax liabilities	335.5	401.4
Other current liabilities	10 865.6	10 960.3
Short-term provisions	1 052.5	1 328.5
Total liabilities	**17 274.6**	**17 446.7**
Total operating capital employed	**7 271.0**	**6 784.0**
Goodwill	18 719.1	19 379.6
Acquisition related intangible assets	1 172.8	1 356.1
Shares in associated companies	419.8	419.5
Total capital employed	**27 582.7**	**27 939.2**
Operating capital employed as % of sales	*8*	*8*
Return on capital employed, %	*17*	*16*
Net debt		
Interest-bearing financial non-current assets	499.7	411.7
Other interest-bearing current assets	164.7	189.2
Liquid funds	3 610.6	2 414.5
Total interest-bearing assets	**4 275.0**	**3 015.4**
Long-term loan liabilities	13 024.6	12 806.9
Short-term loan liabilities	3 582.9	3 639.8
Total interest-bearing liabilities	**16 607.5**	**16 446.7**
Total net debt	**12 332.5**	**13 431.3**
Net debt equity ratio, multiple	*0.81*	*0.93*
Shareholders' equity		
Share capital	365.1	365.1
Other capital contributed	7 362.6	7 362.6
Other reserves	-650.7	1.9
Retained earnings	8 152.0	6 757.6
Non-controlling interests	21.2	20.7
Total shareholders' equity	**15 250.2**	**14 507.9**
Total financing	**27 582.7**	**27 939.2**

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

Securitas' financial model is described on pages 46–47.

Consolidated statement of changes in shareholders' equity

	Shareholders' equity attributable to equity holders of the Parent Company[1]							
MSEK	Share capital	Other capital contributed	Hedging reserve	Translation reserve	Retained earnings	Total	Non-controlling interests[1]	**Total share-holders' equity**
Opening balance 2016	**365.1**	**7 362.6**	**0.4**	**-632.9**	**5 414.9**	**12 510.1**	**20.3**	**12 530.4**
Net income for the year	**–**	**–**	**–**	**–**	**2 642.0**	**2 642.0**	**3.9**	**2 645.9**
Other comprehensive income								
Items that will not be reclassified to the statement of income								
Remeasurements of defined benefit pension plans net of tax	–	–	–	–	-11.8	-11.8	–	-11.8
Total items that will not be reclassified to the statement of income	**–**	**–**	**–**	**–**	**-11.8**	**-11.8**	**–**	**-11.8**
Items that subsequently may be reclassified to the statement of income								
Cash flow hedges net of tax[2]	–	–	17.6	–	–	17.6	–	17.6
Net investment hedges net of tax[3]	–	–	–	-253.4	–	-253.4	–	-253.4
Other comprehensive income from associated companies, translation differences	–	–	–	22.1	–	22.1	–	22.1
Translation differences	–	–	–	848.1	–	848.1	2.7	850.8
Total items that subsequently may be reclassified to the statement of income	**–**	**–**	**17.6**	**616.8**	**–**	**634.4**	**2.7**	**637.1**
Other comprehensive income	**–**	**–**	**17.6**	**616.8**	**-11.8**	**622.6**	**2.7**	**625.3**
Total comprehensive income for the year	**–**	**–**	**17.6**	**616.8**	**2 630.2**	**3 264.6**	**6.6**	**3 271.2**
Transactions with non-controlling interests[1]	–	–	–	–	-41.0	-41.0	-6.2	-47.2
Share-based incentive scheme[1]	–	–	–	–	31.2	31.2	–	31.2
Dividend paid to shareholders of the Parent Company	–	–	–	–	-1 277.7	-1 277.7	–	-1 277.7
Closing balance 2016	**365.1**	**7 362.6**	**18.0**	**-16.1**	**6 757.6**	**14 487.2**	**20.7**	**14 507.9**
Opening balance 2017	**365.1**	**7 362.6**	**18.0**	**-16.1**	**6 757.6**	**14 487.2**	**20.7**	**14 507.9**
Net income for the year	**–**	**–**	**–**	**–**	**2 735.6**	**2 735.6**	**1.8**	**2 737.4**
Other comprehensive income								
Items that will not be reclassified to the statement of income								
Remeasurements of defined benefit pension plans net of tax	–	–	–	–	45.4	45.4	–	45.4
Total items that will not be reclassified to the statement of income	**–**	**–**	**–**	**–**	**45.4**	**45.4**	**–**	**45.4**
Items that subsequently may be reclassified to the statement of income								
Cash flow hedges net of tax[2]	–	–	-21.9	–	–	-21.9	–	-21.9
Net investment hedges net of tax[3]	–	–	–	91.3	–	91.3	–	91.3
Other comprehensive income from associated companies, translation differences	–	–	–	-25.3	–	-25.3	–	-25.3
Translation differences	–	–	–	-696.7	–	-696.7	0.2	-696.5
Total items that subsequently may be reclassified to the statement of income	**–**	**–**	**-21.9**	**-630.7**	**–**	**-652.6**	**0.2**	**-652.4**
Other comprehensive income	**–**	**–**	**-21.9**	**-630.7**	**45.4**	**-607.2**	**0.2**	**-607.0**
Total comprehensive income for the year	**–**	**–**	**-21.9**	**-630.7**	**2 781.0**	**2 128.4**	**2.0**	**2 130.4**
Transactions with non-controlling interests[1]	–	–	–	–	-1.2	-1.2	-1.5	-2.7
Share-based incentive scheme[1]	–	–	–	–	-16.4	-16.4	–	-16.4
Dividend paid to shareholders of the Parent Company	–	–	–	–	-1 369.0	-1 369.0	–	-1 369.0
Closing balance 2017	**365.1**	**7 362.6**	**-3.9**	**-646.8**	**8 152.0**	**15 229.0**	**21.2**	**15 250.2**

1 Further information is provided in note 29.
2 A specification can be found in note 6, table revaluation of financial instruments, as well as in note 15.
3 A specification can be found in note 15.

Notes

NOTE 1 *General corporate information*

Operations

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 operates in North America, Europe, Latin America, Africa, the Middle East, Asia and Australia and employs more than 345 000 employees in 55 countries.

Information regarding Securitas AB

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

Securitas AB
Lindhagensplan 70
SE-102 28 Stockholm
Sweden

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

Information regarding the Annual Report and the consolidated financial statements

This Annual Report including the consolidated financial statements was signed by the Board of Directors and the President and CEO of Securitas AB and also approved for publication on March 15, 2018.

The statements of income and balance sheets for the Parent Company and the consolidated financial statements for the Group included in the Annual Report are subject to adoption by the Annual General Meeting on May 2, 2018.

NOTE 2 *Accounting principles*

Basis of preparation

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

Estimates and judgments

Note 4

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

Adoption and impact of new and revised IFRS for 2017

None of the published standards and interpretations that are mandatory for the Group's financial year 2017 have had any impact on the Group's financial statements.

Introduction and effect of new and revised IFRS that are effective as from 2018

There are two new accounting standards, IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customers, which have been endorsed by the EU and applied by Securitas as of January 1, 2018.

Regarding IFRS 9 Financial instruments, our main focus area in the implementation process has been on any effects regarding hedge accounting. Our assessment of hedge accounting under IFRS 9 is that there will be minimal impact on the financial statements compared with the current hedge accounting under IAS 39. The other focus area has been to analyze if the transition to IFRS 9 will have any impact on impairment of financial assets, in particular on accounts receivables. We have compared our current models for impairment testing of financial assets with the new requirements based on an expected credit loss model. Our assessment is that applying the expected credit loss model for impairment testing will have only a limited impact on the financial statements. Securitas' transition to IFRS 9 will consequently not entail any restatement of the comparative figures.

Regarding IFRS 15 Revenue from Contracts with Customers, Securitas' transition to IFRS 15 is based on a full retrospective application without use of any practical expedients. Securitas provides services designed to protect people, workplaces and assets. These services constitute one deliverable to our customers in terms of performance obligations. Our analysis of the impact from adopting IFRS 15 does not show that there will be any major adjustments when it comes to identifying performance obligations or to the allocation of the transaction price on performance obligations, nor for the pattern of revenue recognition when performance obligations are satisfied. Thus the revenue recognition under IFRS 15 is not expected to be materially impacted compared to revenue recognition under current standards. Thereby, Securitas' main focus area during 2017 has been to analyze the effects of capitalizing certain costs to obtain contracts.

The restatement due to the transition to IFRS 15 has no effect on the Group´s segments, since it will be accounted for in the column Other in the Group´s segment overviews. The segments will thus continue with the principle of expensing costs to obtain contracts as they are incurred. Our analysis shows that the effect on the income statement is an improvement of operating result of MSEK 20 in 2017 after adjustment for the transition to IFRS 15, while the improvement of net income for the year is MSEK 14. Our analysis further shows that the effect of restating the balance sheet is an increase of intangible assets of MSEK 411 as of December 31, 2017 due to capitalization of costs to obtain contracts related to previous years. The net amount after taxes will be accounted for as an increase of retained earnings. The effects on equity in 2017 are summarized below:

MSEK	
Opening balance equity 2017	14 508
Effect of change in accounting principle IFRS 15	275
Opening balance equity 2017 adjusted in accordance with new accounting principle	**14 783**
Net income for the year 2017	2 737
Effect of change in accounting principle IFRS 15	14
Net income for the year 2017 adjusted in accordance with new accounting principle	**2 751**
Other changes in equity	-1 995[1]
Closing balance equity 2017 adjusted in accordance with new accounting principle	**15 539**

1 Related to items specified in the consolidated statement of changes in shareholders' equity on page 64.

None of the other published standards and interpretations that are mandatory for the Group's financial year 2018 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 2019 and onwards

IFRS 16 Leases comes into force on January 1, 2019 and will be adopted by Securitas as of that date. One effect that is expected on Securitas from IFRS 16 is that total assets and total liabilities will increase. This is due to the fact that the majority of the Group's leasing agreements (including rental agreements) will be accounted for gross in the balance sheet as non-current assets and interest-bearing liabilities. Further, the Group's operating income is expected to improve while financial expenses are expected to increase. This is due to the fact that costs for operating leases, which currently are in full accounted for in operating income according to IAS 17, will be replaced by leasing expenses that are split on depreciation and financial expenses. Refer to note 11 for further information on the Group´s current leasing agreements.

The effect on the Group's financial statements from other standards and interpretations that are mandatory for the Group's financial year 2019 or later remain to be assessed.

The acquisition method (IFRS 3) Note 11, 16, 17 and 18

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

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

Scope of the consolidated financial statements (IFRS 10 and IFRS 12) Note 16 and 49

The consolidated financial statements relate to the Parent Company Securitas AB and all subsidiaries. Subsidiaries are all companies where the Group has control, which is the case where the Group is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company.

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

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

Non-controlling interests (IFRS 3 and IFRS 10) Note 29

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

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

Investments in associates (IAS 28) Note 21 and 50

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

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

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

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

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

Translation of foreign subsidiaries (IAS 21) Note 29

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

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

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

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

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

Transactions, receivables and liabilities in foreign currency (IAS 21) — Note 11 and 14

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

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

Revenue recognition (IAS 11 and IAS 18) — Note 10, 14 and 43

The Group's revenue is generated mainly from various types of security services. Security services are based on customer contracts and these can comprise sales based on hours of work performed with fixed monthly, quarterly or yearly invoicing and also including service level agreements. Sales based on customer contracts can also comprise events such as intervention services. In addition to sales based on customer contracts there is extra sales to either contract customers or event based sales. There is also revenue from the sale of alarm products and, to a limited extent, cash handling services. Revenue from services is recognized in the period in which the services have been performed. Alarm installations are recognized in revenue as they are completed, in accordance with the percentage of completion method. According to this method, revenue, expenses and income are recognized in the period in which the work was performed. The determination of the percentage of alarm installations that can be recognized as revenue is based on the time spent in relation to the total estimated time.

Trademark fees from the former subsidiary Securitas Direct AB, relating to the use of the Securitas trademark, are recognized on an accrual basis in accordance with the substance of the agreement, and are based on the sales recognized by Securitas Direct AB.

Interest income is recognized in the statement of income in the period to which it is attributable.

Operating segments (IFRS 8) — Note 9

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

The Group's operations are divided into three reportable segments and Other. The reportable segments are also referred to as business segments in the Group's financial reports. Refer to note 9 for further information regarding the segments.

The assets and liabilities of each segment include only those items that have been utilized or arisen in ongoing operations. Non-operational balance sheet items, primarily current tax, deferred tax, and provisions for taxes, are accounted for under the Other heading in the table Capital employed and financing in note 9. In the table Assets and liabilities in the same note, these items are accounted for as unallocated non-interest bearing assets and unallocated non-interest bearing liabilities. Reconciliation between total segments and the Group is disclosed in note 9.

Geographical information related to sales and non-current assets is disclosed in note 9 for Sweden (which is Securitas' country of domicile) and for all individual countries where the sales or non-current assets exceed 10 percent of the total amount for the Group.

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

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

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

Acquisition related restructuring and integration costs (IAS 37) — Note 11

Acquisition related restructuring costs are costs relating to the restructuring and/or integration of acquired operations into the Group. Restructuring costs can cover several activities that are necessary to prepare acquired operations for integration into the Group, such as redundancy payments, provisions for rented premises that will not be utilized or sublet below cost or other non-cancellable leasing contracts that will not be utilized. Integration costs normally cover activities that do not qualify to be recognized as provisions. Such activities could be re-branding (changing logotypes on buildings, vehicles, uniforms, etc.), but could also cover personnel costs, for example training, recruitment, relocation and travel, certain customer related costs and other incremental costs to transform the acquired operation into Securitas' format. Classifying expenses as costs relating to integration of acquired operations must also fulfill the criteria below:

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

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Items affecting comparability Note 11

This item includes events and transactions with significant effects, which are relevant for understanding the Group's financial performance when comparing income for the current period with previous periods. They include capital gains and losses arising from the disposal of material cash generating units, material impairment losses and bad debt losses, litigations and insurance claims and other material income and expense items of a non-recurring nature. Tax on items affecting comparability and tax items that in themselves constitute items affecting comparability are reported on the line taxes in the consolidated statement of income.

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

Taxes (IAS 12) Note 15 and 46

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

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

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

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

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

Impairment (IAS 36) Note 17

The Group's assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. In addition to goodwill, these assets are limited to the brand name Securitas in one of the Group's countries of operations, where it has been acquired from a third party. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU).

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

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

Goodwill and other acquisition related intangible assets (IFRS 3, IAS 36 and IAS 38) Note 17 and 18

Goodwill and other acquisition related intangible assets are allocated to cash-generating units (CGU) per country in a segment. This allocation is also the basis for the yearly impairment testing. Goodwill is carried at cost less accumulated impairment losses.

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

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

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

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

Other intangible assets (IAS 36 and IAS 38) — Note 19 and 47

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

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

Software licenses	10.0–33.3 percent
Other intangible assets	10.0–33.3 percent

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

Tangible non-current assets (IAS 16 and IAS 36) — Note 20 and 48

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

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

Leasing contracts (IAS 17) — Note 11 and 20

Assets in finance leases, where the Group is the lessee, are recognized as non-current assets in the consolidated balance sheet. The net present value of the corresponding obligations to pay leasing fees in the future is recognized as liabilities. In the consolidated statement of income, leasing payments are divided into depreciation and interest. The Group has no significant finance leases where it is the lessor.

Operational leases, where the Group is the lessee, are recognized as an operating expense on a linear basis over the period of the lease in the consolidated statement of income. In cases where the Group is the lessor, revenue is recognized on a linear basis and included in total sales in the consolidated statement of income. Depreciation is recognized under operating income.

Accounts receivable (IAS 39) — Note 25

Accounts receivable are accounted for at nominal value net after provisions for probable bad debt. Probable and recognized bad debt losses are included in the line production expenses in the statement of income. Payments received in advance are classified as other current liabilities.

Recognized revenue that has not been invoiced as of the balance sheet date is classified as accrued sales income (note 26).

Financial instruments (IFRS 7/IFRS 13/IAS 32/IAS 39) — Note 6, 14, 22, 27, 30, 33 and 42

Securitas records financial instruments initially at fair value with the subsequent measurement depending on the designation of the instrument. The designation depends on the purpose for which the financial instrument is acquired. Management determines the designation of financial instruments at initial recognition and re-evaluates this designation at each reporting date. There were no transfers between categories in the years 2017 and 2016.

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

The Group designates its financial instruments in the categories described below. Further information regarding carrying and fair values is provided in the table Financial instruments by category – carrying and fair values in note 6 as well as in the definitions of the categories below. Note 6 also includes further information on the Group's hedging activities.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss have two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Fair value derivative assets are also categorized as held for trading unless they qualify for hedge accounting. Financial liabilities at fair value are trading securities with negative fair value; normally derivative liabilities unless they qualify for hedge accounting. The Group normally has no or very limited positions in this category with the exception of derivatives where there is a natural offset in the accounting and where the purpose is to achieve an offsetting impact without qualifying for hedge accounting.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Most of the Group's _current assets are loans and receivables (including accounts receivable and most other current receivables).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. The Group normally has no or very limited positions in this category.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. The Group normally has no or very limited positions in this category.

Financial liabilities designated as hedged item in a fair value hedge

This category includes both long-term and short-term loans designated as hedged items that are hedged effectively via derivatives designated for hedge accounting. The hedging instruments are included in the category derivatives designated for hedging.

Note
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Other financial liabilities
Other financial liabilities comprise all other financial liabilities, including such items as accounts payable and other current liabilities, and also any long-term and short-term loans not included in either of the categories financial liabilities designated as hedged item in a fair value hedge or financial liabilities at fair value through profit or loss.

Derivatives designated for hedging
The Group normally only enters into derivative contracts when they either qualify for hedge accounting or when there is a natural offset in the accounting. This category includes the first type of derivatives.

Recognition and subsequent measurement
Purchases and sales of financial instruments are recognized on the trade date – the date on which the Group commits to purchase or sell the instrument.

Financial assets and liabilities are initially recognized at fair value. Any transaction costs are charged to the statement of income.

Financial assets are derecognized when the rights to receive cash flows from the instruments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are removed when the obligation is discharged, cancelled or has expired.

Financial assets or financial liabilities at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities at fair value through profit or loss category are included in financial income or financial expenses in the statement of income in the period in which they arise.

Financial liabilities with the exception of financial liabilities at fair value through profit or loss and financial liabilities designated as hedged item are subsequently carried at amortized cost.

Financial liabilities designated as the hedged item in a fair value hedge are carried at amortized cost but are adjusted for changes in the fair value due to the hedged risk. Changes in the fair value are included in financial income or financial expenses in the statement of income in the period in which they arise. The corresponding gain or loss from re-measuring the hedging instrument at fair value is also included in financial income or financial expenses in the statement of income in the same period as that in which the gain or loss on the hedged item arises.

Cash flow hedging instruments are carried at fair value in the balance sheet. The gains or losses from re-measuring the hedging instruments at fair value are recognized in the hedging reserve in other comprehensive income with a reversal from the hedging reserve to the statement of income in the period in which the cash flow of the hedged item impacts the statement of income. Exchange rate gains and losses on derivatives that are part of a net investment hedge relationship are recognized in other comprehensive income. Any ineffectiveness is recognized in the statement of income.

Actual cash flows (accrued interest income/expenses) that arise from interest-rate derivative contracts are recognized as interest income and/or interest expense in the statement of income in the period to which they relate. Changes in fair value (after accruals) for both the hedged item and the hedging instrument (derivative) are recognized separately as revaluation of financial instruments. The line revaluation of financial instruments is included within financial income and/or financial expense.

The fair values of quoted financial instruments are based on current bid prices. If the market for a financial instrument is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses, and option pricing models refined to reflect the issuer's specific circumstances.

Impairment of financial assets
The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. There has been no impairment of financial assets in 2017 or 2016.

Share-based payments (IFRS 2)

Note 8 and 12

Securitas has a share-based incentive scheme where the participants in the scheme receive a bonus of which two thirds are payable in cash in the beginning of the year after the bonus has been accrued. The remaining one third of the bonus is used to acquire shares at market value. These shares are delivered to the participants in March, two years following the performance year, conditioned by a continuous employment during the vesting period, except where a participant has left his/her employment due to retirement, death or long-term disability, in which case the participant shall have a continued right to receive shares. The cost for Securitas, including social security expenses, is accounted for in the statement of income during the vesting period. The share-based portion of the bonus is classified as equity. At the end of the program, a revaluation is made of the original estimates and the final outcome of social security expenses is determined. Any deviation due to the revaluation, for example due to any participant leaving the Group and not receiving allocated shares, is accounted for in the statement of income.

In order to hedge the share portion of Securitas share-based incentive scheme 2016, the Group has entered into a swap agreement with a third party. The swap agreement represents an obligation for the Parent Company to purchase its own shares at a predetermined price. The swap agreement is consequently classified as an equity instrument and accounted for in equity as a reduction of retained earnings. A swap agreement was also entered into to hedge the share portion of Securitas share-based incentive scheme 2015. That swap agreement settled during 2017 in conjunction with the delivery of the shares to the participants upon vesting.

Employee benefits (IAS 19)

Note 23, 31 and 34

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

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

Calculations for the defined benefit plans that exist within Securitas are carried out by independent actuaries.

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

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

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

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

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

Provisions (IAS 37)

Note 15, 31, 32 and 35

The Group's provisions are mainly related to deferred tax liabilities (note 15), provisions for pensions and similar commitments (note 31) and claims reserves (notes 32 and 35).

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

The Group has more than 345 000 employees and as such from time to time faces labor-related disputes with current or former employees in relation to various matters. Such matters can involve, but are not limited to, the diverse interpretation of labor legislation, individual employee contracts or collective bargaining agreements and can for example relate to working hours, benefits payable, various reimbursements or the termination of employment. The Group follows IAS 37 and IAS 19 in determining when a contingent liability, a provision or a liability should be disclosed and/or recognized for these disputes.

NOTE 3 Definitions, calculation of key ratios and exchange rates

DEFINITIONS

Statement of income according to Securitas' financial model

Production expenses[1]
Wages and related costs, the cost of equipment used when performing professional duties, and all other costs directly related to the performance of services invoiced.

Selling and administrative expenses[1]
All costs of selling, administration and management including branch office expenses. The primary function of the branch offices is to provide the production with administrative support as well as to serve as a sales channel.

Gross margin
Gross income as a percentage of total sales.

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

Operating margin
Operating income before amortization as a percentage of total sales.

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

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

Net margin
Income before taxes as a percentage of total sales.

Real change
Change adjusted for changes in exchange rates.

Statement of cash flow according to Securitas' financial model

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

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

Cash flow for the year[1]
Free cash flow adjusted for acquisition of subsidiaries, acquisition related costs paid, dividends, new issues and change in interest-bearing net debt excluding liquid funds.

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

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Balance sheet according to Securitas' financial model

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

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

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

CALCULATION OF KEY RATIOS 2017

Usage of key ratios not defined in IFRS

Securitas applies ESMA's (European Securities and Markets Authority) guidelines for Alternative Performance Measures (APM). An APM is a financial measure of historical or future financial performance, financial position or cash flow that has not been defined in IFRS. In order to facilitate the analysis of the Group's development made by Group Management and other interested parties, Securitas accounts for certain APMs. The APMs are additional information and do not replace key ratios according to IFRS. Securitas definitions of APMs may be different from the definitions in other companies. Refer to the Annual Report 2016 for the previous year's calculations.

Acquired sales growth: 1%
This year's sales from acquired business as a percentage of the previous year's total sales.
Calculation: 717.7 / 88 162.4 = 1%

Organic sales growth: 5%
Total sales for the year adjusted for acquisitions and changes in exchange rates as a percentage of the previous year's total sales adjusted for divestitures.
Calculation: ((92 196.8-717.7 + 660.1)/(88 162.4-5.2))-1 = 5%

Real sales growth: 5%
Total sales for the year including acquisitions and adjusted for changes in exchange rates as a percentage of the previous year's total sales.
Calculation: ((92 196.8 + 660.1)/ 88 162.4)-1 = 5%

Change of currency adjusted operating income before amortization: 4%
Operating income before amortization adjusted for changes in exchange rates as a percentage of the previous year's operating income before amortization.
Calculation: ((4 676.8 + 44.4) / 4 553.5)-1 = 4%

Operating margin: 5.1%
Operating income before amortization as a percentage of total sales.
Calculation: 4 676.8/92 196.8= 5.1%

Change of currency adjusted operating income after amortization: 6%
Operating income after amortization adjusted for changes in exchange rates as a percentage of the previous year's operating income after amortization.
Calculation: ((4 373.3 + 47.0) / 4 153.2)-1 = 6%

Change of currency adjusted income before taxes: 7%
Income before taxes adjusted for changes in exchange rates as a percentage of the previous year's income before taxes.
Calculation: ((3 997.7 + 34.4) / 3 763.6)-1 = 7%

Change of currency adjusted net income: 4%
Net income adjusted for changes in exchange rates as a percentage of the previous year's net income.
Calculation: ((2 737.4 + 24.1) / 2 645.9)-1 = 4%

Earnings per share before dilution[1,2]: SEK 7.49 (7.24)
Net income for the year attributable to equity holders of the Parent Company in relation to the average number of shares before dilution.
Calculation 2017: ((2 737.4-1.8) / 365 058 897) x 1 000 000 = SEK 7.49
Calculation 2016: ((2 645.9-3.9) / 365 058 897) x 1 000 000 = SEK 7.24

Earnings per share before dilution[1,2] and before items affecting comparability[3]: SEK 7.83
Net income for the year attributable to equity holders of the Parent Company before items affecting comparability in relation to the average number of shares before dilution.
Calculation: ((2 737.4-1.8+123.4) / 365 058 897) x 1 000 000 = SEK 7.83

Change of currency adjusted earnings per share before dilution[1,2]: 4%
Net income for the year attributable to equity holders of the Parent Company adjusted for changes in exchange rates in relation to the average number of shares before dilution as a percentage of the previous year's earnings per share before dilution.
Calculation: ((((2 737.4-1.8 + 24.1) / 365 058 897) x 1 000 000) / 7.24)-1 = 4%

Change of currency adjusted earnings per share before dilution[1,2] and before items affecting comparability[3]: 9%
Net income for the year attributable to equity holders of the Parent Company before items affecting comparability and adjusted for changes in exchange rates, in relation to the average number of shares before dilution as a percentage of the previous year's earnings per share before dilution.
Calculation: ((((2 737.4-1.8 + 123.4 + 24.1) / 365 058 897) x 1 000 000) / 7.24)-1 = 9%

Cash flow from operating activities as % of operating income before amortization: 82 %
Cash flow from operating activities as a percentage of operating income before amortization.
Calculation: 3 837.3/4 676.8 = 82%

Free cash flow as % of adjusted income: 68%
Free cash flow as a percentage of adjusted income.
Calculation: 2 289.5/(4 676.8-375.6+0.8-944.4) = 68%

Free cash flow in relation to net debt: 0.19
Free cash flow in relation to closing balance net debt.
Calculation: 2 289.5/12 332.5 = 0.19

Net debt to EBITDA ratio: 2.1
Net debt in relation to operating income after amortization plus amortization of acquisition related intangible assets and depreciation.
Calculation: 12 332.5 / (4 373.3 + 255.1 + 1 361.4) = 2.1

Operating capital employed as % of total sales: 8%
Operating capital employed as a percentage of total sales adjusted for full year sales of acquired entities.
Calculation: 7 271.0/(92 196.8 + 168.4) = 8%

1 There are no convertible debenture loans. Consequently there is no difference between earnings per share before and after dilution.
2 Number of shares includes shares related to the Group's share-based incentive scheme that have been hedged through a swap agreement.
3 Items affecting comparability, consisting in its entirety of one-off tax effects amounting to MSEK -123.4 from revaluation of US net deferred tax assets due to the US tax reform enacted in December 2017.

Return on operating capital employed: 67%
Operating income before amortization as a percentage of the average balance of operating capital employed.
Calculation: 4 676.8 / ((7 271.0 + 6 784.0) / 2) = 67%

Return on capital employed: 17%
Operating income before amortization as a percentage of the closing balance of capital employed.
Calculation: 4 676.8 / 27 582.7 = 17%

Net debt equity ratio: 0.81
Net debt in relation to shareholders' equity.
Calculation: 12 332.5 / 15 250.2 = 0.81

Interest coverage ratio: 11.8
Operating income before amortization plus interest income in relation to interest expense.
Calculation: (4 676.8 + 51.1) / 402.0 = 11.8

Return on equity: 18%
Net income for the year as a percentage of average shareholders' equity.
Calculation: 2 737.4 / ((15 250.2 + 14 507.9) / 2) = 18%

Equity ratio: 31%
Shareholders' equity as a percentage of total assets.
Calculation: 15 250.2 / 49 132.3 = 31%

EXCHANGE RATES USED IN THE CONSOLIDATED FINANCIAL STATEMENTS 2017 AND 2016

			2017		2016	
			Weighted average	End-rate December	Weighted average	End-rate December
Argentina	ARS	1	0.51	0.45	0.58	0.57
Australia	AUD	1	6.38	6.42	–	–
Bosnia and Herzegovina	BAM	1	4.94	5.04	4.85	4.89
Bulgaria	BGN	1	5.04	5.04	–	–
Canada	CAD	1	6.56	6.54	6.51	6.72
Chile	CLP	100	1.31	1.34	1.28	1.36
China	CNY	1	1.26	1.26	1.29	1.30
Colombia	COP	100	0.29	0.28	0.28	0.30
Costa Rica	CRC	100	1.50	1.45	1.58	1.63
Croatia	HRK	1	1.29	1.31	1.26	1.27
Czech Republic	CZK	1	0.37	0.38	0.35	0.35
Denmark	DKK	1	1.30	1.32	1.27	1.29
Egypt	EGP	1	0.48	0.46	0.90	0.50
EMU countries	EUR	1	9.66	9.85	9.47	9.56
Hong Kong	HKD	1	1.09	1.06	1.11	1.17
Hungary	HUF	100	3.12	3.18	3.04	3.08
India	INR	1	0.13	0.13	0.13	0.13
Indonesia	IDR	100	0.06	0.06	0.06	0.07
Jordan	JOD	1	11.97	11.62	12.09	12.76
Mexico	MXN	1	0.45	0.42	0.46	0.44
Morocco	MAD	1	0.88	0.88	0.87	0.90
Norway	NOK	1	1.03	1.00	1.02	1.05
Paraguay	PYG	100	0.15	0.15	–	–
Peru	PEN	1	2.61	2.55	2.54	2.69
Poland	PLN	1	2.28	2.36	2.17	2.16
Romania	RON	1	2.11	2.12	2.11	2.11
Saudi Arabia	SAR	1	2.27	2.20	2.29	2.41
Serbia	RSD	1	0.08	0.08	0.08	0.08
Singapore	SGD	1	6.17	6.17	6.22	6.26
South Africa	ZAR	1	0.64	0.67	0.59	0.66
South Korea	KRW	100	0.76	0.77	0.75	0.75
Sri Lanka	LKR	100	5.57	5.38	5.85	6.04
Switzerland	CHF	1	8.66	8.42	8.68	8.89
Thailand	THB	1	0.25	0.25	0.24	0.25
Turkey	TRY	1	2.33	2.17	2.83	2.57
United Arab Emirates	AED	1	2.32	2.25	2.34	2.46
UK	GBP	1	11.01	11.09	11.54	11.14
Uruguay	UYU	1	0.30	0.29	0.29	0.31
USD countries	USD	1	8.49	8.25	8.59	9.05
Vietnam	VND	100	0.04	0.04	0.04	0.04

NOTE 4 *Critical estimates and judgments*

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

Acquisition of subsidiaries / operations and deferred considerations

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

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

All payments to acquire a subsidiary/operation are recorded at fair value at the acquisition date, including debt related to deferred or contingent considerations and acquisition related option liabilities (referred to collectively as deferred considerations). This debt is measured at fair value in subsequent periods with re-measurement through the statement of income. The final outcome of deferred considerations often depends on one or more events which only will be confirmed by a future development, such as the future profitability development for an agreed period. The final outcome can therefore either be lower or higher than the initially recognized amount. Short-term deferred considerations, which amount to MSEK 66.6 (85.5) and is included in other current liabilities (note 34) and long-term deferred considerations, which amount to MSEK 101.0 (129.6) and is included in other long-term liabilities (note 30), are thus subject to critical estimates and judgments.

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

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

In connection with the impairment testing of goodwill, other acquisition related intangible assets and shares in associated companies, the book value is compared to the recoverable value. The recoverable value is determined by the higher of an asset's net realizable value and its value in use. Since under normal circumstances no quoted market prices are available to assess an asset's net realizable value, the book value is normally compared to the value in use. The calculation of the value in use is based on assumptions and judgments. The most important assumptions are the organic sales growth, the development of the operating margin, the operating working capital requirements and the relevant WACC, which is used to discount future cash flows. All in all, this means that the valuation of the balance sheet items goodwill, which amounts to MSEK 18 719.1 (19 379.6), acquisition related intangible assets, which amounts to MSEK 1 172.8 (1 356.1) and shares in associated companies, which amounts to MSEK 419.8 (419.5) are subject to critical estimates and judgments. A sensitivity analysis regarding the organic sales growth, the operating margin and the WACC is provided in note 17.

Valuation of accounts receivable and the provision for bad debt losses

Accounts receivable, which amounts to MSEK 13 349.3 (13 352.6), is one of the most significant balance sheet items. Accounts receivable are accounted for at the nominal value net after provisions for probable bad debt. The provision for bad debt losses, which amounts to MSEK -489.6 (-523.0), is thus subject to critical estimates and judgments. As stated above, accounts receivable is often an important item in relation to the acquisition of subsidiaries/operations. Further information regarding the credit risk in accounts receivable is provided in note 6. Information regarding the ageing of accounts receivable and the development of the provision for bad debt losses during the year is provided in note 25.

Employee benefits including labor-related disputes

With more than 345 000 employees and salaries and social benefits representing more than 80 percent of the total operating expenses, the accounting for employee benefits is crucial to determine a correct result. The Group operates in many countries with different legislation and different regulatory frameworks surrounding the benefits payable to employees and the related payroll overhead such as social charges and payroll taxes.

Given the large number of employees, the Group from time to time also faces labor-related disputes with current or former employees in relation to various matters. Such matters can involve, but are not limited to, the diverse interpretation of labor legislation, individual employee contracts or collective bargaining agreements and can for example relate to working hours, benefits payable, various reimbursements or the termination of employment. All in all, this means that the employee-related items in the balance sheet are subject to critical estimates and judgments. These balances are mainly included under employee-related items (note 34), which amounts to MSEK 6 957.6 (6 900.2), but also form part of short-term provisions (note 35) as a part of other provisions MSEK 427.9 (672.7).

For defined benefit plans relating to benefits particularly for pensions and medical benefits and where the payment to the employee is several years into the future, actuarial calculations are required. These calculations are based on assumptions regarding economic variables such as the discount rate, salary increases, inflation rate, pension increases and the inflation rate for medical benefits, but also on demographic variables such as the expected life span. All in all, the balance sheet item pension balances for defined benefit plans which amounts to MSEK 98.8 (40.1) and which is stated under other long-term receivables (note 23), and the balance sheet item provisions for pensions and similar commitments, which amounts to MSEK 1 072.8 (1 177.0), is subject to critical estimates and judgments. The Group's opinion is that the most important assumptions are the discount rate, the inflation rate and the expected life span. A sensitivity analysis regarding these three variables is provided in note 31.

Actuarial calculations regarding claims reserves and timing of outflows

The Group is exposed to various types of risks in the day-to-day running of the business. The operational risks can result in the need to recognize reserves for damages resulting from property claims, personal injuries as well as workers' compensation claims relating to the Group's employees. Claims reserves are calculated based on a combination of case reserves and incurred but not reported reserves. Actuarial calculations are performed on a quarterly basis to assess the adequacy of the reserves based on open claims and historical data for incurred but not reported claims. Actuarial calculations are based on several assumptions. Claims reserves comprise a large number of individual insurance cases, where some cases are compensated with a lump-sum payment and others are paid over a longer period of time. It is thus not possible to disclose any detailed information regarding the timing of outflows from claims reserves.

All in all, this means that the balance sheet items short-term liability insurance-related claims reserves, which amounts to MSEK 624.6 (655.8) and is included in short-term provisions (note 35), and liability insurance-related claims reserves, which amounts to MSEK 567.8 (623.6) and is included in other long-term provisions (note 32), are subject to critical estimates and judgments.

Calculation of taxes and timing of outflows

Deferred tax is calculated on temporary differences between the carrying amounts and the tax values of assets and liabilities. Assumptions and assessments affect recognized deferred tax, partly to determine the carrying amounts of the different assets and liabilities, and partly related to forecasts regarding future taxable profits, where future utilization of deferred tax assets depends on this. Significant assessments and assumptions are also made regarding recognition of provisions and contingent liabilities relating to tax risks and the potential impact of ongoing tax audits. Tax audits are often lengthy processes that go on for several years. It is thus not possible to disclose any detailed information regarding the timing of outflows from taxes.

The balance sheet includes deferred tax assets which amounts to MSEK 1 004.0 (1 347.9), deferred tax liabilities which amounts to MSEK 905.6 (919.2) and provisions for taxes which amounts to MSEK 375.3 (336.7) included in other long-term provisions (note 32), which are all subject to critical estimates and judgments. Further information regarding taxes is provided in note 15, note 32 and note 37.

The impact on the Group's financial position of ongoing litigations and the valuation of contingent liabilities

Over the years, the Group has made a number of acquisitions in different countries. As a result of such acquisitions, certain contingent liabilities of the businesses acquired have been assumed. Companies within the Group are also involved in a number of other legal proceedings and tax audits arising out of the operations. The accounting for litigations, legal proceedings and tax audits are subject to critical estimates and judgments. Further information is provided in note 32, note 35 and note 37.

Potential effect of Brexit

Securitas operations in the UK are foremost with local customers and in local currency. The preliminary assessment is that the impact from implementation of UK's referendum to leave the EU will have limited effect on Securitas local business in the UK. Any changes in the Swedish krona exchange rate versus the British pound will affect the Group´s consolidated financial statements when translating the British financial statements to Swedish kronor.

NOTE 5 *Events after the balance sheet date*

Approval of the Annual Report and Consolidated Financial Statements for 2017

This Annual Report including the Consolidated Financial Statements was approved by the Board of Directors of Securitas AB on March 15, 2018.

Other significant events after the balance sheet date

Securitas has acquired the security solutions company Süddeutsche Bewachung in Germany. Enterprise value is estimated to MSEK 80 (MEUR 8.2). Süddeutsche Bewachung has annual sales of approximately MSEK 95 (MEUR 9.6) and 300 employees. The acquisition was consolidated in Securitas as of January 2, 2018.

Securitas has acquired the electronic security company Automatic Alarm in France. Enterprise value is estimated to approximately MSEK 430 (MEUR 44). The company, with 250 employees, has annual sales of approximately MSEK 370 (MEUR 38). The acquisition was consolidated in Securitas as of January 2, 2018.

Securitas has acquired the technology and installations company Johnson & Thompson in Hong Kong. Enterprise value is estimated to MSEK 46 (MHKD 43). The company has 22 employees and annual sales of approximately MSEK 17 (MHKD 16). The acquisition was consolidated in Securitas as of January 2, 2018.

Securitas has agreed to acquire the division Kratos Public Safety and Security from Kratos Defense & Security Solutions, Inc. (NASDAQ:KTOS). The purchase price is approximately MSEK 550 (MUSD 69) on a cash and debt-free basis. The operation has annual sales of approximately MSEK 1 100 (MUSD 135) and includes 400 employees.

The acquisition is expected to be neutral to Securitas earnings per share in 2018 and 2019, and accretive as of 2020. Closing of the acquisition is subject to regulatory approval, and is expected during second quarter of 2018, from which point it will be consolidated in Securitas. Refer to note 16 for further information.

Securitas has acquired the electronic security company Alphatron Security Systems in the Netherlands, to further strengthen its technology capabilities in the country. Enterprise value is estimated to MSEK 120 (MEUR 12.3). The company, with 48 employees and countrywide operations, has annual sales of approximately MSEK 102 (MEUR 10.4). The acquisition was consolidated in Securitas as of March 1, 2018.

On February 27, 2018 Securitas issued a seven year MEUR 300 Eurobond. Settlement date was March 6, 2018.

In order to hedge the share portion of Securitas share-based incentive scheme 2017, the Group entered into a swap agreement with a third party in the beginning of March 2018.

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

NOTE 6 *Financial risk management*

Financial risk factors

The Group's business activities create exposure to financial risks, such as interest rate risk, foreign currency risk, financing and liquidity risk and credit/counterparty risk, as detailed in the sections below. The Group's overall financial risk management program focuses on the unpredictability of the financial markets and aims to minimize potential adverse effects on the financial performance of the Group.

Treasury organization and activities

The aim of the treasury organization in Securitas is to support business operations by identifying, quantifying and minimizing financial risks and to the extent possible, to take advantage of economies of scale in the treasury operations.

Business segments

Treasury operations in the business segments concentrate on improving cash flow by focusing on profitability in the business operations, reducing capital tied-up in accounts receivable and managing local cash in the most efficient way.

Countries

In countries with extensive operations, liquidity surpluses and liquidity deficits in local subsidiaries are matched at country level with the help of local cash-pooling solutions. In addition, Securitas operates an overall cash-pooling structure incorporating countries in the Eurozone, UK and US. All local long-term financial requirements are financed directly from the Group's internal bank, Group Treasury Centre (GTC), in Dublin.

Group Treasury Centre

By concentrating financial risk management in a single location, the Group can readily monitor and control these risks and benefit from the expertise of dedicated treasury personnel. Also, by concentrating internal and external financing through GTC, economies of scale can be used to obtain the best possible pricing of investments and loans. GTC also has responsibility for matching local liquidity surpluses and deficits between countries and cash-pools. GTC identifies, evaluates and hedges financial risks in co-operation with the operating units. The Board of Directors of Securitas AB establishes policies for overall risk management, as well as policies covering specific areas such as foreign exchange risks, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

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

Interest rate risk

Interest rate risk is the risk that the Group's net income will be affected by changes in interest payable and/or receivable arising from changes in market interest rates. The Group has raised fixed and floating rate debt predominately in USD, EUR and SEK. Detailed information on long-term borrowings is provided in note 30. The Group uses interest rate derivatives in designated fair value and cash flow hedges to hedge changes in the risk free rate, converting the interest rate profile of this debt. As at December 31, 2017 MEUR 786 (686) of issued debt is swapped from fixed to floating, while MUSD 180 (185) is swapped from floating to fixed. Information on the Group's debt profile is provided in the table below as well as information on interest rate fixings.

The target for the free cash flow to net debt ratio is always to exceed 0.20. Free cash flow to net debt as of December 31, 2017 was 0.19 (0.13). The Group's interest coverage ratio, a measure of its ability to pay interest costs, was 11.8 (11.1) as of December 31, 2017.

Note
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58

THE GROUP'S INTEREST BEARING LIABILITIES AND ASSETS PER CURRENCY AS PER DECEMBER 31, 2017 AND 2016

Currency	Amount, MSEK	Duration (days)	*Current book cost (incl. credit margin)*	*Interest rates, +1%*	Net impact on income statement due to 1% increase[1]	*Interest rates, -1%*	Net impact on income statement due to 1% decrease[1]
December 31, 2017							
USD liabilities	-6 670	569	*2.46%*	*2.83%*	-20	*2.08%*	20
EUR liabilities	-6 465	708	*1.51%*	*2.07%*	-28	*0.95%*	28
GBP liabilities	-404	30	*1.81%*	*2.81%*	-3	*0.81%*	3
SEK liabilities	-2 255	13	*0.52%*	*1.52%*	-18	*-0.48%*	18
Other currencies liabilities	-814	28	*4.05%*	*5.05%*	-6	*3.05%*	6
Total liabilities	**-16 608**	**508**	***1.90%***	***2.49%***	**-75**	***1.31%***	**75**
USD assets	260	2	*0.67%*	*1.39%*	1	*-0.05%*	-1
EUR assets	2 774	10	*0.00%*	*1.00%*	22	*-1.00%*	-22
GBP assets	73	1	*0.00%*	*1.00%*	1	*-1.00%*	-1
SEK assets	328	7	*0.00%*	*1.00%*	3	*-1.00%*	-3
Other currencies assets	840	7	*4.05%*	*5.05%*	6	*3.05%*	-6
Total assets	**4 275**	**8**	***0.84%***	***1.82%***	**33**	***-0.15%***	**-33**
Total	**-12 333**	**–**	***2.28%***	**–**	**-42**	**–**	**42**
December 31, 2016							
USD liabilities	-7 953	121	*2.03%*	*2.46%*	-27	*1.60%*	27
EUR liabilities	-5 764	955	*2.44%*	*2.78%*	-15	*2.10%*	15
GBP liabilities	-476	30	*1.77%*	*2.78%*	-4	*0.77%*	4
SEK liabilities	-1 567	17	*0.58%*	*1.58%*	-12	*0.00%*	7
Other currencies liabilities	-686	27	*3.78%*	*4.78%*	-5	*2.78%*	5
Total liabilities	**-16 446**	**397**	***2.10%***	***2.59%***	**-63**	***1.65%***	**58**
USD assets	75	2	*0.00%*	*0.90%*	1	*-0.28%*	0
EUR assets	2 165	11	*0.00%*	*1.00%*	17	*-0.46%*	-8
GBP assets	15	7	*0.00%*	*1.00%*	0	*-1.00%*	0
SEK assets	3	7	*0.00%*	*1.00%*	0	*0.00%*	0
Other currencies assets	757	7	*3.78%*	*4.78%*	6	*2.78%*	-6
Total assets	**3 015**	**10**	***0.95%***	***1.95%***	**24**	***0.36%***	**-14**
Total	**-13 431**	**–**	***2.39%***	**–**	**-39**	**–**	**44**

1 The 1 percent increase/decrease in interest rates is calculated by adjusting the floating rate accordingly and applying this rate to the asset/liability to establish the impact on net financial items in the income statement. This is further adjusted by the effective corporation tax rate.

Interest rate fixing

It is the policy of Securitas to use interest rate derivatives if required to manage its interest rate risk and as a consequence the Group's financing costs. The duration of these derivatives does not normally exceed the duration of the underlying debt. Group policy allows for the use of both options-based and fixed-rate products. There are no options-based products in the financial reporting in 2017 or 2016.

INTEREST FIXING PER CURRENCY[1]

	December 31, 2017			December 31, 2018			December 31, 2019			
Currency	Amount MSEK	Amount MLOC	*Rate[2] %*	Amount MSEK	Amount MLOC	*Rate[2] %*	Amount MSEK	Amount MLOC	*Rate[2] %*	Final maturity
USD	3 772	457	*3.08%*	3 277	397	*3.20%*	3 277	397	*3.20%*	March 2022
EUR	1 724	175	*1.32%*	1 724	175	1.32%	1 724	175	1.32%	February 2024
Total	**5 496**	**–**	**–**	**5 001**	**–**	**–**	**5 001**	**–**	**–**	

1 Refers to interest rate fixing with a maturity in excess of three months.
2 Average rate including credit margin.

Foreign currency risks

Transaction risk

Transaction risk is the risk that the Group's net income will be affected by changes in the value of commercial flows in foreign currencies due to fluctuating exchange rates. The nature of the business is domestic rather than cross-border and consequently foreign currency transaction risk is not significant.

Financing of foreign assets – translation risk

Translation risk is the risk that the SEK value of foreign currency equity will fluctuate due to changes in foreign exchange rates.

Securitas' foreign currency capital employed as of December 31, 2017 was MSEK 27 520 (28 110). Capital employed is financed by loans in local currency and shareholders' equity. This means that Securitas, from a Group perspective, has shareholders' equity in foreign currency that is exposed to changes in exchange rates. This exposure gives rise to a translation risk and consequently unfavorable changes in exchange rates could have a negative effect on the Group's foreign net assets when translated into SEK. With the object of minimizing the impact of changes in exchange rates on the Group's net debt to equity ratio, Securitas aims to maintain a long-term debt to equity ratio in USD and EUR that is close to the Group's total debt to equity ratio. Foreign exchange swaps and cross currency interest rate swaps are used to change the currency of the underlying debt where required in order to achieve this. Net investment hedge and cash flow hedge accounting is applied to these swaps.

The tables below show how the Group's capital employed is distributed by currency, and its financing, including derivatives. They also show the sensitivity of the net debt and capital employed to changes in the SEK exchange rate.

The consolidated statement of income is affected by the translation to SEK of the statements of income of foreign subsidiaries. As these subsidiaries essentially operate only in local currency, their competitive situation is not affected by changes in exchange rates and since the Group as a whole is geographically diversified, this exposure is not hedged.

CAPITAL EMPLOYED AND FINANCING PER CURRENCY AS PER DECEMBER 31, 2017 AND 2016

MSEK	EUR	USD	GBP	Other currencies	Total foreign currencies	SEK	Total Group	Total Group +10%[1]	Total Group -10%[1]
December 31, 2017									
Capital employed	8 935	13 459	1 248	3 878	27 520	63	27 583	30 337	24 833
Net debt	-3 674	-6 386	-331	-60	-10 451	-1 882	-12 333	-13 378	-11 288
Whereof foreign exchange swaps	*4 454*	*-3 853*	*-404*	*-813*	*-616*	*-1 936*	*-2 552*	*-2 614*	*-2 490*
Whereof net debt excluding foreign exchange swaps	*-8 128*	*-2 533*	*73*	*753*	*-9 835*	*54*	*-9 781*	*-10 764*	*-8 798*
Non-controlling interests	2	–	–	19	21	–	21	23	21
Net exposure	5 259	7 073	917	3 799	17 048	-1 819	15 229	16 936	13 524
Net debt to equity ratio	*0.70*	*0.90*	*0.36*	*0.02*	*0.61*	*-1.03*	*0.81*	*0.79*	*0.83*
December 31, 2016									
Capital employed	8 273	14 787	1 315	3 735	28 110	-171	27 939	30 750	25 128
Net debt	-3 565	-7 885	-460	9	-11 901	-1 530	-13 431	-14 621	-12 241
Whereof foreign exchange swaps	*7 991*	*-5 055*	*-477*	*175*	*2 634*	*-2 634*	*0*	*263*	*-263*
Whereof net debt excluding foreign exchange swaps	*-11 556*	*-2 830*	*17*	*-166*	*-14 535*	*1 104*	*-13 431*	*-14 884*	*-11 978*
Non-controlling interests	2	–	–	19	21	–	21	23	19
Net exposure	4 706	6 902	855	3 725	16 188	-1 701	14 487	16 106	12 868
Net debt to equity ratio	*0.76*	*1.14*	*0.54*	*0.00*	*0.74*	*-0.90*	*0.93*	*0.91*	*0.95*

1 Changes in capital employed due to changes in foreign exchange rates are accounted for in other comprehensive income. Consequently, they do not impact net income.

Net debt

The table below details the changes to net debt during the year.

CHANGE IN INTEREST-BEARING NET DEBT AS PER DECEMBER 31, 2017 AND 2016

	2017			2016		
MSEK	Liquid funds	Loans and other net debt	Total	Liquid funds	Loans and other net debt	Total
Opening balance	2 415	-15 846	-13 431	2 071	-11 934	-9 863
Cash flow from operating activities	3 837	–	3 837	3 039	–	3 039
Financial income and expenses paid	-425	–	-425	-301	–	-301
Current taxes paid	-1 122	–	-1 122	-1 017	–	-1 017
Payments for acquisition related items	-304	–	-304	-3 566	–	-3 566
Payments for items affecting comparability	–	–	–	-17	–	-17
Dividend paid	-1 369	–	-1 369	-1 278	–	-1 278
Bond proceeds	3 300	-3 300	–	3 262	-3 262	–
Bond redemption	-3 308	3 308	–	–	–	–
Commercial paper proceeds	–	–	–	600	-600	–
Commercial paper redemption	–	–	–	-850	850	–
Other changes	634	-634	–	412	-412	–
Real change	**1 243**	**-626**	**617**	**284**	**-3 424**	**-3 140**
Revaluation of financial instruments[1]	–	-29	-29	–	23	23
Translation[2]	-47	557	510	60	-511	-451
Closing balance	**3 611**	**-15 944**	**-12 333**	**2 415**	**-15 846**	**-13 431**

1 Relates to unrealized gains and losses on fair value hedges and cash flow hedges including hedge ineffectiveness.
2 Whereof MSEK 800.9 (-384.9) is related to USD and MSEK -103.3 (-121.7) is related to EUR.

LIABILITIES FROM FINANCING ACTIVITIES

			Non-cash changes			
	January 1, 2017	Cash flows[1]	Reclassification	Other changes	Translation	December 31, 2017
Long-term borrowings	12 695.8	3 299.5	-3 373.7	–	304.2	12 925.8
Short-term borrowings	3 532.5	-3 347.2	3 373.7	-26.9	-41.3	3 490.8
Lease liabilities	218.4	-41.9	–	23.5	-9.1	190.9
Assets held to hedge borrowings	-328.7	–	–	29.3	–	-299.4
Total	**16 118.0**	**-89.6**	**–**	**25.9**	**253.8**	**16 308.1**

1 Excluding other derivative positions and dividend paid to shareholders of the Parent Company, that are included in cash flow from financing activities in the consolidated statement of cash flow.

Financing and liquidity risk

The Group's short-term liquidity is ensured by maintaining a liquidity reserve (cash and bank deposits, short-term investments and the unutilized portion of committed credit facilities), which should correspond to a minimum of 5 percent of consolidated annual sales. As of December 31, 2017 the short-term liquidity reserve corresponded to 12 percent (12) of the Group's annual sales.

The Group's long-term financing risk is minimized by ensuring that the level of long-term financing (shareholders' equity, long-term committed loan facilities and long-term bond loans) at least matches the Group's capital employed. Per December 31, 2017 long-term financing corresponded to 145 percent (141) of the Group's capital employed.

Financing of the Group should be well balanced among different sources and long-term. The aim is that committed loan facilities and bond loans should have an average maturity of more than 3.5 years. As per December 31, 2017 the average maturity was 3.7 years. The following tables summarize the Group's liquidity risk at end 2017 and 2016 respectively.

LIQUIDITY REPORT AS PER DECEMBER 31, 2017 AND 2016

MSEK	Total	< 1 year	Between 1 year and < 3 years	Between 3 years and 5 years	> 5 years
December 31, 2017					
Borrowings, principal amount	-16 157	-3 625	-1 032	-8 052	-3 448
Borrowings, interest amount	-1 050	-291	-410	-271	-78
Derivatives outflows – interest rate hedge	-326	-69	-138	-119	–
Other derivatives outflows	-11 645	-9 029	–	-2 616	–
Finance leases	-191	-92	-99	–	–
Accounts payable	-1 699	-1 699	–	–	–
Total outflows[1]	**-31 068**	**-14 805**	**-1 679**	**-11 058**	**-3 526**
Investments, principal amount	2 267	2 267	–	–	–
Derivatives receipts – interest rate hedge	343	102	149	78	14
Other derivatives receipts	11 902	9 028	25	2 842	7
Accounts receivable	13 349	13 349	–	–	–
Total inflows[1]	**27 861**	**24 746**	**174**	**2 920**	**21**
Net cash flows, total[2,3]	**-3 207**	**9 941**	**-1 505**	**-8 138**	**-3 505**
December 31, 2016					
Borrowings, principal amount	-15 764	-3 348	-4 091	-4 977	-3 348
Borrowings, interest amount	-1 019	-321	-372	-284	-42
Derivatives outflows – interest rate hedge	-250	-76	-72	-68	-34
Other derivatives outflows	-12 281	-9 413	–	–	-2 868
Finance leases	-218	-107	-111	–	–
Accounts payable	-1 332	-1 332	–	–	–
Total outflows[1]	**-30 864**	**-14 597**	**-4 646**	**-5 329**	**-6 292**
Investments, principal amount	1 217	1 217	–	–	–
Derivatives receipts – interest rate hedge	417	119	165	129	4
Other derivatives receipts	12 125	9 380	–	–	2 745
Accounts receivable	13 353	13 353	–	–	–
Total inflows[1]	**27 112**	**24 069**	**165**	**129**	**2 749**
Net cash flows, total[2,3]	**-3 752**	**9 472**	**-4 481**	**-5 200**	**-3 543**

1 Refers to gross cash flows.
2 All contractual cash flows per the balance sheet date are included, including future interest payments.
3 Variable rate cash flows have been estimated using the relevant yield curve.

Securitas has a Revolving Credit Facility with its 12 key relationship banks. This credit facility comprises two respective tranches of MUSD 550 and MEUR 440 and matures in 2022. On December 31, 2017, the facility was undrawn.

Securitas also has a Euro Medium Term Note Program (EMTN) with a limit of MEUR 3 000 under which public and private funding can be raised on international capital markets. As of December 31, 2017 there were ten outstanding bond loans with maturities ranging from 2018 to 2024.

In addition, Securitas also has a short-term Swedish commercial paper program in the amount of MSEK 5 000. The objective is to have access to short-term financing at competitive prices. Pricing is based on the prevailing market rates at time of issuance.

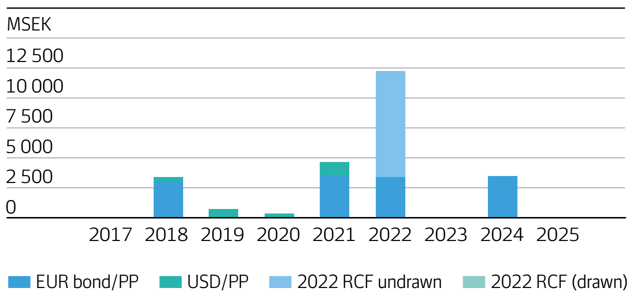
The table below shows a summary of the credit facilities as of December 31, 2017.

CREDIT FACILITIES AS PER DECEMBER 31, 2017

Type	Currency	Facility amount (million)	Available amount (million)	Maturity
EMTN FRN private placement	USD	50	0	2018
EMTN Eurobond, 2.25% fixed	EUR	300	0	2018
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
Commercial Paper (uncommitted)	SEK	5 000	5 000	n/a

In combination with Securitas' strong cash flow, these sources of financing provide liquidity on a short and long-term basis as well as flexibility to finance the Group's expansion.

The graph below shows the maturity profile as of December 31, 2017 for the Group's interest-bearing debt.



Note
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Credit / counterparty risks

Counterparty risk – accounts receivable

The Group has generally low risk in the accounts receivables for a number of reasons. A large proportion of sales are based on contracts with well-known large and medium sized customers with an established and long-term relationship. This provides for transparent and safe collection of invoices. New customers are duly reviewed in terms of credit worthiness.

The contract portfolio sales are also diversified in several ways, of which the most important is that there are few/no customers that represent a significant portion of total sales. Default by a single customer then has little overall effect. In addition, Securitas provides its services to geographically dispersed customers in a large number of sectors including governments, utilities, financial sector, travel, logistics and industrial. Hence, the exposure to financial distress in any particular sector or region is relatively limited.

Securitas' services are also, although vital in many aspects, mostly ancillary to the business of the customers. This means that the cost of security services represents a small fraction of total costs of running customers' business, making Securitas less exposed to payment defaults than suppliers of services or goods more directly involved in the value chain.

All of this provides for secure collection of the sales generated, which is evidenced by low bad debt losses in the range of 0.1 percent of sales in the past two years.

Counterparty risk – liquid funds

The credit quality of interest-bearing receivables is described below, where 80 percent (71) of interest-bearing receivables have a rating of A1/P1.

CREDIT QUALITY INTEREST-BEARING RECEIVABLES

MSEK	2017	2016
A1/P1	3 422	2 135
Other	853	880
Total interest-bearing receivables	**4 275**	**3 015**

The Group has policies in place that limit the amount of credit exposure to any one financial institution. The use of Credit Support Annexes reduces the Group's counterparty exposures on its outstanding derivatives. Investments of liquid funds may only be made in government paper or with financial institutions with a high credit rating. As of December 31, 2017 the weighted average credit rating of these institutions was short-term A1/P1. The largest total exposure for all instrument types to any one institution was MSEK 1 697 (1 156).

Rating

In order to access international debt capital markets in an effective manner, Securitas has obtained long-term and short-term credit ratings from Standard & Poor's. The long-term rating is BBB with Stable Outlook and the short-term rating is A-2. The Nordic short-term rating is K-2.

Fair value of financial instruments

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are:

- Cash and bank deposits and short-term investments: carrying amounts approximate fair values.
- Derivative and other financial instruments: fair values are estimated based on quoted market prices, on prices provided by independent brokers, or are calculated on best market prices. The prices used are fair values stated excluding accrued interest.
- Debt: fair values of fixed rate debt are based on either quoted prices or are estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued. The fair value of floating rate debt is assumed to equal the carrying value of the debt.

REVALUATION OF FINANCIAL INSTRUMENTS

MSEK	2017	2016
Recognized in the statement of income		
Financial income[1]	–	0.1
Financial expenses[1]	-0.8	–
Deferred tax	–	–
Impact on net income for the year	**-0.8**	**0.1**
Recognized in other comprehensive income		
Transfer to hedging reserve before tax	63.2	99.7
Deferred tax on transfer to hedging reserve	-13.9	-21.9
Transfer to hedging reserve net of tax	**49.3**	**77.8**
Transfer to statement of income before tax	-91.2	-77.2
Deferred tax on transfer to statement of income	20.0	17.0
Transfer to statement of income net of tax	**-71.2**	**-60.2**
Total change of hedging reserve before tax[2]	-28.0	22.5
Deferred tax on total change of hedging reserve[2]	6.1	-4.9
Total change of hedging reserve net of tax	**-21.9**	**17.6**
Total impact on shareholders' equity as specified above		
Total revaluation before tax[3]	-28.8	22.6
Deferred tax on total revaluation[3]	6.1	-4.9
Total revaluation after tax	**-22.7**	**17.7**

1 Related to financial assets and financial liabilities at fair value through profit or loss. There was no significant ineffectiveness in the fair value hedges or in the cash flow hedges.
2 Total of transfer to hedging reserve and transfer from hedging reserve to statement of income.
3 Total revaluation and deferred tax recognized via statement of income and via other comprehensive income.

FAIR VALUE – HIERARCHY AS PER DECEMBER 31, 2017 AND 2016[1]

	Quoted market prices		Valuation techniques using observable market data		Valuation techniques using non-observable market data		Total	
MSEK	2017	2016	2017	2016	2017	2016	2017	2016
Financial assets at fair value through profit or loss	–	–	50.6	59.8	–	–	50.6	59.8
Financial liabilities at fair value through profit or loss	–	–	-16.2	-16.1	-167.6[2]	-215.1[2]	-183.8	-231.2
Derivatives designated for hedging with positive fair value	–	–	438.7	250.8	–	–	438.7	250.8
Derivatives designated for hedging with negative fair value	–	–	-48.0	-118.3	–	–	-48.0	-118.3

1 There have been no transfers between any of the valuation levels during the year.
2 Related to deferred considerations. These have been recognized mainly based on an assessment of the future profitability development in the acquired entities for an agreed period.

The table below discloses carrying values and fair values of financial instruments according to the categories in note 2.

FINANCIAL INSTRUMENTS BY CATEGORY – CARRYING AND FAIR VALUES

	2017		2016	
MSEK	Carrying value	Fair value	Carrying value	Fair value
Assets				
Financial assets at fair value through profit or loss				
Other interest-bearing current assets (note 27)	52.1	52.1	59.8	59.8
Total	**52.1**	**52.1**	**59.8**	**59.8**
Loans and receivables				
Interest-bearing financial non-current assets (note 22)	68.4	68.4	162.9	162.9
Other long-term receivables (note 23)[1]	439.7	439.7	461.8	461.8
Accounts receivable (note 25)	13 349.3	13 349.3	13 352.6	13 352.6
Other current receivables (note 26)[2]	3 349.8	3 349.8	3 222.7	3 222.7
Other interest-bearing current assets (note 27)	106.7	106.7	127.4	127.4
Liquid funds (note 28)	3 610.6	3 610.6	2 414.5	2 414.5
Total	**20 924.5**	**20 924.5**	**19 741.9**	**19 741.9**
Liabilities				
Financial liabilities at fair value through profit or loss				
Short-term loan liabilities (note 33)	16.2	16.2	89.8	89.8
Total	**16.2**	**16.2**	**89.8**	**89.8**
Financial liabilities designated as hedged item in a fair value hedge				
Short-term loan liabilities (note 33)[5]	2 961.0	2 969.4	3 348.6	3 360.6
Long-term loan liabilities (note 30)[5]	10 463.3	10 721.1	9 777.6	10 046.2
Total	**13 424.3**	**13 690.5**	**13 126.2**	**13 406.8**
Other financial liabilities				
Long-term loan liabilities (note 30)	2 560.5	2 560.5	2 985.2	2 985.2
Long-term liabilities (note 30)[3]	113.6	113.6	141.1	141.1
Short-term loan liabilities (note 33)	558.5	558.5	200.9	200.9
Accounts payable	1 698.8	1 698.8	1 332.4	1 332.4
Other current liabilities (note 34)[4]	3 877.8	3 877.8	3 989.6	3 989.6
Total	**8 809.2**	**8 809.2**	**8 649.2**	**8 649.2**
Derivatives designated for hedging				
Interest-bearing financial current assets (note 27)	5.9	5.9	2.0	2.0
Interest-bearing financial non-current assets (note 22)	431.3	431.3	248.8	248.8
Total assets	**437.2**	**437.2**	**250.8**	**250.8**
Interest-bearing financial current liabilities (note 33)	47.2	47.2	0.5	0.5
Interest-bearing financial long-term liabilities (note 30)	0.8	0.8	44.1	44.1
Total liabilities	**48.0**	**48.0**	**44.6**	**44.6**
Net total	**389.2**	**389.2**	**206.2**	**206.2**
1 Excluding all pension balances and reimbursement rights (note 23)	*375.9*	*375.9*	*307.3*	*307.3*
2 Excluding prepaid expenses	*874.7*	*874.7*	*830.2*	*830.2*
3 Excluding pension balances (note 30)	*124.1*	*124.1*	*117.0*	*117.0*
4 Excluding employee-related accrued expenses and prepaid income	*6 987.8*	*6 987.8*	*6 970.7*	*6 970.7*

5 The difference between the carrying value and fair value of short-term and long-term loan liabilities is due to the credit margin in the discount rate.

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58

Offsetting financial assets and financial liabilities

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis. However, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due, failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party, or bankruptcy.

Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements or similar agreements.

MSEK	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instruments not set off in the balance sheet	Net amount
December 31, 2017					
Derivative financial assets	489.3	–	489.3	52.1	437.2
Total	**489.3**	**–**	**489.3**	**52.1**	**437.2**
December 31, 2016					
Derivative financial assets	310.6	–	310.6	42.9	267.7
Total	**310.6**	**–**	**310.6**	**42.9**	**267.7**

Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements or similar agreements.

MSEK	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments not set off in the balance sheet	Net amount
December 31, 2017					
Derivative financial liabilities	64.1	–	64.1	9.3	54.8
Total	**64.1**	**–**	**64.1**	**9.3**	**54.8**
December 31, 2016					
Derivative financial liabilities	134.4	–	134.4	38.4	96.0
Total	**134.4**	**–**	**134.4**	**38.4**	**96.0**

NOTE 7 *Transactions with related parties*

Guarantees on behalf of related parties amount to MSEK 3.9 (6.0).

Information on the remuneration to the Board of Directors and Senior Management is provided in note 8. Information on total payroll expenses for the Board of Directors and the Presidents of the Group is provided in note 12.

For information on the Parent Company's transactions with related parties, refer to note 41 and note 44.

NOTE 8 *Remuneration to the Board of Directors and senior management*

General

Principles

The Chairman of the Board and the Directors receive fees in accordance with the decision of the Annual General Meeting, which includes separate fees for committee work. Neither the President and CEO nor the employee representatives receive Directors' fees.

The Annual General Meeting on May 3, 2017 decided upon guidelines for remuneration to senior management regarding 2017 in accordance with the following:

The fundamental principle is that remuneration and other terms of employment for senior management shall be competitive and in accordance with market conditions, in order to ensure that the Securitas Group will be able to attract and keep competent senior management employees.

The total remuneration to senior management shall consist of a fixed basic salary, variable remuneration, pensions and other benefits.

In addition to a fixed annual salary, the Group Management may also receive variable remuneration, which shall be based on the outcome in relation to financial goals within the individual area of responsibility (Group or division) and which shall be aligned with the interest of the shareholders. The variable remuneration shall amount to a maximum of 60 percent of the fixed annual salary for the President and CEO and a maximum of 42–200 percent of the fixed annual salary for other individuals of the Group Management. If cash payment of variable remuneration has been effected on grounds later proven to be obviously inaccurate, the company shall have the possibility to reclaim such paid remuneration.

The Board of Directors shall each year consider whether to propose that the General Meeting shall resolve upon a share or share price related incentive program.

The cost of the company for 2017 in terms of its obligations to pay variable remuneration to the Group Management is estimated to not exceed a total of MSEK 93 at maximum outcome. Information on previously decided remuneration which has not yet been paid can be found in note 8 of the Annual Report.

The entire Group Management shall be subject to defined contribution pension plans for which insurance premiums are transferred from the individual's total remuneration and paid by the company during the term of employment. Variable compensation shall not qualify for pension purposes unless local regulations provide otherwise.

Other benefits, such as company car, special health insurance or occupational health service shall be provided to the extent this is considered customary for senior management employees holding equivalent positions on the labor market where the senior management employee is active.

At dismissal, the notice period for all senior management employees shall amount to a maximum of 12 months with a right to redundancy payment after the end of the notice period, equivalent to a maximum of 100 percent of the fixed salary for a period not exceeding 12 months. At resignation by a senior management employee, the notice period shall amount to a maximum of six months.

These guidelines shall apply to individuals who are included in Group Management during the term of application of these guidelines. The guidelines shall apply to agreements entered into after the adoption by the Annual General Meeting, and to changes made in existing agreements after this date. The Board shall be entitled to deviate from the guidelines in individual cases if there are specific reasons for such deviation.

The Board of Directors proposal to the Annual General Meeting in May 2018 on guidelines for remuneration to senior management regarding 2018 is presented in the Report of the Board of Directors, in this Annual Report.

Planning and decision-making process

The Board's remuneration committee deals with all the above matters regarding the President and CEO and other members of Group Management, as well as other management levels if the committee so decides. The committee presents its proposals to the Board of Directors, which takes all decisions. The members of the remuneration committee are Marie Ehrling (chairman) and Carl Douglas. The committee has held two meetings in 2017.

Board of Directors

For the 2017 financial year, the Chairman Marie Ehrling received a director's fee, including committee work fee, of MSEK 1.8. The other Directors received an aggregate director's fee, including committee work fee, of MSEK 4.8. The remuneration for each member of the Board of Directors is disclosed in the tables below. The Board of Directors is otherwise not entitled to any other compensation except for travel and lodging expenses.

President and Chief Executive Officer

The President and CEO, Alf Göransson's salary in the financial year 2017, amounted to MSEK 15.3. Other salary benefits amounted to MSEK 0.1.

The President and CEO has a defined contribution pension plan amounting to 30 percent of his annual fixed salary. In 2017 the pension costs for the President and CEO amounted to MSEK 4.5. No pension benefit is conditioned by future employment.

As of March 1, 2018, Alf Göransson left his position as President, CEO, member of the Group Management and Board of Directors. He was replaced as President and CEO by Magnus Ahlqvist[1], also Divisional President for Security Services Europe. Alf Göransson left his employment as of March 7, 2018 and will according to an agreement up to March 2020 be an advisor to Securitas' President and CEO Magnus Ahlqvist. In this role Alf Göransson will, among other things support in some customer relations activities, acquisition related matters and industry specific topics.

From the date of his appointment on March 1 2018, the current President and CEO Magnus Ahlqvist has an annual fixed salary of MSEK 16.9 MSEK, which includes salary in lieu of pension by MSEK 3.9. Other salary benefits are estimated to about MSEK 0.1. Variable short-term compensation is maximized to 60 percent (MSEK 7.8) of the fixed base salary MSEK 13.0, excluding the salary portion paid in lieu of pension, based on year-on-year real improvement of the earnings per share. Upon dismissal, the notice period for the President and CEO amount to 12 months with a right to a severance pay after the end of the notice period, equivalent to 12 months fixed salary.

1 Information about the current President and CEO Magnus Ahlqvist's remuneration in 2017 is included based on the role he had in 2017 as Divisional President for Security Services Europe.

Other members of Group Management

The other Group Management consisted by the end of 2017 of the following 11 members: Bart Adam (Chief Financial Officer), Martin Althén (Chief Information Officer), Magnus Ahlqvist (Divisional President, Security Services Europe), William Barthelemy (Chief Operating Officer, Security Services North America), Santiago Galaz (Divisional President, Security Services North America), Gisela Lindstrand (Senior Vice President Corporate Communications and Public Affairs), Jan Lindström (Senior Vice President Finance), Aimé Lyagre (Chief Operating Officer and Chief Technology Officer, Security Services Europe), Marc Pissens (President Aviation), Luis Posadas (Divisional President, Security Services Ibero-America) and Henrik Zetterberg (Senior Vice President General Counsel). Antonio Villaseca Lòpez (Senior Vice President Technical Solutions) left the Group Management as of June 30, 2017.

In the 2017 financial year the other members of Group Management aggregate fixed salaries amounted to MSEK 67.1, and other salary benefits to MSEK 5.2.

The other members of Group Management have individual pension plans. The retirement age varies from country to country and pension plan. The retirement age is 65 years for five members and for six members no retirement age is agreed.

As described under Principles above, members can allocate part of their remuneration to a defined contribution pension plan. All members of Group Management have defined contribution pension plans for which pension premiums are allocated from the member's total remuneration and paid by the company during the term of employment. These premiums may vary but are limited to amounts deductible for tax purposes by the company. In 2017 the pension costs for these members of Group Management amounted to MSEK 11.3. No pension benefits are conditioned by future employment.

Four members have a Swedish defined benefit pension plan (ITP), but can also allocate part of their remuneration to a defined contribution plan. The Swedish defined benefit plan guarantees a lifetime pension from the age of 65. The pension compensation corresponds to a certain percentage of the final salary, and the maximum pensionable income is MSEK 1.8 per employee. This pension benefit is funded through annual premiums paid by the company during the term of employment, and the pension cost for these four members in 2017 was MSEK 2.1 (included in the total pension cost for other Group Management, see also the table below).

Upon dismissal, the notice period and a right to a severance pay after the end of the notice period, is equivalent to a maximum of 24 months fixed salary, for members of Group Management.

Short- and long-term incentives

Short-term as well as long-term incentives for eligible employees in Securitas include clearly measurable performance based targets that are set as close to the local business as possible and aim for long-term profitability of the Group. The performance targets that are required to achieve maximum bonus vary depending on the position of the employee, but are as a principle based on year-on-year improvement of the operating result (EBITA) in the area of responsibility and targets based on improvement of cash flow.

For the President and CEO as well as the five members of Group Management responsible for staff functions, the performance based target is based on year-on-year real improvement of the earnings per share.

The President and CEO and the other members of Group Management are included in the Securitas share-based incentive schemes 2016 and 2017 respectively, which were approved by the Annual General Meetings in these years. These incentive schemes are paid by two thirds in cash in the beginning of the year following the performance year, and the remaining one third is used to acquire Series B shares in Securitas AB over the stock market. These shares are allocated to Group Management in March, two years following the performance year, conditioned by a continuous employment during the vesting period, except where the member has left his/her employment due to retirement, death or long-term disability, in which case the member shall have a continued right to receive Bonus Shares. See further information in note 2 and 12. Information regarding the final allocation of shares to the Group Management in March 2018 under the 2016 share-based incentive scheme, as well as the potential allocation of shares in 2019 under the 2017 share-based incentive scheme and the fair value of these shares, are disclosed in the tables below.

For the President and CEO the variable short-term compensation relating to the 2017 performance amounted to MSEK 9.0, whereof MSEK 3.0 will be allocated in shares in 2019 and MSEK 6.0 will be paid in cash in 2018.

The aggregate short-term variable compensation relating to the 2017 performance to the other members of Group management amounted to MSEK 47.6, whereof MSEK 13.7 will be allocated in shares in 2019 and MSEK 33.9 will be paid in cash in 2018.

During 2017 three members of Group Management have had long-term incentive plans, which are provided for during the performance year. Two plans are reconciled to the annual performance, whereof one is paid over the three following years and the other during the following year. The third plan is reconciled to performance up to 2020, with payment during 2021 conditioned by that the performance target has been met. The provision for long-term variable compensation relating to the 2017 performance amounted to MSEK 9.7. The accumulated provision for long-term bonus programs amounted to MSEK 19.0 as of December 31, 2017, whereof MSEK 10.5 is paid in 2018. At resignation by a management employee, any unpaid long-term bonus will stay with the company.

ALLOCATION OF SHARES TO GROUP MANAGEMENT
RELATING TO SECURITAS SHARE-BASED INCENTIVE SCHEME 2017

	Number of shares[1]	Fair value[2], MSEK
	2017	2017
Alf Göransson, President and CEO	21 337	3.0
Other members of Group Management	95 602	13.4
Total holdings	**116 939**	**16.4**

1 Potential allocation of shares 2019, according to Securitas share-based incentive scheme 2017, according to purchase prices for Securitas Series B shares in March 2018.
2 Fair value of potential allocation of shares based on Securitas Series B share purchase prices in March 2018.

Remuneration to the Board of Directors and Group Management

REMUNERATION RELATED TO 2017

KSEK	Base salary/fee	Other benefits	Variable compensation[2]	Pension	Total remuneration
Marie Ehrling, Chairman of the Board[1]	1 800	–	–	–	1 800
Carl Douglas, vice Chairman[1]	850	–	–	–	850
Ingrid Bonde	550	–	–	–	550
John Brandon	550	–	–	–	550
Anders Böös[1]	725	–	–	–	725
Fredrik Cappelen[1]	825	–	–	–	825
Sofia Schörling Högberg[1]	725	–	–	–	725
Dick Seger	550	–	–	–	550
Subtotal Board of Directors	**6 575**	**–**	**–**	**–**	**6 575**
Alf Göransson, President and CEO	15 346	65	9 000	4 500	28 911
Other members of Group Management[3]	67 091	5 233	57 326	11 266	140 916
Subtotal President and CEO and Group Management	**82 437**	**5 298**	**66 326**	**15 766**	**169 827**
Total	**89 012**	**5 298**	**66 326**	**15 766**	**176 402**

Above information refers to full year remuneration for the current Group Management, unless stated otherwise. The Board of Directors has no pension benefits.

1 Including remuneration for committee work.
2 Refer to the cost for 2017 for Securitas incentive scheme for cash and share-based bonus, see also separate table for the share-based part.
3 Other members of Group Management consisted as of December 31, 2017 of 11 persons (12). The compensation for one member who left the Group Management during 2017 refers up to this date.

REMUNERATION RELATED TO 2016

KSEK	Base salary/fee	Other benefits	Variable compensation[2]	Pension	Total remuneration
Marie Ehrling, Chairman of the Board[1]	1 400	–	–	–	1 400
Carl Douglas, vice Chairman[1]	825	–	–	–	825
Anders Böös[1]	640	–	–	–	640
Fredrik Cappelen[1]	765	–	–	–	765
Sofia Schörling Högberg[1]	640	–	–	–	640
Subtotal Board of Directors	**4 270**	**–**	**–**	**–**	**4 270**
Alf Göransson, President and CEO	13 876	90	8 190	4 100	26 256
Other members of Group Management[3]	62 604	4 986	62 659	9 782	140 031
Subtotal President and CEO and Group Management	**76 480**	**5 076**	**70 849**	**13 882**	**166 287**
Total	**80 750**	**5 076**	**70 849**	**13 882**	**170 557**

Above information refers to full year remuneration for the current Group Management, unless stated otherwise. The Board of Directors has no pension benefits.

1 Including remuneration for committee work.
2 Refer to the cost for 2016 for Securitas incentive scheme for cash and share-based bonus, see also separate table for the share-based part.
3 The compensation for one member who joined the Group Management during 2016 refers as from this date.

Shareholdings

The Board of Directors' and Group Management's shareholdings through acquisitions on the stock market as of December 31, 2017, as well as the allocation of shares to the Group Management according to Securitas share-based incentive scheme in March 2018 are detailed in the table below.

BOARD OF DIRECTORS' AND GROUP MANAGEMENT'S HOLDINGS OF SECURITAS SERIES A AND B SHARES[1]

	A shares 2017	A shares 2016	B shares 2017[7]	B shares 2016[7]	B shares Allocation March 2018[8]
Marie Ehrling, Chairman of the Board	–	–	7 000	4 000	–
Carl Douglas, vice Chairman[2]	12 642 600	12 642 600	27 190 000	27 190 000	–
Ingrid Bonde[3]	–	–	2 600	–	–
John Brandon[3]	–	–	0	–	–
Anders Böös	–	–	25 000	25 000	–
Fredrik Cappelen	–	–	4 000	4 000	–
Sofia Schörling Högberg[4]	4 500 000	4 500 000	15 237 000	15 237 000	–
Dick Seger[3]			26	–	–
Alf Göransson, President and CEO	–	–	100 702	80 201	20 202
Bart Adam	–	–	31 337	26 023	14 079
Magnus Ahlqvist[5]	–	–	101 920	100 000	13 002
Martin Althén	–	–	0	0	3 577
William Barthelemy	–	–	52 072	42 367	10 037
Santiago Galaz	–	–	201 679	167 493	36 727
Gisela Lindstrand	–	–	4 082	3 091	2 306
Jan Lindström	–	–	9 576	7 679	4 333
Aimé Lyagre	–	–	21 470	18 101	11 167
Marc Pissens	–	–	49 234	35 399	11 555
Luis Posadas	–	–	35 973	24 877	8 278
Henrik Zetterberg[6]	–	–	1 301	301	2 960
Total holdings	**17 142 600**	**17 142 600**	**43 074 972**	**42 965 532**	**138 223**

1 Information refers to shareholdings as of December 31, 2017 and 2016.
2 Private holdings and through Investment AB Latour Group.
3 Has joined the Board of Directors during 2017, why earlier holdings is not applicable.
4 Private holdings and through Melker Schörling AB. In addition related parties holds 4 800 series B-shares.
5 Holds in addition to B-shares according to the table, 200 000 share options (2016: 100 000) regarding acquisition of Securitas series B-shares, issued by Melker Schörling AB and Investment AB Latour.
6 Holds in addition to B-shares according to the table, 45 000 share options regarding acquisition of Securitas series B-shares, issued by Melker Schörling AB and Investment AB Latour.
7 Holdings as of December 31 excluding potential allocation of shares according to Securitas share-based incentive scheme (see footnote 8 below).
8 Actual allocation of shares in March 2018 according to Securitas share-based incentive scheme 2016, including shares corresponding to dividend decided related to potential allocation of shares during 2017. The gross number of allocated shares is stated, of which part of the shares may have been sold to cover tax on the benefit. Other holdings of Securitas Series B shares in March 2018 are not included.

NOTE 9 *Segment reporting*

Segment structure

The Group's operations are divided into three reportable segments: Security Services North America, Security Services Europe and Security Services Ibero-America.

All segments apply the accounting principles explained in note 2. The segment reporting follows the format of Securitas' financial model, which provides a foundation for financial planning and reporting from branch office level up to the Board of Directors. Acquisitions of subsidiaries are therefore excluded from the operating cash flow. All material acquisitions are stated at business segment level in the report of the Board of Directors under the heading Acquisitions and divestitures.

Security Services North America

Security Services North America provides security services in the US, Canada and Mexico and comprises 13 business units: the national and global accounts organization, five geographical regions and five specialized business units in the US – critical infrastructure, healthcare, Pinkerton Corporate Risk Management, mobile and Securitas Electronic Security – plus Canada and Mexico. In total, there are approximately 114 000 employees and about 750 branch managers.

Security Services Europe

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

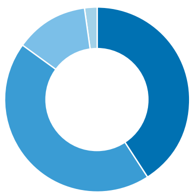
Security Services Ibero-America

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

Other

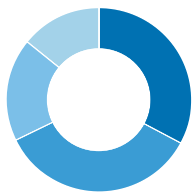
Other includes all other operating segments as well as general administrative expenses, expenses for head offices and other central expenses. All other operating segments comprise the operations in Africa, the Middle East, Asia and Australia.

Sales per segment



- Security Services North America 41%
- Security Services Europe 44%
- Security Services Ibero-America 13%
- Other 2%

Number of employees per segment



- Security Services North America 33%
- Security Services Europe 35%
- Security Services Ibero-America 18%
- Other 14%

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58

JANUARY – DECEMBER 2017

MSEK	Security Services North America	Security Services Europe	Security Services Ibero-America	Other	Total segments	Eliminations	Group
Income							
Sales, external	38 107	40 703	11 969	1 418	92 197	–	92 197
Sales, intra-group	1	0	2	2	5	-5	–
Total sales	**38 108**	**40 703**	**11 971**	**1 420**	**92 202**	**-5**	**92 197**
Organic sales growth, %	*5*	*2*	*13*	–	–	–	*5*
Operating income before amortization[1]	**2 254**	**2 275**	**506**	**-358**	**4 677**	**–**	**4 677**
of which share in income of associated companies	*-8*	*3*	–	*27*	*22*	–	*22*
Operating margin, %	*5.9*	*5.6*	*4.2*	–	*5.1*	–	*5.1*
Amortization of acquisition related intangible assets	-50	-145	-41	-19	-255	–	-255
Acquisition related costs	-17	-27	0	-4	-48	–	-48
Operating income after amortization	**2 187**	**2 103**	**465**	**-381**	**4 374**	**–**	**4 374**
Financial income and expenses	–	–	–	–	–	–	-376
Income before taxes	**–**	**–**	**–**	**–**	**–**	**–**	**3 998**
Taxes	–	–	–	–	–	–	-1 261
Net income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**2 737**
Operating cash flow							
Operating income before amortization	**2 254**	**2 275**	**506**	**-358**	**4 677**	**–**	**4 677**
Investments in non-current tangible and intangible assets	-316	-1 096	-268	-24	-1 704	–	-1 704
Reversal of depreciation[1]	290	842	205	24	1 361	–	1 361
Change in operating capital employed	-161	-424	87	1	-497	–	-497
Cash flow from operating activities	**2 067**	**1 597**	**530**	**-357**	**3 837**	**–**	**3 837**
Cash flow from operating activities, %	*92*	*70*	*105*	–	–	–	*82*
Capital employed and financing							
Operating non-current assets	1 338	2 741	654	240	4 973	–	4 973
Accounts receivable	4 804	5 940	2 459	203	13 406	-57	13 349
Other assets	2 635	1 344	520	1 725	6 224	-1	6 223
Other liabilities	-4 846	-8 418	-1 940	-2 128	-17 332	58	-17 274
Total operating capital employed	**3 931**	**1 607**	**1 693**	**40**	**7 271**	**–**	**7 271**
Operating capital employed as % of sales	*10*	*4*	*14*	–	–	–	*8*
Goodwill	9 541	7 530	1 338	310	18 719	–	18 719
Acquisition related intangible assets	495	498	94	86	1 173	–	1 173
Shares in associated companies	200	36	–	184	420	–	420
Total capital employed	**14 167**	**9 671**	**3 125**	**620**	**27 583**	**–**	**27 583**
Return on capital employed, %	*16*	*26*	*18*	–	–	–	*17*
Net debt	–	–	–	–	–	–	12 333
Shareholders' equity	–	–	–	–	–	–	15 250
Total financing	**–**	**–**	**–**	**–**	**–**	**–**	**27 583**
Net debt equity ratio, multiple	–	–	–	–	–	–	*0.81*
Assets and liabilities							
Non-interest-bearing assets	19 013	18 089	5 065	1 137	43 304	-58	43 246
Unallocated non-interest-bearing assets[2]	–	–	–	–	–	–	1 611
Unallocated interest-bearing assets	–	–	–	–	–	–	4 275
Total assets	**–**	**–**	**–**	**–**	**–**	**–**	**49 132**
Shareholders' equity	**–**	**–**	**–**	**–**	**–**	**–**	**15 250**
Non-interest-bearing liabilities	4 846	8 418	1 940	336	15 540	-58	15 482
Unallocated non-interest-bearing liabilities[2]	–	–	–	–	–	–	1 792
Unallocated interest-bearing liabilities	–	–	–	–	–	–	16 608
Total liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**33 882**
Total shareholders' equity and liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**49 132**

1 Depreciation and amortization of tangible and non-acquisition related intangible assets per segment are specified on the line Reversal of depreciation in the statement of cash flow above. Further information regarding depreciation and amortization is provided in note 13.
2 Included in Other in the table Capital employed and financing.

JANUARY – DECEMBER 2016

MSEK	Security Services North America	Security Services Europe	Security Services Ibero-America	Other	Total segments	Eliminations	**Group**
Income							
Sales, external	36 351	39 694	10 805	1 312	88 162	–	88 162
Sales, intra-group	3	0	0	0	3	-3	–
Total sales	**36 354**	**39 694**	**10 805**	**1 312**	**88 165**	**-3**	**88 162**
Organic sales growth, %	*6*	*6*	*14*	–	–	–	*7*
Operating income before amortization[1]	**2 129**	**2 283**	**473**	**-331**	**4 554**	**–**	**4 554**
of which share in income of associated companies	*8*	–	–	*20*	*28*	–	*28*
Operating margin, %	*5.9*	*5.8*	*4.4*	–	*5.2*	–	*5.2*
Amortization of acquisition related intangible assets	-51	-155	-62	-20	-288	–	-288
Acquisition related costs	-69	-35	-1	-8	-113	–	-113
Operating income after amortization	**2 009**	**2 093**	**410**	**-359**	**4 153**	**–**	**4 153**
Financial income and expenses	–	–	–	–	–	–	-389
Income before taxes	**–**	**–**	**–**	**–**	**–**	**–**	**3 764**
Taxes	–	–	–	–	–	–	-1 118
Net income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**2 646**
Operating cash flow							
Operating income before amortization	**2 129**	**2 283**	**473**	**-331**	**4 554**	**–**	**4 554**
Investments in non-current tangible and intangible assets	-466	-927	-234	-31	-1 658	–	-1 658
Reversal of depreciation[1]	270	776	162	21	1 229	–	1 229
Change in operating capital employed	-401	-244	-246	-195	-1 086	–	-1 086
Cash flow from operating activities	**1 532**	**1 888**	**155**	**-536**	**3 039**	**–**	**3 039**
Cash flow from operating activities, %	*72*	*83*	*33*	–	–	–	*67*
Capital employed and financing							
Operating non-current assets	1 322	2 460	613	239	4 634	–	4 634
Accounts receivable	5 327	5 541	2 378	177	13 423	-70	13 353
Other assets	2 476	1 240	554	1 974	6 244	–	6 244
Other liabilities	-5 122	-8 309	-1 790	-2 296	-17 517	70	-17 447
Total operating capital employed	**4 003**	**932**	**1 755**	**94**	**6 784**	**–**	**6 784**
Operating capital employed as % of sales	*11*	*2*	*16*	–	–	–	*8*
Goodwill	10 370	7 322	1 384	304	19 380	–	19 380
Acquisition related intangible assets	584	544	143	85	1 356	–	1 356
Shares in associated companies	221	32	–	166	419	–	419
Total capital employed	**15 178**	**8 830**	**3 282**	**649**	**27 939**	**–**	**27 939**
Return on capital employed, %	*14*	*26*	*14*	–	–	–	*16*
Net debt	–	–	–	–	–	–	13 431
Shareholders' equity	–	–	–	–	–	–	14 508
Total financing	**–**	**–**	**–**	**–**	**–**	**–**	**27 939**
Net debt equity ratio, multiple	–	–	–	–	–	–	*0.93*
Assets and liabilities							
Non-interest-bearing assets	20 300	17 139	5 072	1 107	43 618	-70	43 548
Unallocated non-interest-bearing assets[2]	–	–	–	–	–	–	1 838
Unallocated interest-bearing assets	–	–	–	–	–	–	3 015
Total assets	**–**	**–**	**–**	**–**	**–**	**–**	**48 401**
Shareholders' equity	**–**	**–**	**–**	**–**	**–**	**–**	**14 508**
Non-interest-bearing liabilities	5 122	8 309	1 790	412	15 633	-70	15 563
Unallocated non-interest-bearing liabilities[2]	–	–	–	–	–	–	1 884
Unallocated interest-bearing liabilities	–	–	–	–	–	–	16 446
Total liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**33 893**
Total shareholders' equity and liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**48 401**

1 Depreciation and amortization of tangible and non-acquisition related intangible assets per segment are specified on the line Reversal of depreciation in the statement of cash flow above. Further information regarding depreciation and amortization is provided in note 13.
2 Included in Other in the table Capital employed and financing.

GEOGRAPHICAL INFORMATION

	Total sales from external customers[1]		Non-current assets[2]	
MSEK	2017	2016	2017	2016
US	34 770	33 209	10 854	11 879
Sweden[3]	4 860	5 143	1 211	1 283
All other countries[4]	52 567	49 810	13 121	12 587
Total countries	**92 197**	**88 162**	**25 186**	**25 749**
Non-current assets not listed by country[2]	–	–	1 602	1 800
Total non-current assets	**–**	**–**	**26 788**	**27 549**

1 Based on the location of sales offices and corresponds in all material aspects to the geographical location of the customers.
2 Financial instruments, deferred tax assets and post-employment benefit assets are not specified by country. These are instead reported on the line Non-current assets not listed by country.
3 Disclosed as Sweden is the company's country of domicile.
4 Including elimination of intra-group sales.

NOTE 10 *Allocation of revenue*

Sales

The Group's revenue is generated mainly from various types of security services. Security services are based on customer contracts and these can comprise sales based on hours of work performed with fixed monthly, quarterly or yearly invoicing and also including service level agreements. Sales based on customer contracts can also comprise events such as intervention services. In addition to sales based on customer contracts there is extra sales to either contract customers or event based sales. There is also revenue from the sale of alarm products and, to a limited extent, cash handling services. The breakdown of sales by segment is provided in note 9.

The sales of security solutions and electronic security during the year amounted to BSEK 16.7 (14.1).

Other operating income

Other operating income consists in its entirety of trade mark fees from Securitas Direct AB.

Financial income

Interest income is accounted for in the statement of income in the period to which it is attributable. Financial income and expenses are specified in note 14.

NOTE 11 *Operating income*

Statement of income

The table below illustrates the statement of income in summary classified according to type of cost.

MSEK	2017	2016
Total sales	**92 196.8**	**88 162.4**
Other operating income	23.8	20.5
Salaries (note 12)	-58 848.5	-56 379.2
Social benefits (note 12)	-13 101.7	-12 769.6
Depreciation and amortization (notes 13, 18, 19, 20)	-1 616.5	-1 516.7
Bad debt losses (note 25)	-68.3	-88.6
Other operating expenses	-14 212.3	-13 275.6
Total operating expenses	**-87 847.3**	**-84 029.7**
Operating income	**4 373.3**	**4 153.2**

Exchange rate differences

Exchange rate differences included in operating income amounted to MSEK -9.6 (-3.1).

Exchange rate differences included in net financial items are specified in note 14.

Items affecting comparability

The table below specifies the cash flow impact from items affecting comparability.

MSEK	2017	2016
Restructuring payments	–	-6.4
Spain – overtime compensation	–	-0.2
Germany – premises	–	-10.1
Total cash flow impact	**–**	**-16.7**

Acquisition related costs

The tables below specify what acquisition related costs are related to and how they would have been classified per function in the statement of income if the items had not been disclosed separately on the face of the statement of income. The tables also specify how the acquisition related costs are split by segment. There is also a specification of the cash flow impact from acquisition related costs.

MSEK	2017	2016
Restructuring and integration costs	-13.5	-64.8
Transaction costs	-29.9	-43.4
Revaluation of deferred considerations	-5.0	-4.4
Total acquisition related costs	**-48.4**	**-112.6**

ACQUISITION RELATED COSTS ALLOCATED PER FUNCTION

MSEK	2017	2016
Production expenses	-5.3	-12.9
Selling and administrative expenses[1]	-43.1	-99.7
Total acquisition related costs allocated per function	**-48.4**	**-112.6**

1 All transaction costs and revaluation of deferred considerations would have been classified as selling and administrative expenses in the statement of income if they had not been disclosed separately on the face of the statement of income.

ACQUISITION RELATED COSTS ALLOCATED PER SEGMENT

MSEK	2017	2016
Security Services North America	-17.4	-69.2
Security Services Europe	-27.0	-34.6
Security Services Ibero-America	-0.4	-1.3
Other	-3.6	-7.5
Total acquisition related costs allocated per segment	**-48.4**	**-112.6**

CASH FLOW IMPACT FROM ACQUISITION RELATED COSTS

MSEK	2017	2016
Acquisition related costs according to the statement of income	-48.4	-112.6
Cash flow	-58.6	-70.1
Adjustment for effect on cash flow from acquisition related costs	**-10.2**	**42.5**

Audit fees and reimbursements

The table below specifies what audit fees and reimbursements are related to.

MSEK	2017	2016
PwC		
Audit assignments[1]	40.6	37.9
Additional audit assignments[1]	3.1	3.5
Tax assignments[1]	14.2	13.3
Other assignments[1,2]	10.3	29.0
Total PwC	**68.2**	**83.7**
Other auditors		
Audit assignments	2.9	2.6
Total	**71.1**	**86.3**

1 Audit assignments amounts to MSEK 40.6 whereof MSEK 5.5 to PwC Sweden. Additional audit assignments amounts to MSEK 3.1 whereof MSEK 1.2 to PwC Sweden. Tax assignments amounts to MSEK 14.2 whereof MSEK 2.2 to PwC Sweden. Other assignments amounts to MSEK 10.3 whereof MSEK 1.6 to PwC Sweden.
2 In 2016 MSEK 24.8 pertained to advisory services regarding the acquisition of Diebold's Electronic Security in North America.

Additional audit assignments mainly comprise review of the interim report for the second quarter as well as review of financial reporting and internal control in additional countries than those included in the agreed audit plan. Tax assignments mainly comprise tax return compliance, transfer pricing and questions related to tax legislation compliance. Other services mainly comprise services related to acquisitions, special IT audits and review of pension plans.

Operating leasing contracts and rental contracts

Fees expensed during the year for operating leases for buildings, vehicles and machinery and equipment amounted to MSEK 1 193.6 (1 095.0).

The table below specifies how the nominal value of contractual future minimum lease payments is distributed.

MSEK	2017	2016
Maturity < 1 year	951.3	878.6
Maturity 1–5 years	2 047.0	1 964.5
Maturity > 5 years	922.9	1 005.9

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58

NOTE 12 *Personnel*

AVERAGE NUMBER OF YEARLY EMPLOYEES: DISTRIBUTION BETWEEN WOMEN AND MEN[1]

	Women		Men		Total	
	2017	2016	2017	2016	2017	2016
Security Services North America	30 169	28 371	74 205	73 622	104 374	101 993
Security Services Europe	19 129	18 339	87 373	86 353	106 502	104 692
Security Services Ibero-America	8 636	7 932	51 804	51 322	60 440	59 254
Other	2 338	2 097	14 078	13 992	16 416	16 089
Total	**60 272**	**56 739**	**227 460**	**225 289**	**287 732**	**282 028**

In 2017, the number of Board members and Presidents was 98 (94), of whom 7 (8) were women.

STAFF COSTS FOR BOARD OF DIRECTORS AND PRESIDENTS

	2017			2016			Of which bonuses	
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)	2017	2016
Security Services North America	112.5	31.7	(15.5)	105.4	31.7	(15.7)	48.5	45.5
Security Services Europe	106.1	28.8	(10.0)	104.4	28.0	(9.0)	28.8	40.5
Security Services Ibero-America	42.9	4.9	(0.1)	36.6	3.9	(0.1)	13.3	9.8
Other	99.8	36.4	(10.4)	100.3	32.4	(8.3)	32.7	30.6
Total	**361.3**	**101.8**	**(36.0)**	**346.7**	**96.0**	**(33.1)**	**123.3**	**126.4**

STAFF COSTS FOR OTHER EMPLOYEES

	2017			2016		
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)
Security Services North America	26 073.0	4 379.3	(350.8)	24 746.8	4 495.7	(326.7)
Security Services Europe	23 730.0	6 567.7	(744.7)	23 445.5	6 269.6	(684.2)
Security Services Ibero-America	7 581.4	1 934.2	(26.5)	6 768.7	1 799.6	(22.9)
Other	1 102.8	118.7	(40.7)	1 071.5	108.7	(32.3)
Total	**58 487.2**	**12 999.9**	**(1 162.7)**	**56 032.5**	**12 673.6**	**(1 066.1)**

TOTAL STAFF COSTS: BOARD OF DIRECTORS, PRESIDENTS AND OTHER EMPLOYEES

	2017			2016		
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)
Security Services North America	26 185.5	4 411.0	(366.3)	24 852.2	4 527.4	(342.4)
Security Services Europe	23 836.1	6 596.5	(754.7)	23 549.9	6 297.6	(693.2)
Security Services Ibero-America	7 624.3	1 939.1	(26.6)	6 805.3	1 803.5	(23.0)
Other	1 202.6	155.1	(51.1)	1 171.8	141.1	(40.6)
Total	**58 848.5**	**13 101.7**	**(1 198.7)**	**56 379.2**	**12 769.6**	**(1 099.2)**

1 Average number of yearly employees exclude employees in associated companies. A complete specification of the average number of yearly employees by country can be obtained from the Parent Company.

Further information regarding the Group's pensions and other long-term employee benefits is provided in note 31.

Securitas share-based incentive scheme
Securitas' Annual General Meeting May 3, 2017 resolved on a share and cash bonus scheme, a similar incentive scheme that the Annual General Meeting 2016 resolved on. The participants in the scheme have a variable remuneration based on performance. Two thirds of the variable remuneration/bonus will, according to the incentive scheme, be settled in cash the year after the performance year, while shares will be purchased for the remaining one third. The bonus criteria is based on individual performance and/or the performance for the part of the Group that the individual is responsible for. For Securitas there are no other material costs than the allotted bonus and related social benefits.

The share purchase in Securitas will be handled by trading on the Nasdaq Stockholm exchange through a swap agreement. Shares are purchased corresponding to one third of the total achieved bonus amount. The purchased shares will be allotted to the participants in March, two years following the performance year, given that they are still employed by the Group, except where an employee has left his/her employment due to retirement, death or long-term disability, in which case the employee shall have a continued right to receive Bonus Shares. Securitas will not issue any new shares or similar due to this incentive scheme. The purpose is to replace cash bonus with shares in Securitas AB and thus increase the employees' ownership in Securitas.

The incentive scheme includes 1 366 participants (1 358) that are entitled to receive the share part according to the scheme. The total sharebased remuneration for these participants amount to MSEK 133.2 (147.9) and is accounted for as a share-based remuneration in equity. In March 2018, shares in Securitas AB have been purchased corresponding to the value of the total share-based remuneration. The shares have been purchased through a swap agreement, based on the current market price at the time. The number of shares that have been purchased amount to a total of 999 831 (1 079 190) at a value of MSEK 140.6 (149.8). The shares will be allotted to the participants during the first quarter 2019, provided that they are still employed by the Group.

COSTS FOR SHARE-BASED INCENTIVE SCHEME: PRESIDENTS AND OTHER EMPLOYEES

MSEK	2017	2016
Bonus costs for incentive scheme	133.2	147.9
Social benefits for incentive scheme	28.0	39.3
Total	**161.2**	**187.2**

NOTE 13 *Depreciation and amortization*

MSEK	2017	2016
Software licenses	139.1	115.6
Other intangible assets	28.9	24.0
Buildings	13.8	12.6
Machinery and equipment	1 179.6	1 076.8
Total depreciation and amortization	**1 361.4**	**1 229.0**

DEPRECIATION AND AMORTIZATION FOR THE YEAR IS DISTRIBUTED IN THE STATEMENT OF INCOME AS BELOW

MSEK	2017	2016
Depreciation of tangible non-current assets		
Production expenses	769.6	725.7
Selling and administrative expenses	423.8	363.7
Total depreciation of tangible non-current assets	**1 193.4**	**1 089.4**
Amortization of intangible assets		
Production expenses	78.4	68.4
Selling and administrative expenses	89.6	71.2
Total amortization of intangible assets	**168.0**	**139.6**
Total depreciation and amortization	**1 361.4**	**1 229.0**

NOTE 14 *Net financial items*

MSEK	2017	2016
Interest income from financial assets at fair value through profit or loss	30.6	18.3
Interest income from loans and receivables	20.5	18.5
Total interest income	**51.1**	**36.8**
Other financial income	2.6	3.8
Exchange rate differences, net[1]	-	1.6
Total financial income	**53.7**	**42.2**
Interest expenses from financial liabilities at fair value through profit or loss	-81.8	-63.0
Interest expenses from financial liabilities designated as hedged item in a fair value hedge	-198.3	-154.9
Interest expenses from derivatives designated for hedging	43.6	82.7
Interest expenses from other financial liabilities	-165.5	-277.7
Total interest expenses	**-402.0**	**-412.9**
Revaluation of financial instruments	-0.8	0.1
Other financial expenses	-25.7	-19.0
Exchange rate differences, net[1]	-0.8	–
Total financial expenses	**-429.3**	**-431.8**
Net financial items	**-375.6**	**-389.6**
Of which revaluations estimated with the use of valuation methods	-0.8	0.1

1 Exchange rate differences included in operating income are reported in note 11.

NOTE 15 *Taxes*

Statement of income

TAX EXPENSE

MSEK	2017	%	2016	%
Tax on income before taxes				
Current taxes	-944.4	*-23.6*	-882.3	*-23.4*
Deferred taxes	-315.9	*-7.9*	-235.4	*-6.3*
Total tax expense	**-1 260.3**	***-31.5***	**-1 117.7**	***-29.7***

The Swedish corporate tax rate was 22.0 percent (22.0). The Group's tax rate was 31.5 percent (29.7). This includes a one-off tax expense of 3.1 percent (MSEK 123) in the income statement as well as one-off tax effect of MSEK 25 recognized in other comprehensive income and affecting equity, combined in total MSEK 148. This refers to a revaluation of US net deferred tax assets as a result of a new tax rate due to the US tax reform. The amount will not impact cash flow. The Group's tax rate excluding the revaluation was 28.4 percent.

DIFFERENCE BETWEEN STATUTORY SWEDISH TAX RATE AND ACTUAL TAX EXPENSE FOR THE GROUP

MSEK	2017	%	2016	%
Income before taxes according to the statement of income	**3 998**		**3 764**	
Tax based on Swedish tax rate	-879	*-22.0*	-828	*-22.0*
Difference between tax rate in Sweden and weighted tax rates for foreign subsidiaries	-249	*-6.3*	-302	*-8.0*
Tax related to previous years	-50	*-1.3*	-37	*-1.0*
Recognition of previously unvalued tax losses	24	*0.6*	128	*3.4*
Revaluation of deferred tax following a change in tax rate[1]	-126	*-3.1*	-19	*-0.5*
Other non-deductible items	-85	*-2.0*	-87	*-2.3*
Other tax exempt items	105	*2.6*	27	*0.7*
Actual tax expense	**-1 260**	***-31.5***	**-1 118**	***-29.7***

1 Whereof tax attributable to a revaluation of US net deferred tax assets MSEK 123.

Tax expense that may arise from dividends out of the distributable earnings have not been provided for. If distributed the tax expense arising would amount to MSEK 21 (42).

Other comprehensive income

TAX ON OTHER COMPREHENSIVE INCOME

MSEK	2017	2016
Deferred tax on remeasurements of defined benefit pension plans	-63.2[1]	-9.2
Deferred tax on cash flow hedges	6.1	-4.9
Deferred tax on net investment hedges	-25.8	71.4
Deferred tax on other comprehensive income	**-82.9**	**57.3**

1 Including revaluation of US net deferred tax assets MSEK -24.6 due to the tax reform in the US.

Balance sheet

CURRENT TAX ASSETS/LIABILITIES

MSEK	2017	2016
Current tax assets	606.9	490.4
Current tax liabilities	335.5	401.4
Current tax assets/liabilities, net	**271.4**	**89.0**

DEFERRED TAX ASSETS WERE ATTRIBUTABLE TO

MSEK	2017	2016
Pension provisions and employee-related liabilities	615.9	807.2
Liability insurance-related claims reserves	2.2	2.2
Tax loss carryforwards	166.3	265.3
Acquisition related intangible assets	67.2	73.5
Machinery and equipment	101.9	109.6
Other temporary differences	207.5	262.2
Total deferred tax assets	**1 161.0**	**1 520.0**
Whereof deferred tax assets expected to be used within 12 months	*662.9*	*815.0*
Net accounting[1]	-157.0	-172.1
Total deferred tax assets according to the balance sheet	**1 004.0**	**1 347.9**

DEFERRED TAX LIABILITIES WERE ATTRIBUTABLE TO

MSEK	2017	2016
Pension provisions and employee-related liabilities	60.1	56.9
Acquisition related intangible assets	287.4	269.6
Machinery and equipment	45.8	62.4
Other temporary differences	669.3	702.4
Total deferred tax liabilities	**1 062.6**	**1 091.3**
Whereof deferred tax liabilities expected to be used within 12 months	*218.9*	*209.0*
Net accounting[1]	-157.0	-172.1
Total deferred tax liabilities according to the balance sheet	**905.6**	**919.2**
Deferred tax assets/liabilities, net	**98.4**	**428.7**

1 Deferred tax assets and liabilities are reported in the balance sheet partly on a net basis after considering the set-off possibilities.

DEFERRED TAX ASSETS CHANGE ANALYSIS

MSEK	2017	2016
Opening balance deferred tax assets	1 520.0	1 481.7
Change due to:		
Deferred tax recognized in the statement of income	-145.8	-11.6
Changed tax rate	-160.9	-20.2
Acquisitions	2.8	67.2
Recognized in other comprehensive income	-43.0	-26.5
Translation differences	-12.1	29.4
Closing balance deferred tax assets	**1 161.0**	**1 520.0**
Change during the year	**-359.0**	**38.3**

DEFERRED TAX LIABILITIES CHANGE ANALYSIS

MSEK	2017	2016
Opening balance deferred tax liabilities	1 091.3	885.1
Change due to:		
Deferred tax recognized in the statement of income	-90.6	166.2
Changed tax rate	28.4	-2.0
Acquisitions	31.2	-11.0
Recognized in other comprehensive income	–	27.8
Translation differences	2.3	25.2
Closing balance deferred tax liabilities	**1 062.6**	**1 091.3**
Change during the year	**-28.7**	**206.2**

DEFERRED TAX ASSETS CHANGE ANALYSIS PER CATEGORY IN 2017

MSEK	Opening balance	Deferred tax recognized in the statement of income	Changed tax rate	Acquisitions	Recognized in other comprehensive income	Translation differences	Closing balance
Pension provisions and employee-related liabilities	807.2	-29.4	-99.0	–	-48.1	-14.8	615.9
Liability insurance-related claims reserves	2.2	1.1	-1.4	–	–	0.3	2.2
Tax loss carryforwards	265.3	-102.1	-	–	–	3.1	166.3
Acquisition related intangible assets	73.5	3.0	-9.3	–	–	–	67.2
Machinery and equipment	109.6	-6.2	-	–	-0.1	-1.4	101.9
Other temporary differences	262.2	-12.2	-51.2	2.8	5.2	0.7	207.5
Total deferred tax assets	**1 520.0**						**1 161.0**
Change during the year		**-145.8**	**-160.9**	**2.8**	**-43.0**	**-12.1**	**-359.0**

DEFERRED TAX LIABILITIES CHANGE ANALYSIS PER CATEGORY IN 2017

MSEK	Opening balance	Deferred tax recognized in the statement of income	Changed tax rate	Acquisitions	Recognized in other comprehensive income	Translation differences	Closing balance
Pension provisions and employee-related liabilities	56.9	2.9	-0.5	–	–	0.8	60.1
Acquisition related intangible assets	269.6	-34.5	27.6	28.2	–	-3.5	287.4
Machinery and equipment	62.4	-16.5	0.2	–	–	-0.3	45.8
Other temporary differences	702.4	-42.5	1.1	3.0	–	5.3	669.3
Total deferred tax liabilities	**1 091.3**						**1 062.6**
Change during the year		**-90.6**	**28.4**	**31.2**	**–**	**2.3**	**-28.7**

Changes in deferred taxes between 2016 and 2017 are mainly explained by revaluation of US net deferred tax assets, pension provisions, tax loss carryforwards and acquisition related intangible assets. There are no unrecognized temporary differences related to subsidiaries or associated companies. Provisions for taxes are reported in note 32.

Tax loss carryforwards

On December 31, 2017 subsidiaries in primarily Germany, Spain and Belgium had tax loss carryforwards of MSEK 1 498 (1 828). These tax loss carryforwards expire as follows:

TAX LOSS CARRYFORWARDS

2018	23
2019	6
2020	8
2021–	262
Unlimited duration	1 199
Total tax loss carryforwards	**1 498**

Deferred tax assets related to tax losses are accounted for when it is probable that they can be utilized by future profits. As of December 31, 2017, tax loss carryforwards for which deferred tax assets had been recognized amounted to MSEK 617 (914) and deferred tax assets related to the tax losses amounted to MSEK 166 (265). Tax losses can be used to reduce future taxable income and tax payments.

NOTE 16 *Acquisitions and divestitures of subsidiaries*

Acquisition calculations are subject to final adjustment up to one year after the date of acquisition.

MSEK	Purchase price paid/ received[7]	Acquired/ divested net debt	Enterprise value	Goodwill[3]	Acquisition related intangible assets	Operating capital employed	Total capital employed	Share-holders' equity	Total
Central de Alarmas Adler, Mexico	-53.8	4.7	-49.1	38.2	11.5	-0.6	49.1	–	49.1
PSGA, Australia[4]	-23.9	2.9	-21.0	17.7	21.5	-18.2	21.0	–	21.0
Other acquisitions and divestitures[1,4]	-125.6	4.0	-121.6	50.9	90.6	-21.2	120.3	1.3[5]	121.6
Adjustments[2,4]	-53.6	0.3	-53.3	22.5	–	25.8	48.3	5.0[6]	53.3
Total acquisitions and divestitures	**-256.9**	**11.9**	**-245.0**	**129.3**	**123.6**	**-14.2**	**238.7**	**6.3**	**245.0**
Liquid funds according to acquisition analyses	15.6								
Total effect on Group's liquid funds	**-241.3**								

1 Related to other acquisitions and divestitures for the period: IBBC Poludnie, Poland, Amicus Bevakning (contract portfolio) and Brand & Säkerhetsservice i Tranås (contract portfolio), Sweden, NorAlarm Industri, Norway, Dansk Runderingsvagt (contract portfolio), Denmark, Vartioliike Harri Hakala (contract portfolio) and Turvatekijät (contract portfolio), Finland, HMF-Systems, Schutz- und Wachdienst Michel and Krokoszinski Sicherheitsdienst, Germany, ISS (contract portfolio), Ireland, Gooiland, the Netherlands, NoFire Safety, Austria, Microtech, Czech Republic and divestiture of Dubai Fire & Safety, United Arab Emirates.

2 Related to updated previous year acquisition calculations for the following entities: Diebold´s Electronic Security, North America, Sigurnost Buzov, Croatia, Sensormatic, Turkey, Consultora Videco, Argentina, Urulac, Uruguay, JC Ingeniería, Chile, Bren Security, Sri Lanka. Related also to deferred considerations paid in Sweden, Finland, Germany, the Netherlands, Croatia, Turkey, Argentina, Uruguay, China, South Korea, Sri Lanka and South Africa.

3 Goodwill that is expected to be tax deductible has increased by net MSEK 23.3 during the year.

4 Deferred considerations have been recognized mainly based on an assessment of the future profitability development in the acquired entities for an agreed period. The net of new deferred considerations, payments made from previously recognized deferred considerations and revaluation of deferred considerations was MSEK -31.8. Total deferred considerations, short-term and long-term, in the Group's balance sheet amount to MSEK 167.6.

5 Income statement amounts to MSEK 0.0, retained earnings to MSEK 1.0 and non-controlling interest to MSEK 0.3.

6 Income statement amounts to MSEK 5.0 and retained earnings to MSEK 0.0.

7 No equity instruments have been issued in connection with the acquisitions.

The following definitions are used in the tables below

Full year sales: What the contribution to total sales would have been if the acquisition had been consolidated from January 1, 2017.

Contribution to total sales: What the acquisition has contributed to total sales for the year.

Full year net income: What the contribution to net income would have been if the acquisition had been consolidated from January 1, 2017.

Contribution to net income: What the acquisition has contributed to net income for the year.

Acquisition of the business in Central de Alarmas Adler, Mexico

Securitas has acquired all of the shares in the electronic security services company Central de Alarmas Adler in Mexico from Diebold Nixdorf Incorporated (NYSE-DBD). The company is a leading provider of electronic security solutions and services in Mexico. It offers a full range of electronic security services, including installation, maintenance, monitoring and system integration. The operation delivers services to over 6 000 customers. Central de Alarmas Adler has a large coast-to-coast organization, with an extensive technical network. Its headquarters is located in Monterrey. With this acquisition, Securitas is extending its footprint in Mexico and is further strengthening its competence and knowledge within the electronic security services area. The acquisition was consolidated in Securitas as of May 1, 2017. Goodwill, which amounts to MSEK 38.2, is mainly related to operational expansion. The acquisition is included in the segment Security Services North America.

SUMMARY BALANCE SHEET AS OF ACQUISITION DATE MAY 1, 2017

MSEK	Fair value acquisition balance
Operating non-current assets	2.1
Accounts receivable	11.1
Other assets	22.5
Other liabilities	-36.3
Total operating capital employed	**-0.6**
Goodwill from the acquisition	38.2
Acquisition related intangible assets	11.5
Total capital employed	**49.1**
Net debt	4.7
Total acquired net assets	**53.8**
Purchase price paid	-53.8
Liquid funds in accordance with acquisition analysis	4.7
Total impact on the Group's liquid funds	**-49.1**

OTHER DISCLOSURES CENTRAL DE ALARMAS ADLER, MEXICO

Acquired share, %	100.0
Full year sales, MSEK	97.2
Contribution to total sales, MSEK	72.3
Full year net income, MSEK	-3.9
Contribution to net income, MSEK	-2.6
Provision for bad debt included in accounts receivable, MSEK	0.0
Transaction costs, MSEK	7.3

Acquisition of the business in PSGA, Australia

Securitas has acquired all of the shares in the Australian security services company PSGA. PSGA has been a partner to Securitas in Australia for many years, providing consulting and investigation services and guarding services to Securitas' global customers mainly in Sydney and Melbourne. The company has 120 employees. The Australian private security market, which includes on-site and mobile guarding, monitoring, cash in transit and private investigations, is a mature market, estimated to be worth BAUD 6.2, with an expected annual growth rate of 2 percent over the next five years. It is estimated that the industry has more than 54 000 security officers and 6 000 active security companies. However, there has been a trend of consolidation in the market over the past decades. Geographically, the security services market in Australia is concentrated to Sydney, Melbourne and Brisbane. The acquisition was consolidated in Securitas as of August 2, 2017. Goodwill, which amounts to MSEK 17.7, is mainly related to geographical expansion. The acquisition is included in the segment Other.

SUMMARY BALANCE SHEET AS OF ACQUISITION DATE AUGUST 2, 2017

MSEK	Fair value acquisition balance
Operating non-current assets	0.2
Accounts receivable	10.5
Other assets	0.9
Other liabilities	-18.7
Contingent considerations[1]	-11.1
Total operating capital employed	**-18.2**
Goodwill from the acquisition	17.7
Acquisition related intangible assets	21.5
Total capital employed	**21.0**
Net debt	2.9
Total acquired net assets	**23.9**
Purchase price paid	-23.9
Liquid funds in accordance with acquisition analysis	2.9
Total impact on the Group's liquid funds	**-21.0**

1 Contingent consideration has been recognized mainly based on assessment of the profitability development of an agreed period. The recognized amount is the maximum amount of the final outcome of the payment.

OTHER DISCLOSURES PSGA, AUSTRALIA

Acquired share, %	100.0
Full year sales, MSEK	94.0
Contribution to total sales, MSEK	40.0
Full year net income, MSEK	7.7
Contribution to net income, MSEK	2.5
Provision for bad debt included in accounts receivable, MSEK	–
Transaction costs, MSEK	1.7

Other acquisitions and divestitures

SUMMARY BALANCE SHEET

MSEK	Fair value acquisition balance
Operating non-current assets	3.0
Accounts receivable	15.3
Other assets	10.6
Other liabilities	-40.3
Deferred considerations[1]	-9.8
Total operating capital employed	**-21.2**
Goodwill from the acquisitions[2]	50.9
Acquisition related intangible assets[3]	90.6
Total capital employed	**120.3**
Net debt	4.0
Non-controlling interest	0.3
Total acquired/divested net assets[4]	**124.6**
Purchase price paid/received[4]	-125.6
Liquid funds in accordance with acquisition analyses	7.7
Total impact on the Group's liquid funds	**-117.9**

1 Deferred considerations for acquisitions made during 2017 have been recognized mainly based on assessment of the future profitability development for an agreed period. The recognized amount is Securitas´ best estimate of the final outcome. Thus, no estimate of the range of outcomes has been calculated. Deferred consideration is linked to the future development of profitability in the acquired companies and the final outcome of the payment may consequently exceed the estimated amount.
2 Mainly related to acquisition of HMF-Systems and Schutz- und Wachdienst Michel, Germany and Gooiland, the Netherlands.
3 Mainly related to acquisition of contract portfolio in ISS, Ireland, Gooiland, the Netherlands and Microtech, Czech Republic.
4 Purchase price paid/received differs to total acquired/divested net assets due to capital loss on divestiture of MSEK 0.0 and transactions with non-controlling interests of MSEK 1.0.

Transaction costs amount to MSEK 20.5.
Goodwill that is expected to be tax deductible amounts to MSEK 0.0.

Adjustments and payments of deferred considerations

SUMMARY BALANCE SHEET

MSEK	Fair value acquisition balance
Operating non-current assets	–
Accounts receivable	-16.0
Other assets	-10.3
Other liabilities	-0.6
Deferred considerations[1]	52.7
Total operating capital employed	**25.8**
Goodwill from the acquisitions[2]	22.5
Acquisition related intangible assets	–
Total capital employed	**48.3**
Net debt	0.3
Total acquired/divested net assets[3]	**48.6**
Purchase price paid/received[3]	-53.6
Liquid funds in accordance with acquisition analyses	0.3
Total impact on the Group's liquid funds	**-53.3**

1 Mainly related to payments of deferred considerations for Tehnomobil and Ozon Project, Croatia, Bren Security, Sri Lanka and Rentsec and Vamsa, South Africa.
2 Mainly related to update of the acquisition calculation for Diebold's Electronic Security, North America.
3 Purchase price paid/received differs to total acquired/divested net assets due to revaluation of deferred consideration of MSEK 5.0.

Transaction costs amount to MSEK 0.4.
Goodwill that is expected to be tax deductible has increased by net MSEK 23.3 during the year.

Acquisition of the division Kratos Public Safety and Security, the US

Securitas has agreed to acquire the division Kratos Public Safety and Security from Kratos Defense & Security Solutions, Inc. (NASDAQ:KTOS). The purchase price is approximately MSEK 550 (MUSD 69) on a cash and debt-free basis. The acquisition is expected to be neutral to Securitas earnings per share in 2018 and 2019, and accretive as of 2020.

Kratos Public Safety and Security (KPSS) is ranked as a top 10 system integrator in the United States. The operation has annual sales of approximately MSEK 1 100 (MUSD 135) and includes 400 employees. The primary focus is electronic security projects for commercial customers with special expertise in transportation, petrochemical, healthcare, and education vertical markets. The business provides design, engineering, installation and service of advanced integrated security technology and systems. KPSS has a wide breadth of capabilities including access, video, intrusion, and fire solutions supported by on-going maintenance, inspections, and monitoring services.

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

NOTE 17 *Goodwill and impairment testing*

MSEK	2017	2016
Opening balance	19 761.1	16 794.3
Acquisitions and divestitures	129.3	2 022.4
Translation difference	-778.3	944.4
Closing accumulated balance	**19 112.1**	**19 761.1**
Opening impairment losses	-381.5	-365.9
Translation difference	-11.5	-15.6
Closing accumulated impairment losses	**-393.0**	**-381.5**
Closing residual value	**18 719.1**	**19 379.6**

GOODWILL ALLOCATED PER SEGMENT

MSEK	2017	2016
Security Services North America	9 540.9	10 369.9
Security Services Europe	7 530.5	7 322.1
Security Services Ibero-America	1 338.1	1 383.8
Other	309.6	303.8
Total goodwill	**18 719.1**	**19 379.6**

Impairment testing

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Unit), that is, per country in a segment.

Goodwill and intangible assets with indefinite useful life
Goodwill is tested on an annual basis for possible impairment. Securitas also carries out impairment testing for other intangible assets for which there is an indefinite useful life. Currently these assets are limited to MSEK 15.9 (15.9) and relates to the consideration paid for the brand Securitas in one of the Group's countries of operations. The annual impairment test of all Cash Generating Units (CGUs), which is required under IFRS, took place during the third quarter 2017 in conjunction with the business plan process for 2018. During this year's assessment a total number of 54 CGUs were tested for impairment of goodwill.

Valuation methodology
Value in use is measured as expected future discounted cash flows and is based upon a maximum of three steps: Gordon growth model[1] and a five or ten year discounted cash flow model.

The purpose of using the Gordon growth model is to exclude any CGU that even with this simplified methodology will pass the impairment test, in order to proceed with an in-depth analysis of the remaining CGUs with a carrying amount that exceeds the recoverable amount when employing this simplified model. In addition to this, units whose carrying amount is less than the recoverable amount by a small margin and/or whose financial plans are regarded to be more uncertain will also be a subject of an in-depth analysis. In this subsequent step the cash flows have been calculated based on financial plans developed in each country. The financial plans are built upon the regular business plan for the next financial year which has been ascertained by Group Management and has been presented to the Board of Directors. These financial plans normally cover a forecasted period of five years and include the organic sales growth, the development of operating margin, and changes in the level of operating capital employed. Cash flows beyond the five year forecast have been extrapolated using an estimated growth rate of 2–5 percent for all countries.

A long-term growth rate of 2 percent for guarding services in mature markets is at present regarded as being a reasonable estimate in view of the business areas' historical organic growth rate and also taking into consideration external estimates of the future. Freedonia for example, estimates that the market for guarding services in Europe and North America will grow at an average rate of some 3 percent per annum during the period 2015 to 2025. The market for integrated security solutions is estimated to grow faster than traditional guarding. In developing markets such as Eastern Europe, Latin America, Africa, the Middle East and Asia the growth rate for guarding services is estimated at 5 percent.

Material assumptions
The calculation of the value in use is based on assumptions and assessments in addition to the estimated growth beyond the forecast period. The most significant of these relate to the organic sales growth, the development of the operating margin, the change in operating capital employed as well as the relevant WACC (Weighted Average Cost of Capital) for the valuation, that is, WACC after tax used to discount the future cash flows. These assumptions and judgments are also based on financial plans developed in each country and business segment and are built upon the regular business plan for the next financial year which has been ascertained by Group Management and presented to the Board of Directors. In addition to this, the assumptions and judgments are based on each country's and each line of business' growth and profitability level. Assumptions relating to WACC are calculated individually on a CGU-basis.

The table below shows the assumptions and estimates that have formed the base for the impairment testing in summary and by segment.

	Estimated growth rate beyond forecasted period, %	*WACC, %*	*WACC before tax, %*
2017			
Security Services North America[1]	2.0	6.7-11.4	8.6-14.7
Security Services Europe[1]	2.0	5.0-15.1	6.0-18.2
Security Services Ibero-America	2.0-5.0	6.5-21.0	8.3-30.4
Other[2]	2.0-5.0	6.5-20.5	7.4-25.4
2016			
Security Services North America[1]	2.0	6.1-10.6	7.8-13.4
Security Services Europe[1]	2.0	4.6-14.0	5.4-16.6
Security Services Ibero-America	2.0-5.0	5.0-20.4	5.9-29.3
Other[2]	2.0-5.0	6.2-18.1	7.0-24.4

1 Mexico and Eastern Europe is considered to have a higher growth rate beyond forecasted period (2.0–5.0%). These regions represent a minority of the respective segments, hence the growth rate of the segments are reported as 2.0%.
2 The operations in Africa, the Middle East, Asia and Australia are included in Other.

Impairment testing of goodwill and intangible assets with indefinite useful life
The 2017 impairment test showed that none of the CGUs tested for impairment had a carrying amount that exceeded the recoverable amount. During this year's assessment one CGU in Security Services North America, seven CGUs in Security Services Europe, three CGUs in Security Services Ibero-America and seven CGUs included in Other were tested in accordance with an in-depth analysis. The result of the analysis gave that no impairment losses have been recognized in 2017. No impairment losses of goodwill or other acquisition related intangible assets were recognized in 2016 either.

Sensitivity analysis
The following sensitivity analyses have been made of the estimates of value in use in connection with impairment testing, assumption by assumption: general reduction of 1 percentage point in the organic sales growth rate during the forecasting period; general reduction of 0.5 percentage points in the operating margin; general increase of 0.5 percentage points in the WACC and general decrease of the estimated growth

1 Gordon's growth model is the geometrical sum of the eternal future cash flows, which are used to determine the terminal value in a discounted cash flow model. The model is less sophisticated than a five or ten year discounted cash flow model as it excludes the forecasting period.

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58

after the forecasted period by 0.5 percentage points. A sensitivity analysis for changes in the assumptions used in the impairment testing has been established for the units that have been tested in accordance with the in-depth analysis of a five or ten year discounted cash flow model. The rationale is that the first step in the test, which is based on the Gordon growth model, is only employed to retrieve the number of units that require an in-depth analysis and the model itself does not incorporate the financial plans that have been adopted for the forecasting period and so the establishment of a sensitivity analysis is not deemed relevant.

For conducted sensitivity analyses, the conclusion is that a reduction of the organic sales growth by 1 percentage point during the forecasting period would result in an impairment loss of goodwill of totally MSEK -10 for one CGU in Security Services Europe. Moreover, a reduction of 0.5 percentage points in the operating margin would result in an impairment loss of goodwill of MSEK -13 for one CGU in Security Services Europe, MSEK -1 for one CGU's in Security Services Ibero-America and finally total MSEK -4 for two CGU's in Other which includes the operations in Africa, the Middle East, Asia and Australia. An increase in the WACC for conducted sensitivity analyses of 0.5 percentage points would result in an impairment loss of goodwill of totally MSEK -14 for one CGU in Security Services Europe. A general decrease of the estimated growth after the forecasted period for conducted sensitivity analyses by 1 percentage point would result in an impairment loss of goodwill of totally MSEK -11 for one CGU in Security Services Europe. Aside from this, the conducted sensitivity analyses showed that none of the adjustments stand alone would result in an impairment loss in any CGU.

NOTE 18 *Acquisition related intangible assets*[1]

MSEK	2017	2016
Opening balance	3 073.9	2 390.5
Acquisitions and divestitures	123.6	596.4
Derecognition of fully amortized assets[2]	-166.7	-30.7
Translation difference	-59.6	117.7
Closing accumulated balance	**2 971.2**	**3 073.9**
Opening amortization	-1 707.1	-1 392.9
Reversal of amortization on derecognized assets[2]	156.0	30.7
Amortization for the year	-255.1	-287.7
Translation difference	7.8	-57.2
Closing accumulated amortization	**-1 798.4**	**-1 707.1**
Opening impairment losses	-10.7	-10.3
Translation difference	–	-0.4
Reversal of impairment on derecognized assets[2]	10.7	–
Closing accumulated impairment losses	**–**	**-10.7**
Closing residual value	**1 172.8**	**1 356.1**

1 The balance consists mainly of contract portfolios and related customer relations.
2 The Group derecognizes fully amortized acquisition related intangible assets if a reliable estimate of future cash flows cannot be established. The net impact of such derecognition on the closing residual value is nil.

NOTE 19 *Other intangible assets*

	Software licenses		Other intangible assets[1]	
MSEK	2017	2016	2017	2016
Opening balance	1 259.9	1 068.5	211.4	200.1
Acquisitions and divestitures	0.3	50.0	–	–
Capital expenditures	250.1	117.6	40.5	16.9
Disposals/write-offs	-22.9	-40.1	-12.0	-10.7
Reclassification	25.1	32.4	-1.9	–
Translation difference	2.9	31.5	3.0	5.1
Closing accumulated balance	**1 515.4**	**1 259.9**	**241.0**	**211.4**
Opening amortization	-803.2	-692.2	-141.2	-120.9
Acquisitions and divestitures	-0.2	-8.0	–	–
Disposals/write-offs	21.8	36.0	9.4	7.4
Reclassification	3.0	0.1	1.9	–
Amortization for the year	-139.1	-115.6	-28.9	-24.0
Translation difference	-9.4	-23.5	-2.6	-3.7
Closing accumulated amortization	**-927.1**	**-803.2**	**-161.4**	**-141.2**
Closing residual value	**588.3**	**456.7**	**79.6**	**70.2**

1 Mainly related to individual customer contracts within Security Services Europe.
Furthermore the brand name Securitas in one of the Group's countries of operations is included with MSEK 15.9 (15.9).

NOTE 20 *Tangible non-current assets*

	Buildings and land[1,3]		Machinery and equipment[2,3]	
MSEK	2017	2016	2017	2016
Opening balance	647.5	629.4	11 160.5	9 802.0
Acquisitions and divestitures	–	–	20.0	116.7
Capital expenditures	33.7	1.0	1 556.4	1 732.6
Disposals/write-offs	-16.8	-1.1	-809.0	-786.5
Reclassification	-18.8	-0.6	-30.0	-23.2
Translation difference	16.0	18.8	-165.7	318.9
Closing accumulated balance	**661.6**	**647.5**	**11 732.2**	**11 160.5**
Opening depreciation	-344.8	-321.5	-8 106.2	-7 370.4
Acquisitions and divestitures	–	–	-15.4	-19.5
Disposals/write-offs	11.3	0.8	655.0	629.2
Reclassification	18.8	0.1	4.5	-3.0
Depreciation for the year	-13.8	-12.6	-1 179.6	-1 076.8
Translation difference	-9.2	-11.6	94.4	-265.7
Closing accumulated depreciation	**-337.7**	**-344.8**	**-8 547.3**	**-8 106.2**
Opening impairment losses	-19.2	-18.4	–	–
Translation difference	-0.5	-0.8	–	–
Closing accumulated impairment losses	**-19.7**	**-19.2**	**–**	**–**
Closing residual value	**304.2**	**283.5**	**3 184.9**	**3 054.3**

1 The closing residual value of land included in buildings and land above was MSEK 58.6 (57.5).
2 Machinery and equipment comprise vehicles, equipment, security equipment (including alarm systems) and IT and telecom equipment.
3 Of which closing residual value under finance leases for buildings and land MSEK 0.0 (0.0) and for machinery and equipment MSEK 191.2 (207.2).

Note
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58

NOTE 21 *Shares in associated companies*[1]

MSEK	2017	2016
Opening balance	419.5	369.0
Share in income of associated companies	22.0	28.2
Dividend	-10.5	-10.3
New issue/contributions	14.1	10.5
Translation differences	-25.3	22.1
Closing balance[2]	**419.8**	**419.5**

1 A complete specification of associated companies can be obtained from the Parent Company.
2 Of which goodwill MSEK 346.3 (371.4) and acquisition related intangible assets MSEK 17.7 (23.2).

Financial information associated companies

Summarized financial information regarding the Group's associated companies is specified in the table below. The information is on 100 percent basis.

The Group's share of capital in associated companies amounts to 17–49 percent.

MSEK	2017	2016
Sales	2 103.9	1 877.8
Net income	10.4	41.4
Assets	1 084.5	1 141.1
Liabilities	708.9	809.4

NOTE 22 *Interest-bearing financial non-current assets*[1]

MSEK	2017	2016
Derivatives with positive fair value, long-term		
Derivatives in fair value hedges[2]	299.0	247.1
Derivatives in cash flow hedges[2]	132.3	1.7
Total derivatives with positive fair value, long-term	**431.3**	**248.8**
Other items[3]	68.4	162.9
Total interest-bearing financial non-current assets	**499.7**	**411.7**

1 Further information regarding financial instruments is provided in note 6.
2 Related to derivatives designated for hedging. The EUR/USD cross currency interest rate swaps are bifurcated for hedging purposes. The EUR/SEK element, amounting to MSEK 128.4, is accounted for under cash flow hedge accounting. The SEK/USD element, amounting to MSEK 139.3, is accounted for under net investment hedge accounting. This amount was negative in 2016 and thus reported under long-term loan liabilities in note 30.
3 Related to loans and receivables.

NOTE 23 *Other long-term receivables*

MSEK	2017	2016
Pension balances, defined contribution plans[1]	124.1	117.0
Pension balances, defined benefit plans[2]	98.8	40.1
Reimbursement rights[3]	153.0	150.2
Other long-term receivables	439.7	461.8
Total other long-term receivables	**815.6**	**769.1**

1 Refers to assets relating to insured pension plans excluding social benefits.
2 Refers to assets related to pensions and other long-term employee benefit plans. Further information is provided in note 31.
3 Refers to assets relating to defined benefit pension plans where compensation is received from another party.

NOTE 24 *Inventories*

MSEK	2017	2016
Material and consumables	368.7	337.9
Advance payments to suppliers	19.6	15.2
Total inventories	**388.3**	**353.1**

NOTE 25 *Accounts receivable*

MSEK	2017	%	2016	%
Accounts receivable before deduction of provisions for bad debt losses	13 838.9	*100*	13 875.6	*100*
Provisions for bad debt losses	-489.6	*-4*	-523.0	*-4*
Total accounts receivable	**13 349.3**	***96***	**13 352.6**	***96***
Opening balance provision for bad debt losses	-523.0		-436.0	
Provision for expected losses	-170.9		-206.2	
Reversed provisions	102.0		103.4	
Actual losses	100.7		103.9	
Acquisitions	-2.3		-71.6	
Translation differences	3.9		-16.5	
Closing balance provision for bad debt losses[1]	**-489.6**		**-523.0**	

1 Expenses for bad debt losses amounted to MSEK 68.3 (88.6).

AGEING OF ACCOUNTS RECEIVABLE BEFORE DEDUCTION OF PROVISION FOR BAD DEBT LOSSES

MSEK	2017	%	2016	%
Overdue 1–30 days	3 271.8	*24*	2 685.3	*19*
Overdue 31–90 days	1 444.5	*10*	1 146.9	*8*
Overdue 91–180 days	270.0	*2*	342.6	*3*
Overdue 181–365 days	192.0	*1*	182.8	*1*
Overdue >365 days	335.0	*3*	331.4	*3*
Total overdue	**5 513.3**	***40***	**4 689.0**	***34***

NOTE 26 *Other current receivables*

MSEK	2017	2016
Accrued sales income	2 734.9	2 394.1
Prepaid expenses and other accrued income	889.8	866.8
Insurance-related receivables	14.9	25.3
Value added tax	174.8	177.2
Other items	410.1	589.5
Total other current receivables	**4 224.5**	**4 052.9**

NOTE 27 *Other interest-bearing current assets*[1]

MSEK	2017	2016
Derivatives with positive fair value, short-term		
Derivatives in fair value hedges[2]	5.9	2.0
Derivatives in cash flow hedges[2]	1.5	-
Derivatives in net investment hedges[2]	-	0.1
Other derivatives[3]	50.6	59.7
Total derivatives with positive fair value, short-term	**58.0**	**61.8**
Other interest-bearing current assets	106.7	127.4
Total other interest-bearing current assets	**164.7**	**189.2**

1 Further information regarding financial instruments is provided in note 6.
2 Related to derivatives designated for hedging.
3 Related to financial assets at fair value through profit or loss.

NOTE 28 *Liquid funds*[1]

MSEK	2017	2016
Short-term investments[2]	2 290.8	1 265.8
Cash and bank deposits[3]	1 319.8	1 148.7
Total liquid funds	**3 610.6**	**2 414.5**

1 Liquid funds include short-term investments with a maximum duration of 90 days that are readily convertible to a known amount of cash and subject to an insignificant risk of change in value. Liquid funds also include cash and bank deposits.
2 Short-term investments refer to fixed interest rate bank deposits.
3 The net position in Group country cash-pool accounts is reported as cash and bank deposits where netting reflects the legal structure of the arrangement.

NOTE 29 *Shareholders' equity*

Number of shares outstanding December 31, 2017

			MSEK
Series A	17 142 600	each share with a quota value of SEK 1.00	17.1
Series B	347 916 297	each share with a quota value of SEK 1.00	348.0
Total	**365 058 897**		**365.1**

The number of Series A and Series B shares is unchanged in relation to December 31, 2016. As of December 31, 2017 there were no outstanding convertible debenture loans that could result in any dilution of the share capital.

Each Series A share carries ten votes and each Series B share one vote. This is the only difference between the two series of shares.

Shareholders with more than 10 percent of the votes

The principal shareholders are Gustaf Douglas, who through family and the companies within the Investment AB Latour Group holds 10.9 percent of the capital and 29.6 percent of the votes, and Melker Schörling, who through family and Melker Schörling AB holds 5.4 percent of the capital and 11.6 percent of the votes.

Dividend

The Board of Directors propose a dividend to the shareholders of the Parent Company of SEK 4.00 per share, or a total of MSEK 1 460.2. The dividend to the shareholders for the financial year 2016, which was paid in 2017, was SEK 3.75 per share, or a total of MSEK 1 369.0.

Presentation of shareholders' equity

According to IAS 1 a company should as a minimum present issued capital and other reserves in the balance sheet. Securitas has chosen to specify shareholders' equity into further components as per below:

- Share capital
- Other capital contributed
- Other reserves
- Retained earnings

Share capital shows the registered share capital of the Parent Company. There were no changes in the share capital in 2017.

In other capital contributed, the total amount of all transactions Securitas AB has had with its shareholders is included. Transactions that have taken place with shareholders are issued capital to premium. The amount presented in this sub-component corresponds to capital received (reduced by commission costs) in excess of par value of issued capital. There were no changes in other capital contributed in 2017.

Other reserves show income and expense items that according to certain standards should be recognized in other comprehensive income. In the case of Securitas, other reserves consist of translation differences attributable to the translation of foreign subsidiaries and associated companies according to IAS 21, and of the hedging reserve of cash flow hedges. The amount in the hedging reserve will be transferred to the statement of income over the following five years.

Retained earnings corresponds to the accumulated profits earned and losses incurred in total for the Group. Retained earnings also include effects of the Group's share-based incentive scheme as well as remeasurements of post-employment benefits posted in other comprehensive income. Retained earnings are further reduced by dividend paid to shareholders of the Parent Company. Transactions with non-controlling interests are also recorded in retained earnings.

Share-based incentive scheme

Securitas' share-based incentive scheme has had the following impact on retained earnings:

MSEK	2017	2016
Swap agreement[1]	-149.8	-117.7
Share-based remuneration to employees	133.2	147.9
Non-vested shares	0.2	1.0
Total	**-16.4**	**31.2**

1 The number of shares that have been hedged in this swap agreement amount to a total of 1 079 190 (903 015) and have been allotted to the participants during the first quarter 2018, provided that they were still employed by the Group at that time.

Non-controlling interests

The table below specifies the Group's non-controlling interests:

MSEK	2017	2016
Opening balance	20.7	20.3
Acquisitions/investments	–	0.4
Disposals / liquidations	0.1	-2.8
Dividend	-1.6	-4.1
Capital contribution	–	0.3
Total transactions with non-controlling interests	**-1.5**	**-6.2**
Share in net income	1.8	3.9
Share in other comprehensive income, translation differences	0.2	2.7
Total comprehensive income for the year	**2.0**	**6.6**
Closing balance	**21.2**	**20.7**

NOTE 30 *Long-term liabilities excluding provisions*[1]

MSEK	2017	2016
EMTN Nom MEUR 350, 2017 / 2024, Annual 1.125%[2]	3 432.1	–
EMTN Nom MEUR 350, 2016 / 2022, Annual 1.25%[2]	3 430.8	3 331.1
EMTN Nom MEUR 350, 2013/2021, Annual 2.625%[2]	3 600.4	3 552.7
EMTN Nom MEUR 300, 2012 / 2018, Annual 2.25%[2]	–	2 893.8
EMTN Nom MUSD 40, 2015 / 2021, FRN Quarterly[2]	329.9	361.7
EMTN Nom MUSD 40, 2015 / 2021, FRN Quarterly[2]	329.9	361.6
EMTN Nom MUSD 60, 2014 / 2021, FRN Quarterly[2]	494.8	542.5
EMTN Nom MUSD 40, 2014 / 2020, FRN Quarterly[2]	329.9	361.7
EMTN Nom MUSD 85, 2013 / 2019, FRN Quarterly[2]	701.3	768.9
EMTN Nom MUSD 50, 2011 / 2018, FRN Quarterly[2]	–	452.5
Finance leases	98.8	111.1
Other long-term loans	275.9	25.2
Total long-term loan liabilities excluding derivatives	**13 023.8**	**12 762.8**
Derivatives with negative fair value, long-term[3]	0.8	44.1
Total derivatives with negative fair value, long-term	**0.8**	**44.1**
Total long-term loan liabilities	**13 024.6**	**12 806.9**
Pensions balances, defined contribution plans[4]	124.1	117.0
Deferred considerations[5]	101.0	129.6
Other long-term liabilities	12.6	11.5
Total other long-term liabilities	**237.7**	**258.1**
Total long-term liabilities	**13 262.3**	**13 065.0**

1 For further information regarding financial instruments, refer to note 6.
2 Issued by the Parent Company.
3 Related to derivatives designated for hedging. The EUR / USD cross currency interest rate swaps are bifurcated for hedging purposes. In 2016 the EUR / SEK element, amounting to MSEK -78.0, is accounted for under cash flow hedge accounting. The SEK / USD element, amounting to MSEK 122.1, is accounted for under net investment hedge accounting. This amount is positive in 2017 and thus reported under financial non-current assets in note 22.
4 Refers to liability for insured pension plan excluding social costs.
5 Recognized at fair value.

LONG-TERM LIABILITIES FALL DUE FOR PAYMENT AS FOLLOWS

MSEK	2017	2016
Maturity < 5 years	9 787.2	9 588.6
Maturity > 5 years	3 475.1	3 476.4
Total long-term liabilities	**13 262.3**	**13 065.0**

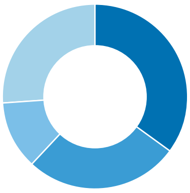
NOTE 31 *Provisions for pensions and similar commitments*

Overview

The Group operates or participates in a number of defined benefit and defined contribution pension and other long-term employee benefit plans throughout the world. These plans are structured in accordance with local rules and practices.

The graphs below provide an overview of the Group's defined benefit plans.

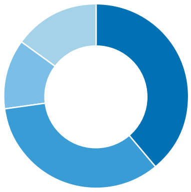
Defined benefit obligations



- US MSEK 1 402, 35%
- Switzerland MSEK 1 110, 27%
- Norway MSEK 496, 12%
- Other countries[1] MSEK 1 042, 26%

Total MSEK 4 050

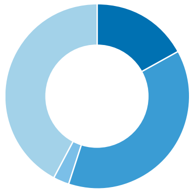
Plan assets



- US MSEK 1 192, 39%
- Switzerland MSEK 1 048, 34%
- Norway MSEK 357, 12%
- Other countries[1] MSEK 479, 15%

Total MSEK 3 076

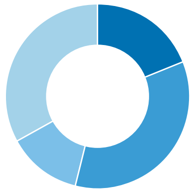
Pension costs



- US MSEK 21, 17%
- Switzerland MSEK 47, 38%
- Norway MSEK 4, 3%
- Other countries[1] MSEK 52, 42%

Total MSEK 124

Employer contributions



- US MSEK 28, 19%
- Switzerland MSEK 50, 35%
- Norway MSEK 19, 13%
- Other countries[1] MSEK 48, 33%

Total MSEK 145

1 In total 19 countries. Most of these countries have unfunded plans. Further information is provided in the section Other countries below.

The table below shows a specification of the members in the Group's significant defined benefit plans, the plans' duration and life expectancy for the members.

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	US	Switzerland	Norway
Active members	153	1 828	339
Deferred members	1 258	-	-
Pensioner members	4 211	180	609
Total number of members	**5 622**	**2 008**	**948**
Duration of plans (years)	9	12	18
Number of years current pensioners are expected to live beyond age 65:			
Men	20	22	21
Women	22	24	24
Number of years future pensioners currently aged 45 are expected to live beyond age 65:			
Men	21	24	24
Women	24	26	27

The Group's significant defined benefit plans are described below.

The US

The Group's US operations participate in two defined benefit pension plans as the named plan sponsor. One of these plans is funded and the other is unfunded. Both plans are closed to new entrants and any future benefit accrual.

The benefits provided constitute pension payments to previous employees and their spouses in the form of annuities or lump sums. The particulars of the benefits and the benefit calculations depend on the original plan to which the plan participant belonged as the current funded plan is an amalgamation of several previous pension plans. The unfunded plan is constituted by a formally adopted and documented plan plus some individual arrangements that, for the purpose of this disclosure, are treated as one plan. In general the benefits are monthly pensions based on earnings and years of service. These benefits are defined with the only uncertainties being how long they will be paid, whether benefits will be paid as a lump sum or as an annuity and, in the case of the funded plan, also regarding investment return on plan assets. Plan contributions are determined annually.

The pension plans are covered under the US Employee Retirement Income Security Act of 1974 (ERISA). Various parts of the ERISA legislation are governed by the Department of Labor, the Internal Revenue Service and the Department of Treasury. The funded plan also pays required premiums to the Pension Benefit Guaranty Corporation, which insures private pension plans in the case the sponsor defaults.

Both pension plans are governed by the Executive Compensation and Benefits Review Committee (ECBRC), which is made up of local Securitas US management representatives. Administration is outsourced to an external service provider. Independent investment managers are utilized and evaluated by independent investment advisors. Assets are pooled with those of other plans in order to reduce the cost.

Since the US pension plans are closed to new entrants and any future benefit accrual and are in a run-off mode, a liability matching approach is applied by the ECBRC in order to de-risk the funded plan. The strategy is that as the funding percentage increases, this will result in a shift from growth assets, such as equities, into fixed income investments. Due to an increase in the plan's funding percentage during 2017, which was primarily due to favorable asset returns during the year, the plan was substantially de-risked by increasing the portion of plan assets allocated to fixed income investments and decreasing the portion allocated to growth

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58

investments. This continued a movement away from growth investments in 2016.

During 2017 the US Society of Actuaries (SOA) issued a new mortality improvement scale. This scale follows from the major overhaul of mortality tables in 2014 and the subsequent annual refinement of those tables. The new 2017 projection scale projects slightly shorter life expectancies, which slightly reduces the plans' December 31, 2017 defined benefit obligation for accounting purposes, partially offsetting the impact of the decrease in the discount rate during the year. Under IAS 19 the funded ratio was 104 percent based on a defined benefit obligation of MUSD 139 and plan assets of MUSD 144. A funding valuation would result in a significantly higher funding percentage since funding valuations are required by US law to be based on higher discount rates and do not yet reflect the new mortality tables that were first reflected for accounting purposes in 2014. The new mortality tables are not required nor permitted to be used for minimum funding purposes until 2018. On a plan termination basis, the plan's funded ratio would be expected to be lower than both the minimum funding and accounting funded ratios as it would incorporate the use of lower interest rates as well as other factors which would be assumed to come into play in the event of a complete plan termination and settlement. The book value under IAS 19 for the defined benefit obligation for the unfunded plan was MUSD 29 as of December 31, 2017.

The US operations also participate in a defined contribution plan, generally known as a 401(k) plan. There are also a few multi-employer plans, which are governed by collective bargaining agreements. These plans, in most cases, require the employees to contribute to the plan, typically with the employee contributions being partially matched by the employer. In relation to the overall workforce the take up rates are generally low, with voluntary participation rates of approximately five percent. In the federal government sector, Securitas' subsidiary participates on a modified basis, subject to special rules, in the same 401(k). Securitas' subsidiary in the federal government sector also participates in a few union-sponsored defined contribution plans of a similar type. Due to the federal Service Contract Act, under which Securitas' subsidiary in the federal government sector operates, hourly allowances must be paid to employees that can be used for various elected benefits, such as health and disability, with unused portions of the allowances contributed to the 401(k) plan, without additional employer contributions.

Switzerland

The Group's Swiss operations participate in a plan that is a defined benefit plan according to IAS 19 as a result of the residual risk described below. The Swiss operations have chosen to set up an own-foundation, which means that the foundation only covers employees of Securitas' Swiss operations. The plan is open to new employees of Securitas' Swiss operations and benefits are being accrued under the plan. There are no terminated vested members in the plan since pension obligations are transferred to the new employer upon termination.

The benefits provided constitute pension benefits, disability benefits and death-in-service pension to previous employees and their spouses. The pension benefits are normally paid as an annuity based on capital conversion rates that differ between men and women. The disability benefits are calculated as a maximum of the pensionable salary and the death-in-service benefit is in its turn calculated as a percentage of the disability pension. Plan contributions are subject to legal minimum requirements. Rates increase with age and at least half must be paid by the employer while the employee pays the remainder. In the case of Securitas' Swiss subsidiary, the contributions in the plan are split equally with half paid by the company and the other half by the employee. Contributions payable to the plan are calculated each month as a fixed percentage based on the annual salary and age.

Although the contribution levels are defined, there is still a risk of a shortfall in the pension fund as the minimum requirements for interest on capital and conversion to pension need to be met. If there is a shortfall the fund will take steps before asking the company for additional contributions. These steps could include changing plan benefits, lowering returns credited to employees or changing the conversion rate, where possible. The fund has several years to balance a shortfall and payments will never be required from the company for past periods. This means that the actions can be planned and budgeted for. If additional contributions are required from the company, this is also required from the employees.

The pension plan is covered under federal Swiss law that regulates the so called second pillar of the pension system, the pension benefits arising from employment. The pension plan is governed by the board of the pension fund, which is made up of an equal number of employer and employee representatives. The administration is run in-house by a pension fund expert. The pension fund chooses how and where to invest the assets. Swiss law limits both the total share of assets that should be held in certain categories, and for individual asset holdings. The fund has given mandates to manage the investments to three banks and retains an investment committee, a sub-committee of the main fund board. The investment committee compares and reviews the performance of these mandates on a regular basis. In addition, the pension fund engages an external independent advisor as support for the investment committee regarding investments.

The latest funding valuation was carried out on December 31, 2016 and resulted in a funding ratio of 109 percent based on a defined benefit obligation for funding purposes of MCHF 103 and plan assets for funding purposes of MCHF 112.

Norway

The Group's Norwegian operations participate in several defined benefit plans that are both funded and unfunded. All plans are closed to new entrants and currently cover about 8 percent of the employees. New employees are covered by defined contribution plans. The AFP-plan (collective pension agreement) is a multi-employer defined benefit plan. Since the administrator is unable to separately identify the company's share of the total plan assets and total defined benefit obligations, it is accounted for on a defined contribution basis. Premiums paid to the plan in 2017 amounted to MNOK 25 (27). The contribution for the next annual reporting period is expected to be broadly in line with the current year's premium. Securitas' share of total premiums to the plan is approximately 0.4 percent. The latest available funding ratio in this plan, calculated under the plan rules, was 66 percent (63) as of December 31, 2016.

The particulars of the benefits and the benefit calculations vary from plan to plan. In general the benefits are monthly pensions based on earnings and years of service. Since employees are still accruing benefits under these plans, the plans are impacted by expected salary increases, pension increases, uncertainty of how long the benefits will be paid and in the case of the funded plans also return on plan assets.

All funded plans are insured with an insurance company and the plan contributions are determined by the insurance provider, based on salary and membership data reported from the company. If a company decides to change insurance company, the liabilities and the assets are moved to the new insurance company.

The funded plans are minimum regulation plans, which mean that future pensions depend on the actual return on assets in the insurance company. There is a guaranteed minimum return on plan assets. If the actual return is lower than the guaranteed minimum return, the insurance company will provide the difference.

The pension plans are covered by Norwegian pension laws, corporate laws and insurance laws. The board of directors and management of the Norwegian operations are responsible for the running of the pension plans even if they are outsourced, as part of their overall corporate governance responsibilities under Norwegian company law. Since the funded plans are insured it means that the investment decisions are taken by the investment managers of the insurance provider.

Other countries

There are also less significant defined benefit arrangements in countries other than those accounted for above. These plans are located in Canada (both funded and unfunded plans providing pension and medical benefits), France (unfunded plans providing retirement indemnities under French law), Germany (unfunded arrangements for pensions and jubilee plans), the Netherlands (funded and unfunded plans providing pension and jubilee benefits for our consultancy operations only) and the UK (funded plan providing pension and death-in-service benefits). The Group also currently has plans that are not significant in 14 other countries.

The defined benefit arrangement for clerical staff in the guarding operations in the Netherlands is accounted for as a defined contribution plan, which is closed to new entrants. New employees are enrolled in another defined contribution plan. The security officers in the guarding operations in the Netherlands also participate in a multi-employer defined benefit plan that is mandatory for all guards from the age of 21 and up. The supervision and administration of the plan is carried out by a collective pension foundation for the security industry. This foundation determines the annual premium. Premiums paid to the plan in 2017 amounted to MEUR 8 (7). The contribution for the next annual reporting period is expected to increase due to an increase of the pension premiums of 3 percent in 2018. Securitas' share of total premiums to the plan is approximately 20 percent. This plan covers around 4 100 active employees and around 5 700 previous employees and retirees. Since the administrator is unable to separately identify the company's share of the total plan assets and total defined benefit obligations for this arrangement, the plan is accounted for on a defined contribution basis. The funding ratio in this plan, calculated under the plan rules, was 106 percent (100) as of December 31, 2017.

Sweden

Security officers in Sweden are covered by the SAF-LO collective pension plan, an industry-wide multi-employer defined contribution arrangement. Clerical workers are covered by the ITP plan, which is also based on a collective agreement and operated industry-wide on a multi-employer basis. According to a statement (UFR 10) issued by the Swedish Financial Reporting Board this is a multi-employer defined benefit plan. Alecta, the insurance company that operates this plan, has been unable to provide Securitas, or other Swedish companies, with sufficient information to determine its share of the total assets and liabilities for this arrangement. Consequently this arrangement is accounted for on a defined contribution basis. The cost for 2017 amounts to MSEK 24 (23). The contribution for the next annual reporting period is expected to be broadly in line with the current year's premium. Securitas' share of Alecta's total premiums amounts to less than 0.1 percent. The surplus in Alecta can be allocated to the insured employer and/or the insured employees. Alecta's funding ratio, calculated under the plan rules, was 154 percent (149) as of December 31, 2017.

Consolidated statement of income

The table below shows expense (+) and income (-) from the Group's defined benefit and defined contribution plans.

MSEK	2017	2016
Current service cost	105.5	108.1
Administration cost	17.2	16.2
Interest income or expense	21.7	31.1
Remeasurements of other long-term employee benefits	0.2	0.1
Past service cost and gains and losses arising from settlements [1]	-21.1	-11.9
Total pension costs for defined benefit plans	**123.5**	**143.6**
Pension costs for defined contribution plans	1 075.1	955.6
Total pension costs	**1 198.6**	**1 099.2**

1 Mainly related to settlement gains in Switzerland in 2017 and in Norway 2017 and 2016.

The table below shows costs for defined benefit plans allocated per function.

MSEK	2017	2016
Production expenses	99.3	90.9
Selling and administrative expenses	24.2	52.7
Total pension costs for defined benefit plans	**123.5**	**143.6**

Consolidated balance sheet

The table below shows how the net defined benefit obligations have been determined. It also shows the Group's reimbursement rights.

MSEK	2017	2016
Present value of the defined benefit obligations	4 050.2	4 252.4
Fair value of plan assets[1]	-3 076.2	-3 115.5
Defined benefit obligations, net[2]	**974.0**	**1 136.9**
Reimbursement rights (note 23)	153.0	150.2

1 Includes effect of the asset ceiling amounting to MSEK 18.0 (0.6). The effect is related to Canada and the UK.

2 Related to the net of plans reported under provisions for pensions and similar commitments, MSEK 1 072.8 (1 177.0), and plans reported under other long-term receivables (note 23), MSEK -98.8 (-40.1).

The reimbursement rights are related to a contractual agreement where Securitas provide security services at a customer site in Canada. The agreement requires Securitas to make provisions for post-retirement medical benefits. The costs of this benefit are carried by Securitas who, in turn, are reimbursed by the customer. This reimbursement right is accounted for as an other long-term receivable in note 23.

The table below shows how remeasurements net of taxes recognized in other comprehensive income have been determined.

MSEK	2017	2016
Remeasurements of provisions for pensions and similar commitments before taxes	-104.7	5.3
Remeasurements of reimbursement rights before taxes	-3.9	-2.7
Taxes	63.2	9.2
Total remeasurements recognized in other comprehensive income	**-45.4**	**11.8**

Movement in provisions for pensions and similar commitments

			2017			2016
MSEK	Obligations	Plan assets	Net	Obligations	Plan assets	Net
Opening balance	4 252.4	-3 115.5	1 136.9	3 862.1	-2 592.4	1 269.7
Current service cost	105.5	–	105.5	108.1	–	108.1
Administration cost	17.2	–	17.2	16.2	–	16.2
Interest income (-) or expense (+)	89.0	-67.3	21.7	103.0	-71.9	31.1
Remeasurements of other long-term employee benefits	0.2	–	0.2	0.1	–	0.1
Past service cost and gains and losses arising from settlements[1]	-36.5	15.4	-21.1	-29.5	17.6	-11.9
Total pension costs included in the consolidated statement of income	**175.4**	**-51.9**	**123.5**	**197.9**	**-54.3**	**143.6**
Remeasurements of post-employment benefits:						
Return on plan assets, excluding amount included in interest income or expense	–	-199.0	-199.0	–	-96.0	-96.0
Changes in the effect of the asset ceiling, excluding amount included in interest income or expense[2]	–	17.4	17.4	–	-1.3	-1.3
Actuarial gains (-) and losses (+) from changes in demographic assumptions	-29.2	–	-29.2	28.7	–	28.7
Actuarial gains (-) and losses (+) from changes in financial assumptions	104.0	–	104.0	80.7	–	80.7
Actuarial gains (-) and losses (+) due to experience	2.1	–	2.1	-6.8	–	-6.8
Total remeasurements of post-employment benefits[3]	**76.9**	**-181.6**	**-104.7**	**102.6**	**-97.3**	**5.3**
Contributions by employers[4]	–	-144.9	-144.9	–	-371.1	-371.1
Contributions by plan participants	46.7	-46.7	–	48.1	-48.1	–
Benefits paid to plan participants	-259.1	259.1	–	-214.0	214.0	–
Administration costs paid	-17.2	17.2	–	-16.2	16.2	–
Acquisitions/divestitures/reclassifications	0.7	–	0.7	0.4	–	0.4
Translation difference	-225.6	188.1	-37.5	271.5	-182.5	89.0
Closing balance	**4 050.2**	**-3 076.2**	**974.0[5]**	**4 252.4**	**-3 115.5**	**1 136.9[5]**

1 Mainly related to settlement gains in Switzerland in 2017 and in Norway 2017 and 2016.
2 Related to Canada and the UK.
3 Included net of taxes in other comprehensive income.
4 Contributions by employers are estimated to be approximately on the same level in 2018 as in 2017.
5 Related to the net of plans reported under provisions for pensions and similar commitments, MSEK 1 072.8 (1 177.0), and plans reported under other long-term receivables (note 23), MSEK -98.8 (-40.1).

Plan assets

The table below presents a breakdown of the various types of investments in which the assets of the Group's funded benefit arrangements are invested.

MSEK	2017	%	2016	%
Equity instruments				
Switzerland	208.2		188.3	
US	148.3		193.9	
Canada	49.2		51.9	
UK	26.8		22.4	
Other countries	312.1		336.4	
Total equity instruments	**744.6**	***24***	**792.9**	***25***
Debt instruments				
Government bonds	1 143.9		849.8	
Corporate bonds, investment grade (AAA to BBB-)	359.8		527.0	
Corporate bonds, non-investment grade (below BBB-)	60.0		82.2	
Total debt instruments	**1 563.7**	***51***	**1 459.0**	***47***
Other investment funds	**-**	***-***	**1.2**	***0***
Property	**269.5**	***9***	**282.7**	***9***
Qualifying insurance policies	**458.3**	***15***	**497.3**	***16***
Cash and cash equivalents	**58.1**	***2***	**83.0**	***3***
Effect of the asset ceiling	**-18.0**	***-1***	**-0.6**	***0***
Total plan assets	**3 076.2**	***100***	**3 115.5**	***100***

The plan assets are well diversified on countries and industries, so the failure of any single investment is not estimated to have a material impact on the overall level of assets.

The plan assets do not include any property owned by Securitas or financial instruments issued by Securitas. The share of unquoted plan assets is non-material.

Actuarial assumptions and sensitivity analysis

The table below shows the significant financial actuarial assumptions used for determining the defined benefit obligations at the end of the year as well as in determining the pension costs for the coming year.

%, per annum	*Discount rate*	*Salary increases*	*Inflation*	*Pension increases*	Mortality
2017					
US	*3.10–3.30*	*n/a*	*n/a*	*n/a*	RP 2006 white collar/blue collar with MP-2017 improvements
Switzerland	*0.50*	*1.00*	*1.00*	*0.00*	LPP 2015
Norway	*1.90*	*2.50*	*n/a*	*0.50–2.25*	K 2013
Eurozone	*1.10–1.30*	*2.00–2.75*	*1.75–2.00*	*1.75*	–
Other countries	*2.60–3.50*	*0.50–3.00*	*2.00–3.40*	*2.40–3.40*	–
2016					
US	*3.40–3.70*	*n/a*	*n/a*	*n/a*	RP 2006 white collar/blue collar with MP-2016 improvements
Switzerland	*0.50*	*1.00*	*1.00*	*0.00*	LPP 2015
Norway	*2.00*	*2.50*	*n/a*	*0.00–2.25*	K 2013
Eurozone	*1.30–1.50*[1]	*2.00–2.75*	*1.75–2.00*	*1.75*	–
Other countries	*2.80–4.00*	*2.50–3.00*	*2.00–3.50*	*2.50–3.50*	–

1 The interval excludes immaterial plans in Germany and the Netherlands.

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58

The table below shows the methods used to set significant actuarial assumptions for the Group's main defined benefit plans.

	Discount rate	Salary increases	Inflation	Pension increases	Mortality
US	Cash flow matching approach applied to the Citigroup yield curve	n/a	n/a	n/a	Latest tables available
Switzerland	Chamber of Pensions Actuaries	Company's best estimate	Long-term expectations in Switzerland	When financially bearable by pension plan	Latest tables available
Norway	NRS guidance	NRS guidance	n/a	NRS guidance	Latest tables available

Assumptions are set by the company based on actuarial advice and the company's experience in each territory.

The table below indicates the sensitivity to changes in significant assumptions for provisions for pensions and similar commitments.

MSEK		Increase (+)/decrease (-) in provision
Discount rate – pension plans	increase of 0.1 percentage points	-46.3
	decrease of 0.1 percentage points	45.5
Inflation – pension plans	increase of 0.1 percentage points	8.0
	decrease of 0.1 percentage points	-7.7
Life expectancy – pension plans	one year increase	116.3
Health-care cost rate – medical plans	increase of 1 percentage point	26.4[1]
	decrease of 1 percentage point	-20.6[2]

1 The corresponding effect on the statement of income is an increase of costs of MSEK 1.8.
2 The corresponding effect on the statement of income is a decrease of costs of MSEK -1.3.

The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period and may not be representative of the actual change. The sensitivity analysis is further based on a change in one assumption while holding all other assumptions constant, although in reality changes in some assumptions may be correlated.

The same method used to calculate the provisions for pensions and similar commitments, that is the projected unit credit method, is used for calculating the sensitivities.

There have been no changes in the methods and assumption changes used in preparing the sensitivity analysis compared to the previous year.

Risks

The table below shows significant risks that the Group is exposed to through its defined benefit plans.

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, a deficit will be created. In a long-term perspective, equities are expected to outperform corporate bonds, but in the short-term perspective the yield on the Group's investments in equity instruments may cause volatility.
Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings. In the US, an asset-liability matching approach is practiced to mitigate the risks associated with changes in bond yields as far as possible.
Inflation risk	Some of the Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. However, the Group's plans in the US and Norway are not linked to inflation, which makes the inflation risk less significant for the Group.
Life expectancy	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. In some countries, the benefit provided at retirement is a lump sum payment and therefore increases in life expectancy do not impact liabilities in these countries.

NOTE 32 *Other long-term provisions*

The movement in the balance sheet for provisions for pensions and similar commitments is provided in note 31. The movement in the balance sheet for deferred tax liabilities is provided in note 15.

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MSEK	Claims reserves	Provisions for taxes	Other provisions	Total
Opening balance	623.6	336.7	109.5	1 069.8
Reclassification	-2.8	–	-0.6	-3.4
New/increased provisions	62.4	66.5	100.1	229.0
Utilized provisions	–	–	-42.0	-42.0
Reversal of unutilized provisions	-60.5	–	-0.4	-60.9
Translation differences	-54.9	-27.9	-3.6	-86.4
Closing balance	**567.8**	**375.3**	**163.0**	**1 106.1**

Claims reserves

Liability insurance-related claims reserves primarily consist of provisions for the portion of claims payable by the Group, that is its self-retention. Claims reserves comprise a large number of individual insurance cases where some cases are compensated with a lump sum payment and others are paid over a longer period of time. It is thus not possible to disclose any detailed information regarding the timing of outflows from claims reserves.

Provisions for taxes

Provisions for taxes primarily consist of provisions related to ongoing tax audits. Tax audits are often lengthy processes that go on for several years. It is thus not possible to disclose any detailed information regarding the timing of outflows from taxes.

Other provisions

Other provisions include various long-term items, among them provisions related to litigations. Other provisions are difficult to assess from a timing perspective. It is thus not possible to disclose any detailed information regarding the timing of outflows from other provisions.

NOTE 33 *Short-term loan liabilities*[1]

MSEK	2017	2016
EMTN Nom MEUR 350, 2012/2017, Annual 2.75%[2]	–	3 349.0
EMTN Nom MEUR 300, 2012/2018, Annual 2.25%[2]	2 961.0	–
EMTN Nom MUSD 50, 2011/2018, FRN Quarterly[2]	412.7	–
Finance leases	92.1	107.3
Other short-term loans	53.7	93.2
Total short-term loan liabilities excluding derivatives	**3 519.5**	**3 549.5**
Derivatives with negative fair value, short-term		
Derivatives in cash flow hedges[3]	–	0.5
Derivatives in net investment hedges[3]	47.2	73.7
Other derivatives[4]	16.2	16.1
Total derivatives with negative fair value, short-term	**63.4**	**90.3**
Total short-term loan liabilities	**3 582.9**	**3 639.8**

1 For further information regarding financial instruments refer to note 6.
2 Issued by the Parent Company.
3 Related to derivatives designated for hedging.
4 Related to financial liabilities at fair value through profit or loss.

NOTE 34 *Other current liabilities*

MSEK	2017	2016
Employee-related items[1]	6 957.6	6 900.2
Accrued interest and financial expenses	175.2	226.1
Other accrued expenses and deferred income	1 563.2	1 679.1
Value added tax	1 447.2	1 374.6
Deferred considerations	66.6	85.5
Other items	655.8	694.8
Total other current liabilities	**10 865.6**	**10 960.3**

1 Related to accrued salaries, vacation pay, payroll overhead, bonus and similar items. Accounted for net of government grants when applicable.

Note
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58

NOTE 35 *Short-term provisions*

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MSEK	Claims reserves	Other provisions	Total
Opening balance	655.8	672.7	1 328.5
Reclassification	1.0	2.4	3.4
New/increased provisions	392.9	329.7	722.6
Utilized provisions	-371.1	-487.5	-858.6
Reversal of unutilized provisions	-0.9	-57.7	-58.6
Translation differences	-53.1	-31.7	-84.8
Closing balance	**624.6**	**427.9**	**1 052.5**

Claims reserves

Liability insurance-related claims reserves primarily consist of provisions for the portion of claims payable by the Group, that is its self-retention.

NOTE 36 *Pledged assets*

MSEK	2017	2016
Pension balances, defined contribution plans	124.1	117.0
Finance leases	191.2	207.2
Total pledged assets	**315.3**	**324.2**

NOTE 37 *Contingent liabilities*

MSEK	2017	2016
Guarantees[1]	3.9	22.8
Guarantees related to discontinued operations	15.3	15.6
Total contingent liabilities	**19.2**	**38.4**

1 Guarantees on behalf of related parties are disclosed in note 7.

In addition to the contingent liabilities accounted for in the table, the following contingent liabilities, for which no amount can be determined, also exist:

Brazil – Estrela Azul

In connection with the efforts of Securitas to expand its activities in Latin America, Securitas entered into an agreement in 2005 with respect to the possible acquisition of a guarding company in Brazil. In order to support this company while required governmental approvals were sought, Securitas provided a bank guarantee for the benefit of the subject company. The governmental approvals took much longer time than anticipated to obtain and during such period the financial condition of the target company substantially deteriorated. Given the decline in the financial condition of the company, in December 2006 Securitas exercised its right not to complete the acquisition. The governmental approval had then been received. In view of the decision not to complete the subject transaction, a provision in the amount of the bank guarantee was recognized as of December 31, 2006.

The target company in 2007 filed for protection from its creditors under Brazilian legislation providing for a judicial restructuring process. Securitas, having applied to be registered as a creditor in the insolvency matter, objected to the company's restructuring plan proposed in the judicial restructuring process. The insolvency judge decided against Securitas' objections and this decision was appealed by Securitas in 2008. The Court of Appeal upheld the lower courts' decision. The company has thereafter, on November 9, 2009, been declared bankrupt and the restructuring process has been replaced by bankruptcy proceedings. The bankruptcy process continues and efforts to sell the estates assets are ongoing. Various attempts by the Trustee to increase the liability of Securitas in the bankruptcy will continously be vigorously rejected. Securitas do not believe that such proceedings will increase Securitas overall risk in the Estrela Azul litigations.

In connection with the judicial restructuring process, the company (now in bankruptcy) asserted a claim of MBRL 314, which as of December 31, 2017 was equivalent to MSEK 784 (due to currency fluctuation the same claim was equivalent to MSEK 867 as of December 31, 2016) against Securitas, alleging that Securitas is responsible for the company's financial failure. Securitas denies all responsibility for such claim. The defense of these cases has been entrusted to one of the leading law firms in Brazil. In a decision by the first instance court in Brazil the claim was fully rejected. The judgment was appealed by the bankruptcy estate to the Brazilian Court of Appeals and this Court decided on formal grounds to nullify the judgment and to remand the case to the first instance court for retrial. In accordance with the Court of Appeals decision the first instance court has decided to allow new evidence in the case. The Court has appointed an Expert to assist the Court in investigating parts of the claim. The Expert's report became public in the first part of 2016. The report supports the arguments presented by Securitas, but the report also lacks clarity on certain issues. The report has in 2017 been complemented and the amendments reinforces Securitas arguments. Securitas maintains its previous position to the claim.

In addition, several former employees of Estrela Azul have sued Securitas and other parties in court and claim inter alia wages and other compensations in pending labor suits. The number of labor law cases involving Securitas continued to decrease during 2016 and the number of new cases where Securitas is a named defendant decreased significantly also in 2017. The claimed amounts are in average relatively low. The defense of these labor cases has been entrusted to one of the leading labor law firms in Brazil – specializing in labor law matters. Securitas denies all responsibility for such labor claims.

Spain – tax audit

The Spanish tax authority has, in connection with audits of Securitas Spain, challenged certain interest payments in 2009, 2012 and 2014, and decided to reject interest deductions made for the financial years 2003–2005, 2006–2007 and 2008–2009 respectively. The years 2003-2005 are finally resolved by the Supreme Court and paid in 2016 and 2006-2007 are currently tried at different levels of the Spanish court system. The years 2008-2009 have been resolved by the court, which Securitas has accepted, see further below.

The Spanish Supreme Court issued their judgment during 2016 regarding the years 2003–2005, implying that the years 2003-2004 were resolved as time barred and the majority of the interest deductions for 2005 were disallowed. Securitas closed the years 2003-2005 in 2016 by payment of tax and interest of MEUR 4.3 (equivalent to MSEK 41).

In June 2017 the superior court Audiencia Nacional issued a negative judgment concerning the years 2006–2007, implying that all interest was disallowed, in contradiction to the earlier judgment by the Supreme Court on the same matter for the years 2003-2005. This is also contradictory to the lower court Tribunal Económico Administrativo Central's earlier judgment for the years 2008-2009, a judgment that Securitas has accepted as final. Securitas has for the years 2006-2007 requested a leave for appeal with the Supreme Court.

If finally upheld by Spanish courts, the resolution by the Spanish tax authorities regarding rejected interest deductions for the years 2006–2007, and the accepted judgment regarding years 2008-2009, would result in a tax of MEUR 27, equivalent to MSEK 269, including interest up to December 31, 2017 (as of December 31, 2016 this exposure, including the paid tax in 2016 for year 2005 was estimated to MEUR 31, equivalent to MSEK 296). No further exposure exists for similar rejected interest deductions after the financial year 2009, as the Group adjusted the capitalization of Securitas Spain in 2009 to avoid future challenges of interest deductions.

Further, the Spanish tax authority decided, in connection with an audit of Securitas Spain in 2013, to reject a tax exemption for a demerger of the Spanish Systems company, in connection with Securitas AB's distribution of the shares in Securitas Systems AB to its shareholders and the listing on the Stockholm Stock Exchange in 2006. In June 2017, Securitas received a negative judgment from the superior court Audiencia Nacional and has requested a leave for appeal with the Supreme Court.

If finally upheld by Spanish courts, the resolution by the Spanish tax authorities, concerning the demerger case, would result in a tax of MEUR 21, equivalent to MSEK 203, including interest up to December 31, 2017 (as of December 31, 2016 this exposure was estimated to MEUR 20, equivalent to MSEK 191).

Further, in 2014 the tax authority decided to reject a deduction for a currency related liquidation loss in the financial year 2010, relating to a company that was acquired in 2004. In 2017 the lower court TEAC issued a negative judgment, which was in contradiction to the 2016 Supreme Court judgment regarding the basis for disallowing the deduction. Securitas has appealed the case to the superior court Audiencia Nacional.

If finally upheld by Spanish courts, the resolution by the Spanish tax authorities regarding the liquidation loss would result in a tax of MEUR 17, equivalent to MSEK 171, including interest up to December 31, 2017 (as of December 31, 2016 this exposure was estimated to MEUR 17, equivalent to MSEK 163).

Provided that the courts decide in Securitas cases in accordance with the 2016 Supreme Court judgment, the exposure for the currency related liquidation loss for the financial year 2010 is expected to cease.

Securitas believes it has acted in accordance with applicable law and will defend its position in the courts. However, the tax resolutions causes some uncertainty and it may take several years until all final judgments have been received.

Spain – Mutua

Securitas in Spain has received a claim of MEUR 6.3 from the social security authorities relating to services allegedly received from Mutua Universal in the period 1998 to 2007. The authorities are questioning whether such services, in such case, were allowed to be provided under applicable regulations. This is a consequence of a lawsuit against some of Mutua Universal's former employees. Securitas is affected, as 2 300 other companies, as an indirect beneficiary of the services rendered. Securitas is convinced that it has acted in accordance with applicable law.

US – the events of September 11, 2001

A detailed account of the developments surrounding the events of September 11, 2001 has been presented in press releases and interim and annual reports for 2001 to 2016.

All injury and fatality cases against Securitas subsidiary Globe Aviation Services Corporation ("Globe") and other Securitas companies as a result of the September 11 events have been dismissed or settled. Through a settlement agreement with the majority of the plaintiffs in the property damage claims in the September 11 case, the majority of such claims was settled. The settlement agreement has been confirmed by the Court of Appeals and became thereby final and binding. Globe and other Group companies, together with the relevant airline and other parties, in 2017 remained defendants in one lawsuit regarding property and business damage pertaining to the events of September 11, 2001. Globe and the other Group companies and the other defendants in the property damage case are challenging the claim in all material respects. This property and business interruption claim was decided by the Trial Court in New York, NY, US on August 1, 2013. In its judgment, the Court rejected plaintiffs claim for damages from Globe and the other defendants for the destruction of the World Trade Center properties in all material respects. The decision was appealed by the plaintiff to the Court of Appeals in New York, which in 2015 decided the appeal largely in favor of Globe and the other defendants. The Court of Appeals however remanded the case back to the Trial Court with instructions to reconsider the methodology used in calculating the fair market value of leaseholds of the WTC buildings. This last outstanding dispute was settled in December 2017. The settlement agreement has been confirmed by the Court and became thereby final and binding. Terms of the settlement are confidential. The claim is insured. The case is closed.

All coverage disputes with the relevant September 11, 2001 insurers have been resolved. The proceedings against other Securitas Group companies than Globe have, with the consent of the Court and the Plaintiffs, been terminated. Any liabilities arising out of the September 11, 2001 litigation have not materially impacted Securitas' business operation or financial position.

Other proceedings

Over the years, Securitas has made a number of acquisitions in different countries. As a result of such acquisitions, certain contingent liabilities of the businesses acquired have been assumed. The risks relating to such contingent liabilities are covered by contractual indemnification, insurance or adequate reserves.

Companies within the Securitas Group are also involved in a number of other legal proceedings and tax audits arising out of the business. Any liabilities arising out of such proceedings are not expected to be material to the business operations or the financial position of the Group.

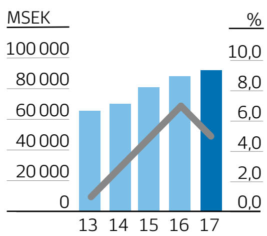
NOTE 38 *Financial five year overview*[1]

MSEK	2013	2014	2015	2016	2017
INCOME					
• **Total sales**	**65 700.1**	**70 217.1**	**80 860.1**	**88 162.4**	**92 196.8**
of which acquired business	682.6	353.3	269.9	3 136.4	717.7
• ***Acquired sales growth, %***	***1***	***1***	***0***	***4***	***1***
• ***Organic sales growth, %***	***1***	***3***	***5***	***7***	***5***
• ***Real sales growth, %***	***2***	***4***	***6***	***11***	***5***
Operating income before amortization	**3 329.0**	**3 504.7**	**4 088.7**	**4 553.5**	**4 676.8**
• ***Operating margin, %***	***5.1***	***5.0***	***5.1***	***5.2***	***5.1***
Amortization and impairment of acquisition related intangible assets	-273.7	-250.8	-274.5	-287.7	-255.1
Acquisition related costs	-26.8	-17.1	-29.5	-112.6	-48.4
Financial income and expenses	-385.0	-327.6	-308.3	-389.6	-375.6
• **Income before taxes**	**2 643.5**	**2 909.2**	**3 476.4**	**3 763.6**	**3 997.7**
Taxes	-787.9	-837.7	-1 032.5	-1 117.7	-1 260.3
Net income for the year	**1 855.6**	**2 071.5**	**2 443.9**	**2 645.9**	**2 737.4**
– whereof attributable to non-controlling interests	3.1	3.1	7.4	3.9	1.8
Average number of shares after dilution ('000)	365 059	365 059	365 059	365 059	365 059
• **Earnings per share after dilution (SEK)**	**5.07**	**5.67**	**6.67**	**7.24**	**7.49**
CASH FLOW					
Operating income before amortization	**3 329.0**	**3 504.7**	**4 088.7**	**4 553.5**	**4 676.8**
Investments in non-current tangible and intangible assets	-804.0	-1 113.2	-1 328.6	-1 658.3	-1 703.9
Reversal of depreciation	945.6	966.9	1 072.3	1 229.0	1 361.4
Change in accounts receivable	1.0	-114.5	-707.0	-1 039.3	-448.9
Changes in other operating capital employed	-241.5	-381.2	273.8	-45.8	-48.1
Cash flow from operating activities	**3 230.1**	**2 862.7**	**3 399.2**	**3 039.1**	**3 837.3**
• ***as % of operating income before amortization***	***97***	***82***	***83***	***67***	***82***
Financial income and expenses paid	-532.0	-311.4	-322.0	-301.4	-425.6
Current taxes paid	-610.4	-696.6	-914.0	-1 016.7	-1 122.2
• **Free cash flow**	**2 087.7**	**1 854.7**	**2 163.2**	**1 721.0**	**2 289.5**
as % of adjusted income	***93***	***75***	***78***	***52***	***68***
Free cash flow per share	***5.72***	***5.08***	***5.93***	***4.71***	***6.27***
Cash flow from investing activities, acquisitions and divestitures	-294.7	-385.0	-147.4	-3 566.5	-303.6
Cash flow from items affecting comparability	-307.5	-72.8	-26.9	-16.7	-
Cash flow from financing activities	-2 270.5	-2 107.8	-3 302.5	2 145.8	-742.7
Cash flow for the year	**-785.0**	**-710.9**	**-1 313.6**	**283.6**	**1 243.2**
Interest-bearing net debt at beginning of year	-9 864.6	-9 609.8	-10 421.6	-9 862.7	-13 431.3
Change in loans	1 175.3	1 012.6	2 207.3	-3 423.5	-626.3
Revaluation of financial instruments	10.9	-0.4	0.9	22.6	-28.8
Translation differences on interest-bearing net debt	-146.4	-1 113.1	-335.7	-451.3	510.7
Interest-bearing net debt at year-end	**-9 609.8**	**-10 421.6**	**-9 862.7**	**-13 431.3**	**-12 332.5**

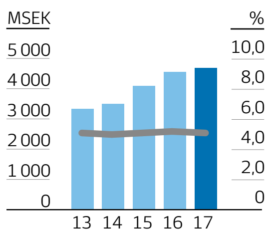
MSEK	2013	2014	2015	2016	2017
CAPITAL EMPLOYED AND FINANCING					
Non-current assets excluding acquisition related items	3 200.2	3 641.4	3 872.3	4 633.8	4 972.6
Accounts receivable	9 676.4	10 815.5	11 353.4	13 352.6	13 349.3
Other operating capital employed	-9 695.7	-10 532.9	-10 617.3	-11 202.4	-11 050.9
Operating capital employed	**3 180.9**	**3 924.0**	**4 608.4**	**6 784.0**	**7 271.0**
• ***as % of total sales***	***5***	***6***	***6***	***8***	***8***
Goodwill	14 361.9	16 228.1	16 428.4	19 379.6	18 719.1
Acquisition related intangible assets	1 315.6	1 244.2	987.3	1 356.1	1 172.8
Shares in associated companies	132.7	324.5	369.0	419.5	419.8
Capital employed	**18 991.1**	**21 720.8**	**22 393.1**	**27 939.2**	**27 582.7**
• ***Return on capital employed, %***	***18***	***16***	***18***	***16***	***17***
Net debt	**9 609.8**	**10 421.6**	**9 862.7**	**13 431.3**	**12 332.5**
Net debt equity ratio, multiple	***1.02***	***0.92***	***0.79***	***0.93***	***0.81***
Interest coverage ratio, multiple	***7.9***	***10.4***	***13.1***	***11.1***	***11.8***
• ***Free cash flow in relation to net debt***	***0.22***	***0.18***	***0.22***	***0.13***	***0.19***
Shareholders' equity attributable to equity holders of the Parent Company	**9 365.3**	**11 280.3**	**12 510.1**	**14 487.2**	**15 229.0**
Non-controlling interests	**16.0**	**18.9**	**20.3**	**20.7**	**21.2**
Equity per share	***25.7***	***30.9***	***34.3***	***39.7***	***41.7***
Return on equity, %	***21***	***20***	***21***	***20***	***18***
Equity ratio, %	***25***	***28***	***31***	***30***	***31***
Financing of capital employed	**18 991.1**	**21 720.8**	**22 393.1**	**27 939.2**	**27 582.7**

1 For definitions and calculation of key ratios refer to note 3.
• Group key ratios according to Securitas' financial model. Refer to pages 46–47.

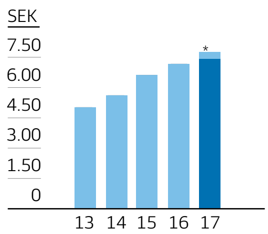
Total sales and organic sales growth



Operating income before amortization and operating margin

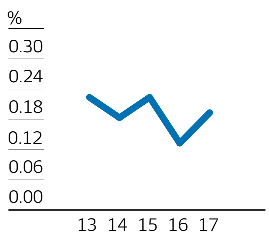


Earnings per share



* Adjusted for items affecting comparability and impairment losses.

Free cash flow in relation to net debt



Note
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58

Parent Company statement of income

MSEK	Note	2017	2016
License fees and other income	41	1 088.6	1 004.1
Gross income		**1 088.6**	**1 004.1**
Administrative expenses	43, 44	-775.1	-660.1
Other operating income	43	23.8	20.5
Operating income		**337.3**	**364.5**
Result of financial investments			
Dividend	41	2 181.9	1 874.3
Interest income	41	466.1	343.6
Interest expenses	41	-376.9	-381.4
Other financial income and expenses, net	45	-721.8	221.0
Total financial income and expenses		**1 549.3**	**2 057.5**
Income after financial items		**1 886.6**	**2 422.0**
Appropriations			
Group contributions from subsidiaries	41	367.7	316.3
Group contributions to subsidiaries	41	-17.1	-8.9
Depreciation and amortization in excess of plan	54	–	-11.9
Transfer to tax allocation reserve	54	127.6	-228.1
Total appropriations		**478.2**	**67.4**
Income before taxes		**2 364.8**	**2 489.4**
Current taxes	46	-0.9	-151.0
Deferred taxes	46	23.4	-46.2
Net income for the year		**2 387.3**	**2 292.2**

Parent Company statement of comprehensive income

MSEK	Note	2017	2016
Net income for the year		**2 387.3**	**2 292.2**
Other comprehensive income			
Items that subsequently may be reclassified to the statement of income			
Cash flow hedges net of tax	42	-21.9	17.6
Total items that subsequently may be reclassified to the statement of income		**-21.9**	**17.6**
Other comprehensive income	**46**	**-21.9**	**17.6**
Total comprehensive income for the year		**2 365.4**	**2 309.8**

Parent Company statement of cash flow

MSEK	Note	2017	2016
Operations			
Operating income		337.3	364.5
Reversal of depreciation	47, 48	28.9	26.6
Financial items received		3 475.6	2 219.0
Financial items paid		-445.8	-311.7
Current taxes paid		-158.1	-22.4
Change in other operating capital employed		-341.8	1.6
Cash flow from operations		**2 896.1**	**2 277.6**
Investing activities			
Investments in non-current tangible and intangible assets	47, 48	-50.6	-26.6
Shares in subsidiaries	49	-1 007.5	-3 707.6
Cash flow from investing activities		**-1 058.1**	**-3 734.2**
Financing activities			
Dividend paid		-1 369.0	-1 277.7
Proceeds from bond loans		3 299.5	3 261.6
Redemption of bond loans		-3 307.7	–
Proceeds from commercial paper		–	600.0
Redemption of commercial paper		–	-850.0
Change in other interest-bearing net debt excluding liquid funds		257.0	546.7
Cash flow from financing activities		**-1 120.2**	**2 280.6**
Cash flow for the year		**717.8**	**824.0**
Liquid funds at beginning of year		1 224.8	400.8
Liquid funds at year-end	**52**	**1 942.6**	**1 224.8**

Parent Company balance sheet

MSEK	Note	2017	2016
ASSETS			
Non-current assets			
Intangible assets	47	129.5	110.6
Machinery and equipment	48	20.1	17.3
Shares in subsidiaries	49	41 296.2	40 947.8
Shares in associated companies	50	112.1	112.1
Interest-bearing financial non-current assets	42	1 312.6	1 029.8
Deferred tax assets	46	28.9	27.4
Other long-term receivables		137.4	253.4
Total non-current assets		**43 036.8**	**42 498.4**
Current assets			
Current receivables from subsidiaries		416.1	375.1
Interest-bearing current receivables from subsidiaries	42	4 360.1	5 088.0
Other current receivables		17.0	11.3
Current tax assets		29.8	1.4
Prepaid expenses and accrued income	51	13.0	33.2
Other interest-bearing current assets	42	44.9	36.4
Cash and bank deposits	52	1 942.6	1 224.8
Total current assets		**6 823.5**	**6 770.2**
TOTAL ASSETS		**49 860.3**	**49 268.6**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital		365.1	365.1
Legal reserve		7 362.6	7 362.6
Development expenditure reserve		56.8	19.2
Total restricted equity		**7 784.5**	**7 746.9**
Non-restricted equity			
Hedging reserve		-3.9	18.0
Retained earnings		17 496.2	16 640.8
Net income for the year		2 387.3	2 292.2
Total non-restricted equity		**19 879.6**	**18 951.0**
Total shareholders' equity	**53**	**27 664.1**	**26 697.9**
Untaxed reserves	**54**	**123.3**	**250.9**
Long-term liabilities			
Long-term loan liabilities	42	12 887.3	12 648.4
Other long-term liabilities		287.0	145.5
Deferred tax liabilities		27.1	55.2
Total long-term liabilities	**55**	**13 201.4**	**12 849.1**
Current liabilities			
Current liabilities to subsidiaries		270.4	269.3
Interest-bearing current liabilities to subsidiaries	42	3 898.2	4 649.9
Group account bank overdraft		972.8	643.0
Other short-term loan liabilities	42	3 427.0	3 431.8
Accounts payable		32.2	31.8
Accrued expenses and prepaid income	56	255.4	307.6
Other current liabilities		15.5	137.3
Total current liabilities		**8 871.5**	**9 470.7**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**49 860.3**	**49 268.6**

Note
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58

Parent Company statement of changes in shareholders' equity

MSEK	Share capital[1]	Legal reserve	Development expenditure reserve	Hedging reserve	Retained earnings and net income for the year	**Total share-holders' equity**
Opening balance 2016	**365.1**	**7 362.6**	**–**	**0.4**	**17 961.2**	**25 689.3**
Net income for the year	**–**	**–**	**–**	**–**	**2 292.2**	**2 292.2**
Other comprehensive income						
Items that subsequently may be reclassified to the statement of income						
Cash flow hedges net of tax[2]	–	–	–	17.6	–	17.6
Total items that subsequently may be reclassified to the statement of income	**–**	**–**	**–**	**17.6**	**–**	**17.6**
Other comprehensive income	**–**	**–**	**–**	**17.6**	**–**	**17.6**
Total comprehensive income for the year	**–**	**–**	**–**	**17.6**	**2 292.2**	**2 309.8**
Share-based incentive scheme[1]	–	–	–	–	-23.5	-23.5
Dividend paid to shareholders of the Parent Company	–	–	–	–	-1 277.7	-1 277.7
Transfer to development expenditure reserve	–	–	19.2	–	-19.2	–
Closing balance 2016	**365.1**	**7 362.6**	**19.2**	**18.0**	**18 933.0**	**26 697.9**
Opening balance 2017	**365.1**	**7 362.6**	**19.2**	**18.0**	**18 933.0**	**26 697.9**
Net income for the year	**–**	**–**	**–**	**–**	**2 387.3**	**2 387.3**
Other comprehensive income						
Items that subsequently may be reclassified to the statement of income						
Cash flow hedges net of tax[2]	–	–	–	-21.9	–	-21.9
Total items that subsequently may be reclassified to the statement of income	**–**	**–**	**–**	**-21.9**	**–**	**-21.9**
Other comprehensive income	**–**	**–**	**–**	**-21.9**	**–**	**-21.9**
Total comprehensive income for the year	**–**	**–**	**–**	**-21.9**	**2 387.3**	**2 365.4**
Share-based incentive scheme[1]	–	–	–	–	-30.2	-30.2
Dividend paid to shareholders of the Parent Company	–	–	–	–	-1 369.0	-1 369.0
Transfer to development expenditure reserve	–	–	42.2	–	-42.2	–
Transfer from development expenditure reserve	–	–	-4.6	–	4.6	–
Closing balance 2017	**365.1**	**7 362.6**	**56.8**	**-3.9**	**19 883.5**	**27 664.1**

1 Further information is provided in note 53.
2 A specification can be found in note 42, table revaluation of financial instruments, as well as in note 46.

Notes

NOTE 39 *Accounting principles*

The Parent Company's financial statements are prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 2 Accounting for Legal Entities. The Parent Company thus follows the same accounting principles as the Group, which are described in note 2, when relevant and except in the cases stated below. The differences that exist between the Parent Company's and the Group's accounting principles are a result of the restrictions that the Swedish Annual Accounts Act, the Swedish Act on Safeguarding of Pension Commitments and the options that RFR 2 allow for IFRS in the Parent Company.

RFR 2: IFRS 3 Business combinations

The Parent Company measures the acquisition cost as the sum of the acquisition-date fair values of assets transferred, liabilities incurred or transferred and all costs that are directly attributable to the acquisition. Contingent considerations are recognized as part of the acquisition cost if it is probable that they will be realized. The acquisition cost is adjusted in subsequent periods if the initial assessment needs to be revised.

RFR 2: IAS 18 Revenue

Anticipated dividend from a subsidiary is recognized as income in the Parent Company in accordance with RFR 2 if the Parent Company has the exclusive right to decide the amount of the dividend from the subsidiary. The Parent Company must furthermore ensure that the dividend is in line with the subsidiary's dividend capacity. Dividend from a subsidiary that has not been anticipated is accounted for on a cash basis.

RFR 2: IAS 19 Employee benefits

Accounting for defined benefit plans according to the Swedish Act on Safeguarding of Pension Commitments leads to differences between the accounting in the Parent Company and the Group. These differences have no material impact on the employee benefits relating to the employees of the Parent Company. Pension solutions either fall within the framework of the ITP-plan that is insured via Alecta, which is described in note 31, or in all material aspects consist of other defined contribution plans.

RFR 2: IAS 21

Exchange rate differences arising on a monetary item that forms part of the Parent Company's net investment in a foreign subsidiary are accounted for in the Parent Company's statement of income, in accordance with RFR 2.

RFR 2: IAS 27 Consolidated and separate financial statements

The Parent Company applies the alternative rule in RFR 2: IAS 27 related to Group contributions, which means that Group contributions from subsidiaries as well as Group contributions to subsidiaries are accounted for as appropriations in the statement of income.

RFR 2: IAS 39 Financial instruments: Recognition and measurement

The Parent Company follows IAS 39 with the exception of financial guarantees in relation to subsidiaries. For further information refer to the accounting principles adopted by the Group for recognition and measurement of financial instruments in note 2.

Shares in subsidiaries

Shares in subsidiaries are initially accounted for at cost with subsequent adjustments for capital contributions, impairment and revaluation of deferred considerations. Shares in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Securitas' share-based incentive scheme

In addition to the Group's accounting principles for share-based payments (IFRS 2) as described in note 2 Accounting principles, the following has been applied in the Parent Company's financial statements. The Parent Company has secured the delivery of shares according to Securitas share-based incentive scheme by entering into a swap agreement with a third party regarding purchase of shares. To the extent that shares according to the swap agreement is subject to delivery to employees in other Group companies than the Parent Company, a liability to Group companies has been recorded in the Parent Company's accounts. This liability is recorded at the value of the commitment that Securitas AB has to the subsidiaries to deliver shares, that is the number of shares to be delivered according to the swap agreement at the latest share price for Securitas AB's series B share. Social security expenses are calculated based on the market value of the shares that potentially will be allocated. Fluctuations in the share price for these shares thus lead to changes in social security expenses that impact the Parent Company's and Group's income. This is the only impact on the Parent Company's and Group's income due to fluctuations in the share price for the shares that potentially will be allocated. This means that any possible increase or decrease of the liability to Group companies has not been accounted for in the Parent Company's income statement.

NOTE 40 *Events after the balance sheet date*

Approval of the Annual Report and Consolidated Financial Statements for 2017

This Annual Report including the Consolidated Financial Statements was approved by the Board of Directors and the President and CEO of Securitas AB on March 15, 2018.

Other significant events after the balance sheet date

In order to hedge the share portion of Securitas share-based incentive scheme 2017, Securitas AB entered into a swap agreement with a third party in the beginning of March 2018.

On February 27, 2018 Securitas issued a seven year MEUR 300 Eurobond. Settlement date was March 6, 2018.

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

NOTE 41 *Transactions with related parties*

Transactions between the Parent Company and subsidiaries are priced in accordance with business principles.

THE PARENT COMPANY'S TRANSACTIONS WITH RELATED PARTIES COMPRISE

MSEK	2017	2016
License fees from subsidiaries	1 071.6	986.5
Other income from subsidiaries	17.0	17.6
Dividends from subsidiaries	2 181.9	1 874.3
Interest income from subsidiaries	437.8	327.4
Interest expenses to subsidiaries	-35.7	-27.6
Realized profit on shares in subsidiaries	831.3	–
Group contributions from subsidiaries	367.7	316.3
Group contributions to subsidiaries	-17.1	-8.9
Guarantees issued on behalf of subsidiaries	2 175.8	2 379.8
Guarantees issued on behalf of associated companies	3.9	6.0

NOTE 42 *Financial risk management*

The Parent Company follows, as stated in note 39, IAS 39 Financial instruments: Recognition and measurement. Refer to note 2 and note 6 for further information about financial risks that are applicable also for the Parent Company.

LIQUIDITY REPORT AS PER DECEMBER 31, 2017 AND 2016

MSEK	Total	< 1 year	Between 1 year and < 3 years	Between 3 years and 5 years	> 5 years
December 31, 2017					
Borrowings	-19 525	-6 234	-1 442	-8 323	-3 526
Derivatives outflows	-22 978	-20 106	-137	-2 735	–
Accounts payable	-32	-32	–	–	–
Total outflows	**-42 535**	**-26 372**	**-1 579**	**-11 058**	**-3 526**
Investments	6 112	5 891	8	213	–
Derivatives receipts	23 272	20 155	175	2 920	22
Total inflows	**29 384**	**26 046**	**183**	**3 133**	**22**
Net cash flows, total[1]	**-13 151**	**-326**	**-1 396**	**-7 925**	**-3 504**
December 31, 2016					
Borrowings	-19 700	-6 586	-4 463	-5 262	-3 389
Derivatives outflows	-24 206	-21 166	-72	-68	-2 900
Accounts payable	-32	-32	–	–	–
Total outflows	**-43 938**	**-27 784**	**-4 535**	**-5 330**	**-6 289**
Investments	6 311	6 274	9	28	–
Derivatives receipts	24 181	21 140	164	129	2 748
Total inflows	**30 492**	**27 414**	**173**	**157**	**2 748**
Net cash flows, total[1]	**-13 446**	**-370**	**-4 362**	**-5 173**	**-3 541**

1 Variable rate cash flows have been estimated using the relevant yield curve.

LIABILITIES FROM FINANCING ACTIVITIES

			Non-cash changes			
	January 1, 2017	Cash flows[1]	Reclassification	Other changes	Translation differences	December 31, 2017
Long-term borrowings	12 648.4	3 300.3	-3 373.7	-43.3	355.6	12 887.3
Short-term borrowings	8 724.7	-3 622.9	3 373.7	-10.3	-167.2	8 298.0
Derivative assets held to hedge external borrowings	-328.7	–	–	29.4	–	-299.3
Total	**21 044.4**	**-322.6**	**-**	**-24.2**	**188.4**	**20 886.0**

1 Excluding other derivative positions and dividend paid to shareholders of the Parent Company, that are included in cash flow from financing activities in the consolidated statement of cash flow.

REVALUATION OF FINANCIAL INSTRUMENTS

MSEK	2017	2016
Recognized in the statement of income		
Financial income and expenses	0.4	0.4
Deferred tax	–	-0.1
Impact on net income for the year	**0.4**	**0.3**
Recognized via hedging reserve in other comprehensive income		
Transfer to hedging reserve before tax	63.2	99.7
Deferred tax on transfer to hedging reserve	-13.9	-21.9
Transfer to hedging reserve net of tax	**49.3**	**77.8**
Transfer to statement of income before tax	-91.2	-77.2
Deferred tax on transfer to statement of income	20.0	17.0
Transfer to statement of income net of tax	**-71.2**	**-60.2**
Total change of hedging reserve before tax[1]	-28.0	22.5
Deferred tax on total change of hedging reserve[1]	6.1	-4.9
Total change of hedging reserve net of tax	**-21.9**	**17.6**
Total impact on shareholders' equity as specified above		
Total revaluation before tax[2]	-27.6	22.9
Deferred tax on total revaluation[2]	6.1	-5.0
Total revaluation after tax	**-21.5**	**17.9**

1 Total of transfer to hedging reserve and transfer from hedging reserve to statement of income.
2 Total revaluation and deferred tax recognized via statement of income and via other comprehensive income.

DERIVATIVES IN THE BALANCE SHEET

MSEK	2017	2016
Interest-bearing financial non-current assets		
Fair value hedges	299.0	247.1
Cash flow hedges	132.3	1.7
Total derivatives included in interest-bearing financial non-current assets	**431.3**	**248.8**
Interest-bearing current receivables from subsidiaries		
Other derivative positions	61.3	2.4
Total derivatives included in interest-bearing current receivables from subsidiaries	**61.3**	**2.4**
Other interest-bearing current assets		
Fair value hedges	5.9	2.0
Cash flow hedges	1.5	–
Other derivative positions	37.5	34.4
Total derivatives included in other interest-bearing current assets	**44.9**	**36.4**
Long-term loan liabilities		
Fair value hedges	0.8	122.1
Cash flow hedges	–	-78.0
Total derivatives included in long-term loan liabilities	**0.8**	**44.1**
Interest-bearing current liabilities to subsidiaries		
Other derivative positions	44.3	24.6
Total derivatives included in interest-bearing current liabilities to subsidiaries	**44.3**	**24.6**
Other short-term loan liabilities		
Cash flow hedges	–	0.5
Other derivative positions	53.3	82.8
Total derivatives included in other short-term loan liabilities	**53.3**	**83.3**

Note
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58

FAIR VALUE – HIERARCHY AS PER DECEMBER 31, 2017 AND 2016

	Quoted market prices		Valuation techniques using observable market data		Valuation techniques using non-observable market data		Total	
MSEK	2017	2016	2017	2016	2017	2016	2017	2016
Financial assets at fair value through profit or loss	–	–	98.8	35.8	–	–	98.8	35.8
Financial liabilities at fair value through profit or loss	–	–	-97.5	-9.0	-1.5[1]	-8.4[1]	-99.0	-17.4
Derivatives designated for hedging with positive fair value	–	–	438.6	251.8	–	–	438.6	251.8
Derivatives designated for hedging with negative fair value	–	–	-0.8	-143.0	–	–	-0.8	-143.0

1 Related to deferred considerations. These have been recognized mainly based on an assessment of the future profitability development in the acquired entities for an agreed period.

NOTE 43 *Administrative expenses and other operating income*

Administrative expenses

AUDIT FEES AND REIMBURSEMENTS

MSEK	2017	2016
PwC		
Audit assignments	6.6	5.7
Additional audit assignments	1.2	1.7
Tax assignments	2.2	1.9
Other assignments[1]	1.5	1.6
Total[1]	**11.5**	**10.9**

1 Total audit fees and reimbursements to PwC amounts to MSEK 11.5 whereof MSEK 1.1 does not relate to PwC Sweden, included in Other assignments.

Additional audit assignments mainly comprise review of the interim report for the second quarter as well as review of financial reporting and internal control in additional countries than those included in the agreed audit plan. Tax assignments mainly comprise tax return compliance, transfer pricing and questions related to tax legislation compliance. Other services mainly comprise review of pension plans.

Other operating income

Other operating income consists in its entirety of trade mark fees from Securitas Direct AB.

NOTE 44 *Personnel*

AVERAGE NUMBER OF YEARLY EMPLOYEES: DISTRIBUTION BETWEEN WOMEN AND MEN

	Women		Men		Total	
	2017	2016	2017	2016	2017	2016
Board of Directors	3	2	5	3	8	5
President	–	–	1	1	1	1
Other employees, Sweden	28	26	28	26	56	52

STAFF COSTS

	2017			2016			Of which bonuses	
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)	2017	2016
Board of Directors and President[1]	31.0	15.3	(4.5)	26.4	13.4	(4.1)	9.0	8.2
Other employees	77.4	42.0	(8.8)	73.8	39.0	(11.8)	18.5	22.4
Total	**108.4**	**57.3**	**(13.3)**	**100.2**	**52.4**	**(15.9)**	**27.5**	**30.6**

1 Refer to note 8 for further information regarding remuneration to the Board of Directors and President.

NOTE 45 *Other financial income and expenses, net*

MSEK	2017	2016
Realized profit on shares in subsidiaries[1]	831.3	–
Liquidation losses, shares in subsidiaries[2]	-659.2	–
Impairment losses, shares in subsidiaries[3]	–	-30.9
Exchange rate differences, net	-876.5	268.9
Bank costs and similar income/expense items	-17.8	-17.4
Revaluation of financial instruments (IAS 39)	0.4	0.4
Total other financial income and expenses, net	**-721.8**	**221.0**

1 Capital gain due to internal restructuring.
2 Impairment loss on shares in connection with dividend received at liquidation of a subsidiary.
3 Impairment losses 2016 for three subsidiaries have been recognized as a combination of adverse movements in foreign currency rates and negative underlying performance.

NOTE 46 *Taxes*

Statement of income

TAX EXPENSE

MSEK	2017	2016
Tax on income before taxes		
Current taxes	-0.9	-151.0
Deferred taxes	23.4	-46.2
Total tax expense	**22.5**	**-197.2**

The Swedish corporate tax rate was 22.0 percent in (22.0).

DIFFERENCE BETWEEN STATUTORY SWEDISH TAX RATE AND ACTUAL TAX EXPENSE FOR THE PARENT COMPANY

MSEK	2017	2016
Income before taxes according to the statement of income	**2 365**	**2 489**
Tax based on Swedish tax rate	-520	-548
Tax related to untaxed reserves	28	-53
Tax related to previous years / foreign withholding tax	-1	-1
Tax related to non-taxable income	663	413
Tax related to non-deductible expenses	-147	-8
Actual tax expense	**23**	**-197**

Tax related to non-taxable income in 2017 mainly relates to dividends from subsidiaries and divestiture of a subsidiary. Previous year tax related to non-taxable income mainly relates to dividends from subsidiaries. Tax related to non-deductible expenses in 2017 relates mainly to liquidation of a subsidiary. Previous year tax related to non-deductible expenses was mainly related to write-down of shares in subsidiaries.

Other comprehensive income

TAX ON OTHER COMPREHENSIVE INCOME

MSEK	2017	2016
Deferred tax on cash flow hedges	6.1	-4.9
Deferred tax on other comprehensive income	**6.1**	**-4.9**

Balance sheet

Deferred tax assets are attributable to employee related debt.

Tax loss carryforwards

The tax loss carryforwards for the Parent Company amounted to MSEK 0 (0) as of December 31, 2017.

NOTE 47 *Intangible assets[1]*

MSEK	2017	2016
Opening balance	245.9	226.6
Capital expenditures	42.4	19.3
Closing accumulated balance	**288.3**	**245.9**
Opening amortization	-135.3	-113.6
Amortization for the year	-23.5	-21.7
Closing accumulated amortization	**-158.8**	**-135.3**
Closing residual value	**129.5**	**110.6**

1 Mainly related to Securitas Guard Management System, which is a system used for communicating, coordinating, performing and reporting services. The estimated useful life is 15 years, based on how similar communication systems are used. The amortization rate is set to the corresponding period. Furthermore the brand name Securitas in one of the Group's countries of operations is included with MSEK 15.9 (15.9). The trademark is tested annually for impairment. Refer to note 17 section impairment testing for further information.

NOTE 48 *Machinery and equipment*

MSEK	2017	2016
Opening balance	52.5	45.2
Capital expenditures	8.2	7.3
Closing accumulated balance	**60.7**	**52.5**
Opening depreciation	-35.2	-30.3
Depreciation for the year	-5.4	-4.9
Closing accumulated depreciation	**-40.6**	**-35.2**
Closing residual value	**20.1**	**17.3**

NOTE 49 Shares in subsidiaries[1]

Subsidiary name	Corporate identity no.	Domicile	Number of shares 2017	*% of share capital/ voting rights 2017*	Book value 2017, MSEK	Book value 2016, MSEK
Alert Services Holding NV	0461.466.414	Brussels	–	–	–	576.4
Grupo Securitas Mexico S.A de C.V[2]	GSM930817U48	Monterrey	4 999	*99.98*	14.5	14.5
Ozon Project d.o.o	MBS 080689871	Zagreb	1	*100*	0.8	0.8
Protectas S.A.	CH-550-0084385-3	Lausanne	50 000	*100*	32.8	32.8
Securitas Argentina S.A.[3]	1587929	Buenos Aires	282 399	*20*	13.5	13.5
Securitas Asia Holding AB	556691-8800	Stockholm	100 000	*100*	286.0	259.0
Securitas BH d.o.o.	65-01-0503-11	Sarajevo	–	*100*	86.8	86.8
Securitas Biztonsági Szolgáltatások Magyarország Kft	Cg.01-09-721946	Budapest	–	*100*	22.1	17.8
Securitas Bulgaria Ltd	204820136	Sofia	200	*100*	0.0	–
Securitas Canada Ltd	454437-4	Toronto	4 004	*100*	85.6	85.6
Securitas CR sro	43872026	Prague	–	*100*	185.5	185.5
Securitas d.o.o.	80752800000	Ljubljana	–	*100*	0.1	–
Securitas Eesti AS	10188743	Tallinn	1 371	*100*	32.1	32.1
Securitas Egypt LLC	17556	Cairo	–	–	–	2.5
Securitas Fire & Safety Services SRL[4]	J40/13561/2007	Bucharest	1	*5*	0.0	0.0
Securitas Group Reinsurance DAC	317030	Dublin	2 000 000	*100*	576.5	576.5
Securitas Holding GmbH	HRB 33348	Düsseldorf	1	*100*	2 572.3	2 572.3
Securitas Holdings Inc.	95-4754543	Parsippany	100	*100*	2 208.0	2 208.0
Securitas Hrvatska d.o.o	MBS 080132523	Zagreb	1	*100*	177.5	121.6
Securitas Iberia Holding BV	34170899	Amsterdam	–	–	–	660.6
Securitas Intelligent Services AB	556655-4670	Stockholm	1 000	*100*	50.1	–
Securitas Invest AB	556630-3995	Stockholm	1 000	*100*	7.1	7.1
Securitas Middle East and Africa Holding AB	556771-4406	Stockholm	100 000	*100*	179.6	97.7
Securitas Montenegro d.o.o.	02387620	Niksic	–	*100*	0.8	0.8
Securitas Nordic Holding AB	556248-3627	Stockholm	1 000 000	*100*	9 269.5	9 269.5
Securitas NV[5]	0427.388.334	Brussels	8 238	*99.90*	941.8	272.8
Securitas Polska Sp. z o. o.	000036743	Warsaw	18 000	*100*	27.4	27.4
Securitas Rental AB	556376-3829	Stockholm	1 000	*100*	3.6	3.6
Securitas SA Holdings Pty Ltd	2008/028411/07	Johannesburg	–	–	–	55.6
Securitas Security Consulting Holding AB	556087-1468	Stockholm	1 000	*100*	91.0	91.0
Securitas Security Services Ireland Ltd	275069	Dublin	2 410 002	*100*	28.9	28.9
Securitas Seguridad Holding SL	B83446831	Madrid	7 023	*100*	8 042.8	8 042.8
Securitas Services d.o.o.	17487809	Belgrade	–	*100*	147.6	147.6
Securitas Services Holding U.K. Ltd	5759961	London	34 000 400	*100*	976.2	976.2
Securitas Services International BV	33287487	Amsterdam	25 000	*100*	2 345.3	1 535.1
Securitas Services Romania SRL	J40/2222/2001	Bucharest	21 980	*100*	49.5	49.5
Securitas Sicherheitsdienstleistungen GmbH	FN148202w	Vienna	–	*100*	92.3	92.3
Securitas SK sro[6]	36768073	Prievidza	–	*4.65*	0.8	0.8
Securitas Toolbox Ltd	316907	Dublin	100	*100*	0.0	0.0
Securitas Transport Aviation Security AB	556691-8917	Stockholm	5 100 000	*100*	272.6	272.6
Securitas Treasury Ireland Ltd	152440	Dublin	21 075 470	*100*	12 475.0	12 475.0
Securitas UAE LLC[7]	615702	Dubai	5 725	*49/51*	0.2	0.2
Tehnomobil d.o.o[8]	MBS 080011254	Zagreb	–	–	–	55.0
Total shares in subsidiaries					**41 296.2**	**40 947.8**

1 The main business in the subsidiaries is specialized guarding and mobile services, monitoring, technical solutions and consulting and investigations. The subsidiaries also comprise of the Group's internal bank, Securitas Treasury Ireland Ltd, as well as the Group's internal insurance company, Securitas Group Reinsurance DAC. A complete specification of the subsidiaries can be obtained from the Parent Company.
2 The remaining 0.02 percent of Grupo Securitas Mexico S.A de C.V are held by Securitas Rental AB.
3 The remaining 80 percent of Securitas Argentina S.A. are held by Securitas Seguridad Holding SL.
4 The remaining 95 percent of Securitas Fire & Safety Services SRL are held by Securitas Services Romania SRL.
5 The remaining 0.1 percent of Securitas NV are held by Securitas Rental AB.
6 The remaining 95.35 percent of Securitas SK sro are held by Securitas CR sro.
7 Securitas AB appoints the majority of the Board of Directors and has a controlling interest through a shareholders' agreement.
8 Tehnomobil d.o.o. have merged during the year with Securitas Hrvatska d.o.o.

CHANGE ANALYSIS OF SHARES IN SUBSIDIARIES

MSEK	2017	2016
Opening balance	40 947.8	37 282.1
Acquisitions[1]	0.2	673.7
Divestitures[2]	-634.5	-36.9
Liquidation[3]	-660.6	–
Capital contributions	1 642.4	3 070.8
Impairment losses[4]	–	-30.9
Revaluation of deferred considerations	0.9	-11.0
Closing balance	**41 296.2**	**40 947.8**

1 Acquisition relates to Securitas Intelligent Services AB and incorporation of Securitas Bulgaria Ltd and Securitas d.o.o. in Slovenia.
2 Divestiture of Alert Services Holding NV and Securitas SA Holdings Pty Ltd to Group companies and Securitas Egypt LLC to an external party.
3 Liquidation of Securitas Iberia Holding BV, whereof cash received amounts to MSEK 1.5.
4 Impairment losses 2016 for three subsidiaries have been recognized as a combination of adverse movements in foreign currency rates and negative underlying performance.

NOTE 50 Shares in associated companies

HOLDINGS 2017 AND 2016

Company	Domicile	*Share in equity, %*	*Voting rights, %*	Book value, MSEK
Walsons Services Pvt Ltd	Delhi	*49*	*49*	112.1
Holdings 2017				**112.1**
Walsons Services Pvt Ltd	Delhi	*49*	*49*	112.1
Holdings 2016				**112.1**

NOTE 51 Prepaid expenses and accrued income

MSEK	2017	2016
Prepaid software licenses and support costs	4.9	8.2
Prepaid insurance premiums	1.0	1.1
Other prepaid expenses	7.1	19.9
Accrued income	–	4.0
Total prepaid expenses and accrued income	**13.0**	**33.2**

NOTE 52 Liquid funds

Liquid funds include short-term investments with a maximum duration of 90 days that are readily convertible to a known amount of cash and subject to an insignificant risk of change in value. Liquid funds also include cash and bank deposits. Short-term investments refer to fixed interest rate bank deposits.

In the Parent Company's balance sheet, utilized internal credits in the Swedish cash-pool account are reported under the Group account bank overdraft.

NOTE 53 Shareholders' equity

Number of shares outstanding December 31, 2017

			MSEK
Series A	17 142 600	each share with a quota value of SEK 1.00	17.1
Series B	347 916 297	each share with a quota value of SEK 1.00	348.0
Total	**365 058 897**		**365.1**

The number of Series A and Series B shares is unchanged in relation to December 31, 2016. As of December 31, 2017 there were no outstanding convertible debenture loans that could result in any dilution of the share capital.

Each Series A share carries ten votes and each Series B share one vote. This is the only difference between the two series of shares.

Shareholders with more than 10 percent of the votes

The principal shareholders are Gustaf Douglas, who through family and the companies within the Investment AB Latour Group holds 10.9 percent of the capital and 29.6 percent of the votes, and Melker Schörling, who through family and Melker Schörling AB holds 5.4 percent of the capital and 11.6 percent of the votes.

Proposed allocation of earnings

The statements of income and the balance sheets of the Parent Company and the Group are subject to adoption by the Annual General Meeting on May 2, 2018.

RETAINED EARNINGS IN THE PARENT COMPANY AVAILABLE FOR DISTRIBUTION

	MSEK[1]
Hedging reserve	-3.9
Retained earnings	17 496.2
Net income for the year[2]	2 387.3
Total	**19 879.6**

THE BOARD OF DIRECTORS PROPOSED THAT THE EARNINGS ARE ALLOCATED AS FOLLOWS

	MSEK[1]
a dividend to the shareholders of SEK 4.00 per share	1 460.2
retained earnings to be carried forward	18 419.4
Total	**19 879.6**

1 Refer to the Report of the Board of Directors for the proposed allocation of earnings in SEK and for the Board's statement on the proposed dividend.
2 Includes Group contributions to subsidiaries of MSEK 17.1.

Share-based incentive scheme

Securitas' share-based incentive scheme has had the following impact on retained earnings:

MSEK	2017	2016
Swap agreement[1, 2]	-149.8	-117.7
Redemption of previous year's swap agreement[1]	117.7	93.2
Share-based remuneration to employees[3]	9.0	7.1
Settlement of previous year's share-based remuneration to employees[3]	-7.1	-6.1
Total	**-30.2**	**-23.5**

1 Related to the whole Group's share-based incentive scheme.
2 The number of shares that have been hedged in this swap agreement amount to a total of 1 079 190 (903 015) and have been allotted to the participants during the first quarter 2018, provided that they were still employed by the Group at that time.
3 Related to share-based remuneration for Securitas AB's employees only.

NOTE 54 Untaxed reserves

MSEK	2017	2016
Accumulated depreciation and amortization in excess of plan	22.8	22.8
Tax allocation reserve	100.5	228.1
Total untaxed reserves	**123.3**	**250.9**

NOTE 55 Long-term liabilities

LONG-TERM LIABILITIES FALL DUE FOR PAYMENT AS FOLLOWS

MSEK	2017	2016
Maturity < 5 years	9 755.8	9 417.8
Maturity > 5 years	3 445.6	3 431.3
Total long-term liabilities	**13 201.4**	**12 849.1**

NOTE 56 Accrued expenses and prepaid income

MSEK	2017	2016
Employee-related items	51.5	56.7
Accrued interest expenses	175.2	226.1
Other accrued expenses	28.7	24.8
Total accrued expenses and prepaid income	**255.4**	**307.6**

NOTE 57 Pledged assets

MSEK	2017	2016
Pension balances, defined contribution plans	124.1	117.0
Total pledged assets	**124.1**	**117.0**

NOTE 58 Contingent liabilities

MSEK	2017	2016
Guarantees	6.8	22.7
Guarantees related to discontinued operations	15.3	15.6
Total contingent liabilities[1]	**22.1**	**38.3**

1 Guarantees on behalf of subsidiaries are disclosed in note 41.

Note
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58

The Board of Directors and the President declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The statutory administration report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

The Board of Directors and the President also submit Securitas AB's Sustainability Report for 2017. The sustainability report describes the Group's work with regards to economic, environmental and social aspects. The report is prepared according to the Sustainability Reporting Standards, issued by Global Reporting Initiative (GRI).

The statements of income and balance sheets of the Parent Company and the Group are subject to adoption by the Annual General Meeting on May 2, 2018.

Stockholm, March 15, 2018

Marie Ehrling
Chairman

Carl Douglas
Vice Chairman

Ingrid Bonde
Director

John Brandon
Director

Anders Böös
Director

Fredrik Cappelen
Director

Sofia Schörling Högberg
Director

Dick Seger
Director

Susanne Bergman Israelsson
Director
Employee Representative

Åse Hjelm
Director
Employee Representative

Jan Prang
Director
Employee Representative

Magnus Ahlqvist
President and Chief Executive Officer

Our report has been submitted on March 15, 2018
PricewaterhouseCoopers AB

Patrik Adolfson
Authorized Public Accountant
Auditor in charge

Madeleine Endre
Authorized Public Accountant

Auditor's report

(This is a translation of the Swedish original. For any interpretation the Swedish version prevail)

To the general meeting of the shareholders of Securitas AB (publ), corporate identity 556302-7241

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Securitas AB (publ) for the year 2017 except for the corporate governance statement on pages 24–45. The annual accounts and consolidated accounts of the company are included on pages 49–126 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of December 31, 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 24–45. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of my (our) knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Securitas' business consists of performing various security services. Its customers differ in size and operate in diverse segments and businesses. The Group has arisen through acquisitions and contracts with customers. Operations are conducted in some 55 countries. The business is labor intensive, and the number of employees amounts to more than 345 000 people.

- In the Group audit, we focused on the operations of the Parent Company and the 12 most significant reporting units. These units account for approximately 77 percent of net income, 90 percent of operating profit and 58 percent of the Group's assets. For the seven largest entities and the Parent Company, our audit activities encompassed a limited review of the half-yearly report as of June 30, an assessment of key controls related to financial reporting according to Securitas' framework, early warning of the closing on September 30 prior to the year-end closing, and an audit of the year-end closing as a basis for the Group's consolidated financial closing. For the other entities, our audit focused on internal control over financial reporting and the year-end closing.
- During the year, the auditor in charge, the co-signer and members of the audit team visited some 12 countries in order to gain a further understanding of the operations in these countries, perform an overall review of the financial reporting based on the Group's accounting principles and evaluate compliance with Securitas' framework for internal control. Some of these countries are included in the audit procedures described above, and are also subject to a statutory audit. The countries visited account for approximately 10 percent of the Group's net income.

For other reporting units, analytical audit procedures are performed as a part of the audit of the consolidation. In addition to this, statutory audit procedures are performed in some 27 countries or entities, corresponding to 19 percent of net income, 7 percent of operating profit and 29 percent of the Group's assets. The statutory audit has in most cases not been completed prior to signing the audit opinion for the group. The outcome of the statutory audits are reported separately to Securitas in connection with the review of half-yearly report. As this is not deemed to be material, is not used as support in the audit of the financial closing for the group. The outcome is used in the planning of the audit in order to follow up on any significant matters noted for any reporting unit regarding financial reporting or internal control.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter

Key audit matter

Audit of impairment testing of goodwill and other acquisition related intangible assets

We refer to Note 4 Critical estimates and judgments, Note 16 Acquisitions and divestitures of subsidiaries and Note 17 Goodwill and impairment testing. In Note 17, information regarding the sensitivity analysis performed with regards to which adjustment of assumptions made would trigger an impairment of goodwill.

Goodwill and other acquisition related intangible assets, including customer relations, amount to MSEK 19 892, and are as such a significant portion of Securitas' consolidated balance sheet per December 31, 2017 corresponding to 40% of the total assets. The balance sheet item is subject to management's assessments and assumptions, and with regards to the significance and complexity in the assessment of the value of the balance sheet item, also considered as a key audit matter in the audit.

Securitas annually performs a test to assess the value of goodwill and if there is any need for impairment if the book value of the assets exceeds the calculated fair value according to the test.

Securitas has an established process to test the valuation, based on the identified cash generating units (CGU), as described in note 17. For 2017, there was 54 identified cash generating units.

Securitas process implies that they prepare the impairment test based on business plans, financial plans and prognosis for the five immediate years. The cash flows from the years beyond the five immediate years are extrapolated based on the business plan. The process therefore contains assumptions that have a significant impact on the impairment test. This includes assumptions on sales growth, margin development and discount rate (WACC). These parameters are as such affected by unexpected future market or economic conditions, particularly those relating to the cash flow forecast and the applied discount rate.

The value according to the test correspond to the value of discounted cash flow for identified cash generating units. Even if a unit passes the impairment test, a future negative development compared to the assumptions and assessments that constituted the basis for the test, can imply that there is a need for an impairment write-down. The risk for an impairment is larger for the recently acquired entities, and for entities that currently perform worse in comparison with the approved business plan.

Other acquisition related intangible assets are subject to depreciations according to plan. For these assets, an impairment test is performed if it can be assumed that the value of the assets have reduced so that an impairment may be necessary.

Securitas conclusion, based on the best assessment and the information available at the time of preparing the annual impairment test, is that there is no need for impairment related to the assets mentioned above per December 31, 2017.

How our audit addressed the Key audit matter

When testing for impairment of goodwill and other acquisition-related intangible assets, in order to ensure primarily the valuation and accuracy, we have performed audit procedures including:

- Evaluation of the assumptions as disclosed in note 17 as well as that the model used are in accordance with IFRS, we used PwC valuation experts to test and evaluate the models and methodology used, as well as the significant assumptions.
- On a sample basis we have tried, verified, evaluated and challenged the data used in the calculation versus the Company's long term plans and where possible external information. We have focused on assessed growth rates, margin developments and discount rate applied per cash generating unit. We also followed-up the accuracy and inherent quality of the Company's process to prepare business plans and financial plans based on the historic outcome.
- Control of the sensitivity in the valuation for negative changes to key assumptions, that either individually or collectively could imply an impairment of goodwill.
- Assessment of that the disclosures provided in the financial statements are correct based on the impairment test performed, particularly for information on the sensitivity in the valuations.
- Comparison of the disclosures in the annual report to the requirement of IAS 36 and found them to be consistent in all material aspects.

The relative high number of CGUs implies an increased sensitivity for impairment. This, in particular, regard smaller or recently acquired entities, compared with if the entities would be assessed on a collective basis with other entities.

Observations have been discussed with the company. Based on our audit, it is however our conclusion that Securitas' assumptions are such that they are within an acceptable interval, and that the information included in note 17 manage the requirement for disclosures regarding assumptions and risks, for which a low change in assumptions imply, or can imply, a need for impairment.

Key audit matter	**How our audit addressed the Key audit matter**
Valuation of provisions related to disputes, and disclosures on contingent liabilities *We refer to note 4 Critical estimates and judgments, and note 37 Contingent liabilities.* Subsidiaries within the Group are involved in a number of legal proceedings and related matters. These legal disputes include litigations in various countries, for example, Estrela Azul (Brazil) and Mutua (Spain). The key assumption is management's assessment of the future outcome of the ongoing proceedings and exposures, which directly affects the valuation of these matters and the disclosures provided in the financial reports. The company consults external legal advisors regarding significant queries relating to these matters. The future outcome of the matters, and the accounting effects thereof, are based on assessments and complex legal matters which may take time to finally solve. The risk primarily regards the valuation of the outcome of these cases. As a part of our audit, we have considered the ongoing matters and disputes given the inherent subjectivity and uncertainty regarding the final outcome. Securitas has an established routines whereby the Group's Chief Legal Officer reports each quarter on the development of and significant events related to these matters to the CEO and audit committee. This report is also sent to the Board of Directors.	In our audit, we examined the accuracy and valuation of the aforementioned matters. Securitas has a documented assessment of the outcome of the ongoing cases and exposures, and monitors these on a continuous basis, assisted by both in-house legal counsel and external lawyers. A follow-up is conducted at both the local and Group level. We have discussed these assumptions with the company's in-house legal counsel, and with Group legal for some of the more significant cases. We have evaluated the assessments and estimates made by management with regard to the existing disputes and exposures. This was performed based on documentation of the individual matters, the historical outcome of similar cases and statements from external legal advisors regarding disputes, contingent liabilities and other exposures of which they are aware, or for which they are supporting or representing Securitas. As outlined in the financial statements, the outcome of such matters are dependent on the future outcome of continuing legal and regulatory procedures. As such, calculations of provisions are subject to inherent uncertainty. We have not noted any inconsistencies in the documentation that we have received and examined, or that the disclosures provided did not correspond to the requirements in IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Key audit matter	**How our audit addressed the Key audit matter**
Valuation of provisions for tax-related matters *We refer to note 4 Critical estimates and judgments, and note 15 Taxes.* Companies within the Group are involved in tax-related matters and tax audits. This includes, inter alia, the ongoing tax audits in the US and Spain. The key assumption is management's assessment of the future outcome of the ongoing proceedings and exposures, which directly affects the valuation of these matters, and the disclosures provided in the financial reports. The risk primarily regards the valuation of the outcome of these cases. As a part of our audit, we considered the tax cases, given the inherent subjectivity and uncertainty related to the final outcome. The company consults external legal advisors and tax advisors for significant queries. The future outcome of the matters, and the accounting effects thereof, are based on assessments and complex legal matters which may take time to finally solve. The risk primarily regards the valuation of the outcome of these cases. As a part of our audit, we have considered the ongoing matters and disputes given the inherent subjectivity and uncertainty regarding the final outcome.	In our audit, we checked the accuracy and valuation of these matters. Securitas has a documented assessment of the outcome of the ongoing matters and exposures, and monitors these on an ongoing basis. The audit procedures performed include, for example: • Discussion of these matters with the company's in-house tax counsel for some of the more significant matters. • Examination of Securitas' tax calculations and application of tax regulations. • Evaluation of the assessments and estimates made by management with regard to the existing tax disputes and ongoing tax audits. This was based on the historical outcome of similar cases and statements from external legal advisors regarding disputes, contingent liabilities and other exposures of which they are aware or for which they are supporting or representing Securitas. • Review of the written communication between the company and the tax authorities with regard to ongoing tax audits. For these cases, we also consulted PwC tax experts, who participated in our audit. As disclosed in the financial statements, the outcome of these matters are dependent on the future outcome of legal procedures, and associated with an inherent uncertainty. Thus, the calculations of the provisions are subject to inherent uncertainty. We have not noted any inconsistencies in the documentation that we have received and examined, or that the disclosures provided did not correspond to the requirements in IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Key audit matter	How our audit addressed the Key audit matter
Routines and processes including accounting of employee-related expenses and pension and medical plans *We refer to note 4 Critical estimates and judgments, note 8 Remuneration to the Board of Directors and senior management, note 12 Personnel, note 31 Provisions for pensions and similar commitments as well as note 32 Other long-term provisions, note 34 Other current liabilities and note 35 Short-term provisions.* Securitas has more than 345 000 employees in its subsidiaries. The Group's employee-related expenses mainly regard salaries and payroll overhead, including social charges and employers' contributions as well as other short-term remuneration, including holiday pay and variable compensation. Employee-related expenses amount to approximately BSEK 72, corresponding to 82 percent of operating costs. This is thus the most significant cost item in Securitas' consolidated income statement. The related costs consist of both salaries and other remuneration, including variable compensation and directly related taxes and social contributions. In addition to this, Securitas is responsible for, or its employees participate in, a number of pension plans and plans implying medical benefits to employees, including the Affordable Care Act plan in the US operations. For these plans, Securitas has an obligation, which is recognized as liability. The risk refers partly to the completeness of these items, meaning that they are correctly calculated, properly cut off and valued. There is also an inherent complexity in the management of payroll when various groups of empolyees are under different employment contracts and collective agreements, which in itself gives rise to differences in how salaries, other remuneration and benefits should be calculated, and which actuarial assumptions are to be used regarding the plans. Securitas' internal control framework includes specific controls on the management of payroll and personnel costs to ensure that proper salaries and remuneration and attributable taxes and charges are paid.	In order to be able to pay salaries to more than 345 000 employees on a monthly basis, or in some cases more frequently, there must be well-functioning routines and processes in place in order to calculate and control the salaries and remuneration to be paid. Our audit is therefore based both on an evaluation of the internal control environment and on other analytical procedures, including system-based analysis of certain balance sheet and income statement items for selected subsidiaries, and detailed testing. These subsidiaries correspond to some 58 percent of the employee-related costs and have approximately 208 000 employees. The basis for the evaluation of internal control has been Securitas' internal control framework for financial reporting. The testing of controls and amounts has been performed on a sample basis. Our audit procedures have, inter alia, included: • Reconciling significant accruals and/or provisions regarding, for example, holiday pay, accrued salaries, taxes and social charges with system-generated support and calculations and estimates made by management. • Auditing of employee-related costs, including plans, using analytical procedures with regard to changes in costs in the income statement, accruals and provisions compared with our knowledge and understanding and use of systems based data analysis. • With regards to pension and medical plans, we have audited significant supporting assumptions, assessed historical outcome and assessed the reasonability of management's estimates. Wherever possible, we also verified this information with external support, including reports from independent and external actuaries. Based on our audit, no significant observations have been noted which have resulted in reporting to the audit committee. Our overall conclusion is that there are, in all material respects, proper processes in place to manage and account for payroll and employee-related expenses.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–23, 46–47 and 132–136. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the President and CEO are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the President and CEO are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the President and CEO intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Securitas AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the President and CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The President and CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the President and CEO in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

PricewaterhouseCoopers AB was appointed the auditor of Securitas ABs (publ) by the annual general meeting on May 3, 2017, and has been the auditor of the company since 1987.

Stockholm, March 15, 2018
PricewaterhouseCoopers AB

Patrik Adolfson
Authorised public accountant
Auditor in charge

Madeleine Endre
Authorised public accountant

Statement of income 2017[1]

MSEK	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Sales	22 136.1	22 897.3	22 534.2	23 911.5
Sales, acquired business	354.5	133.8	116.7	112.7
Total sales	**22 490.6**	**23 031.1**	**22 650.9**	**24 024.2**
Organic sales growth, %	*4*	*3*	*5*	*6*
Production expenses	-18 610.5	-18 977.7	-18 655.6	-19 707.8
Gross income	**3 880.1**	**4 053.4**	**3 995.3**	**4 316.4**
Selling and administrative expenses	-2 837.3	-2 934.3	-2 778.8	-3 063.8
Other operating income	5.7	5.9	6.3	5.9
Share in income of associated companies	2.6	6.6	7.0	5.8
Operating income before amortization	**1 051.1**	**1 131.6**	**1 229.8**	**1 264.3**
Operating margin, %	*4.7*	*4.9*	*5.4*	*5.3*
Amortization of acquisition related intangible assets	-62.8	-61.2	-58.9	-72.2
Acquisition related costs	-4.0	-8.4	-7.3	-28.7
Operating income after amortization	**984.3**	**1 062.0**	**1 163.6**	**1 163.4**
Financial income and expenses	-102.3	-93.7	-86.2	-93.4
Income before taxes	**882.0**	**968.3**	**1 077.4**	**1 070.0**
Net margin, %	*3.9*	*4.2*	*4.8*	*4.5*
Current taxes	-211.7	-256.4	-266.6	-209.7
Deferred taxes	-46.8	-21.7	-31.2	-216.2
Net income for the period	**623.5**	**690.2**	**779.6**	**644.1**
Whereof attributable to:				
Equity holders of the Parent Company	624.7	688.2	779.9	642.8
Non-controlling interests	-1.2	2.0	-0.3	1.3
Earnings per share before and after dilution (SEK)	1.71	1.89	2.14	1.76
Earnings per share before and after dilution and before items affecting comparability (SEK)	1.71	1.89	2.14	2.10

Statement of cash flow 2017[1]

MSEK	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Operating income before amortization	**1 051.1**	**1 131.6**	**1 229.8**	**1 264.3**
Investments in non-current tangible and intangible assets	-391.6	-423.4	-374.3	-514.6
Reversal of depreciation	332.2	341.4	332.0	355.8
Change in accounts receivable	324.7	-169.4	-661.1	56.9
Change in other operating capital employed	-944.1	-26.6	272.4	650.2
Cash flow from operating activities	**372.3**	**853.6**	**798.8**	**1 812.6**
Cash flow from operating activities, %	*35*	*75*	*65*	*143*
Financial income and expenses paid	-306.4	-39.3	-39.7	-40.2
Current taxes paid	-311.9	-403.4	-140.6	-266.3
Free cash flow	**-246.0**	**410.9**	**618.5**	**1 506.1**
Free cash flow, %	*-33*	*53*	*71*	*157*
Cash flow from investing activities, acquisitions	-107.0	-121.2	-56.9	-18.5
Cash flow from financing activities	406.0	308.8	-1 023.5	-434.0
Cash flow for the period	**53.0**	**598.5**	**-461.9**	**1 053.6**

Capital employed and financing 2017[1]

MSEK	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
Operating capital employed	**7 570.7**	**7 835.6**	**7 820.8**	**7 271.0**
Operating capital employed as % of sales	*8*	*9*	*9*	*8*
Return on operating capital employed, %	*64*	*64*	*64*	*67*
Goodwill	19 251.5	18 944.2	18 361.9	18 719.1
Acquisition related intangible assets	1 342.9	1 276.5	1 213.7	1 172.8
Shares in associated companies	422.5	404.5	406.1	419.8
Capital employed	**28 587.6**	**28 460.8**	**27 802.5**	**27 582.7**
Return on capital employed, %	*16*	*16*	*17*	*17*
Net debt	**-13 682.7**	**-14 539.3**	**-13 606.0**	**-12 332.5**
Shareholders' equity	**14 904.9**	**13 921.5**	**14 196.5**	**15 250.2**
Net debt equity ratio, multiple	*0.92*	*1.04*	*0.96*	*0.81*

1 For definitions and calculation of key ratios refer to note 3.

Statement of income 2016[1]

MSEK	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Sales	20 108.5	20 733.8	21 461.9	22 721.8
Sales, acquired business	505.9	783.1	853.5	993.9
Total sales	**20 614.4**	**21 516.9**	**22 315.4**	**23 715.7**
Organic sales growth, %	*8*	*8*	*7*	*5*
Production expenses	-17 079.6	-17 754.7	-18 376.0	-19 476.5
Gross income	**3 534.8**	**3 762.2**	**3 939.4**	**4 239.2**
Selling and administrative expenses	-2 548.0	-2 687.1	-2 723.9	-3 011.8
Other operating income	4.6	5.1	5.2	5.6
Share in income of associated companies	4.4	6.9	9.4	7.5
Operating income before amortization	**995.8**	**1 087.1**	**1 230.1**	**1 240.5**
Operating margin, %	*4.8*	*5.1*	*5.5*	*5.2*
Amortization of acquisition related intangible assets	-66.0	-69.0	-65.9	-86.8
Acquisition related costs	-20.1	-20.6	-25.6	-46.3
Operating income after amortization	**909.7**	**997.5**	**1 138.6**	**1 107.4**
Financial income and expenses	-83.6	-98.0	-101.9	-106.1
Income before taxes	**826.1**	**899.5**	**1 036.7**	**1 001.3**
Net margin, %	*4.0*	*4.2*	*4.6*	*4.2*
Current taxes	-204.5	-209.6	-248.8	-219.4
Deferred taxes	-40.9	-57.4	-59.2	-77.9
Net income for the period	**580.7**	**632.5**	**728.7**	**704.0**
Whereof attributable to:				
Equity holders of the Parent Company	579.7	632.1	729.1	701.1
Non-controlling interests	1.0	0.4	-0.4	2.9
Earnings per share before and after dilution (SEK)	1.59	1.73	2.00	1.92

Statement of cash flow 2016[1]

MSEK	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Operating income before amortization	**995.8**	**1 087.1**	**1 230.1**	**1 240.5**
Investments in non-current tangible and intangible assets	-324.9	-542.3	-382.5	-408.6
Reversal of depreciation	282.2	284.1	325.8	336.9
Change in accounts receivable	-187.0	-356.2	-199.2	-296.9
Change in other operating capital employed	-591.5	100.2	160.2	285.3
Cash flow from operating activities	**174.6**	**572.9**	**1 134.4**	**1 157.2**
Cash flow from operating activities, %	*18*	*53*	*92*	*93*
Financial income and expenses paid	-192.9	-37.1	-38.0	-33.4
Current taxes paid	-208.5	-321.2	-227.6	-259.4
Free cash flow	**-226.8**	**214.6**	**868.8**	**864.4**
Free cash flow, %	*-32*	*28*	*99*	*94*
Cash flow from investing activities, acquisitions	-3 199.8	-180.8	-80.7	-105.2
Cash flow from items affecting comparability	-3.2	-5.6	-6.5	-1.4
Cash flow from financing activities	4 166.8	-684.3	-599.8	-736.9
Cash flow for the period	**737.0**	**-656.1**	**181.8**	**20.9**

Capital employed and financing 2016[1]

MSEK	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Operating capital employed	**5 918.4**	**6 405.4**	**6 487.5**	**6 784.0**
Operating capital employed as % of sales	*7*	*7*	*7*	*8*
Return on operating capital employed, %	*79*	*79*	*80*	*80*
Goodwill	17 997.8	18 623.9	18 959.0	19 379.6
Acquisition related intangible assets	1 427.0	1 433.2	1 398.8	1 356.1
Shares in associated companies	359.2	379.2	396.0	419.5
Capital employed	**25 702.4**	**26 841.7**	**27 241.3**	**27 939.2**
Return on capital employed, %	*16*	*16*	*16*	*16*
Net debt	**-13 150.4**	**-14 578.3**	**-13 945.8**	**-13 431.3**
Shareholders' equity	**12 552.0**	**12 263.4**	**13 295.5**	**14 507.9**
Net debt equity ratio, multiple	*1.05*	*1.19*	*1.05*	*0.93*

1 For definitions and calculation of key ratios refer to note 3.

The Securitas Share

At year-end, the closing price of the Securitas share on Nasdaq Stockholm was SEK 143.20, corresponding to a market capitalization of MSEK 49 822 (49 891). Earnings per share was SEK 7.49 (7.24), which represented a total change of 3 percent compared with 2016, and 4 percent when adjusted for changes in exchange rates. EPS before items affecting comparability was SEK 7.83, which represented a total change of 8 percent compared with 2016, and 9 percent when adjusted for changes in exchange rates. The Board of Directors proposes that a dividend of SEK 4.00 (3.75) per share be paid to shareholders.

Performance of the share in 2017

At year-end, the closing price of the Securitas share was SEK 143.20 (143.40). The share price remained unchanged in 2017, compared with the OMX Stockholm Price index, which increased 6 percent. The highest price paid for a Securitas share in 2017 was SEK 151.80, which was noted on June 20, and the lowest price paid was SEK 125.30, which was noted on September 6.

Trading

A total of 339 million (327) Securitas shares were traded on Nasdaq Stockholm, representing a value of MSEK 47 168 (43 148). The turnover velocity in 2017 was 96 percent (92), compared with a turnover rate of 48 percent (69) for the entire Nasdaq Stockholm. The average number of Securitas shares traded each day was 1 351 700.

The trading on Nasdaq Stockholm represented 40 percent of all traded Securitas shares in all categories of venues in 2017 (includes, for example BATS Chi-X Europe, Turquoise as well as dark pools and off-book).

Share capital and shareholder structure

At December 31, 2017, the share capital amounted to SEK 365 058 897, distributed between an equal number of shares, each with a quota value of SEK 1.00. Of these shares, 17 142 600 are Series A shares and 347 916 297 are Series B shares. Each Series A share carries ten votes and each Series B share carries one vote. The free float of the Securitas share is 88 percent.

At December 31, 2017, Securitas had 33 913 shareholders (31 221). In terms of the number of shareholders, private individuals make up the largest shareholder category with 29 684 shareholders, corresponding to 88 percent of the total number of shareholders. In terms of capital and votes, institutional and other corporate entities dominate with 96 and 97 percent, respectively.

Shareholders based in Sweden hold 53 percent of the capital and 67 percent of the votes. Compared with 2016, the proportion of foreign shareholders in the shareholder base has decreased. At December 31, 2017, shareholders outside Sweden owned 47 percent (52) of the capital and 33 percent (36) of the votes. The largest shareholdings held by foreign shareholders are in the UK and the US, with 13 percent of the capital and 9 percent of the votes in the UK and 12 percent of the capital and 9 percent of the votes in the US. Foreign shareholders are not always recorded in the share register. Foreign banks and other custodians may be recorded for multiple customers' shares and the actual owners are then not displayed in the register.

At December 31, 2017, the principal shareholders in Securitas were Gustaf Douglas, who through his family and Investment AB Latour Group holds 10.9 percent (10.9) of the capital and 29.6 percent (29.6) of the votes, and Melker Schörling, who through his family and the company Melker Schörling AB holds 5.4 percent (5.4) of the capital and 11.6 percent (11.6) of the votes. These shareholders are represented on the Board of Directors by Carl Douglas and Sofia Schörling Högberg.

Dividend policy and cash dividend

With a balanced growth strategy comprising both organic and acquisition-driven growth and continued investments in security solutions and electronic security, Securitas should be able to sustain a dividend level in the range of 50–60 percent of the annual net income. The Board of Directors proposes a dividend of SEK 4.00 (3.75) per share, corresponding to 53 percent of net income and 51 percent of net income before items affecting comparability. Based on the share price at the end of 2017, the dividend yield for 2017 amounted to 2.8 percent.

Authorization to repurchase shares in Securitas AB

The 2017 Annual General Meeting resolved to authorize the Board of Directors to resolve upon the acquisition of the company's own shares up to a maximum of 10 percent of the outstanding shares and for a period up to the Annual General Meeting in 2018.

Securitas share in brief

Series B Securitas shares are traded on Nasdaq Stockholm, part of Nasdaq Nordic, and on other trading venues such as BATS Chi-X Europe. Securitas is listed on Nasdaq Stockholm on the Large Cap List for companies, which includes large companies with a market capitalization of more than MEUR 1 000, and is included in the Industrial Goods & Services sector. The ISIN code for the Securitas share on Nasdaq Stockholm is SE0000163594. The ticker code for the Securitas share is SECU B on Nasdaq Stockholm, SECUB:SS on Bloomberg and SECUb.ST on Reuters. Securitas has been listed on the stock exchange since 1991.

DATA PER SHARE

SEK/share	2017	2016	2015	2014	2013
Earnings per share[4, 5]	7.83[1]	7.24	6.67	5.67	5.07
Dividend	4.00[2]	3.75	3.50	3.00	3.00
Dividend as % of earnings per share	*51*[3]	*52*	*52*	*53*	*59*
Yield, %	*2.8*[3]	*2.6*	*2.7*	*3.2*	*4.4*
Free cash flow per share	6.27	4.71	5.93	5.08	5.72
Share price at end of period	143.20	143.40	130.00	94.45	68.35
Highest share price	151.80	152.90	135.00	95.80	75.00
Lowest share price	125.30	110.00	90.10	65.20	55.30
Average share price	139.07	132.01	115.80	76.94	64.68
P/E ratio	18	20	19	17	13
Number of shares outstanding (000s)[4]	365 059	365 059	365 059	365 059	365 059
Average number of shares outstanding (000s)[4]	365 059	365 059	365 059	365 059	365 059

1 Calculated excluding items affecting comparability.
2 Proposed dividend.
3 Calculated on proposed dividend.
4 There are no outstanding convertible debenture loans. Consequently, there is no potential dilution.
5 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.

LARGEST SHAREHOLDERS AT DECEMBER 31, 2017

Shareholder	Series A shares	Series B shares	*% of capital*	*% of votes*
Gustaf Douglas via companies and family[1]	12 642 600	27 190 000	*10.9*	*29.6*
Melker Schörling via company and family[2]	4 500 000	15 241 800	*5.4*	*11.6*
AMF	0	14 719 117	*4.0*	*2.8*
Lannebo Funds	0	11 471 092	*3.1*	*2.2*
Swedbank Robur Funds	0	11 316 545	*3.1*	*2.2*
Prudential Assurance Co Ltd	0	9 869 238	*2.7*	*1.9*
SEB Investment Management	0	8 330 609	*2.3*	*1.6*
Skandia	0	6 557 945	*1.8*	*1.3*
Banque Internationale Luxembourg S.A.	0	6 121 000	*1.7*	*1.2*
JPM Chase	0	4 966 959	*1.4*	*1.0*
Total, ten largest shareholders	**17 142 600**	**115 784 305**	***36.4***	***55.4***
Total, rest of owners	**0**	**232 131 992**	***63.6***	***44.6***
Total as of December 31, 2017	**17 142 600**	**347 916 297**	***100.00***	***100.00***

1 Includes the holdings of family members and Investment AB Latour Group.
2 Includes the holdings of family members and Melker Schörling AB.

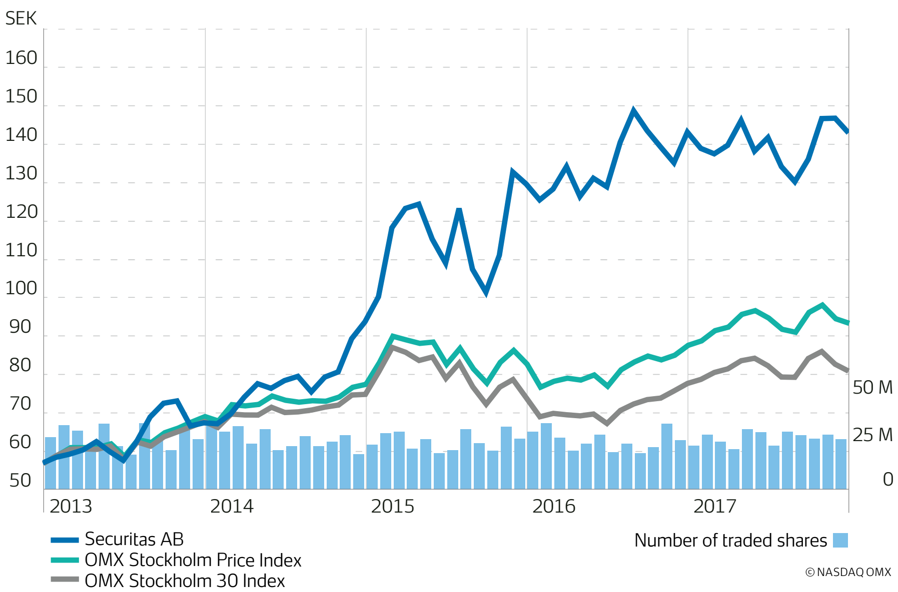
Source: Euroclear Sweden

SHAREHOLDER SPREAD AT DECEMBER 31, 2017

Number of shares	Number of shareholders	Number of Series A shares	Number of Series B shares	*% of capital*	*% of votes*
1-500	25 218	0	3 442 057	*0.94*	*0.66*
501-1 000	3 611	0	2 979 075	*0.82*	*0.57*
1 001-5 000	3 557	0	8 209 558	*2.25*	*1.58*
5 001-10 000	526	0	3 937 148	*1.08*	*0.76*
10 001-15 000	172	0	2 209 409	*0.61*	*0.43*
15 001-20 000	124	0	2 243 109	*0.61*	*0.43*
20 001-	705	17 142 600	324 895 941	*93.69*	*95.57*
Total	**33 913**	**17 142 600**	**347 916 297**	***100.00***	***100.00***

Source: Euroclear Sweden

Share prices for Securitas, January 1 – December 31, 2013–2017



Definitions

Free cash flow per share: Free cash flow in relation to the number of shares outstanding.

Market capitalization: The number of shares outstanding times the market price of the share price at year-end.

P/E ratio (Price/Earnings): The share price at the end of each year relative to earnings per share after taxes.

Turnover velocity: Turnover during the year relative to the average market capitalization during the same period.

Yield: Dividend relative to share price at the end of each year. For 2017, the proposed dividend is used.

Financial Information and Invitation to the Annual General Meeting

Reporting dates

Securitas will release financial information for 2018 as follows:

Interim Reports 2018	
January – March	May 2, 2018
January – June	July 27, 2018
January – September	October 26, 2018
January – December	February 7, 2019

Financial information

All financial information is available both in English and in Swedish and may be requested from:

Securitas AB
Investor Relations
P.O. Box 12307
SE-102 28 Stockholm
Sweden

Telephone: +46 10 470 30 00
E-mail: ir@securitas.com
www.securitas.com

Investor Relations activities conducted in 2017

Securitas participated in investor meetings, investor conferences and roadshows in Chicago, Dublin, Edinburgh, Frankfurt, London, Milan, New York, Oslo, Paris, San Francisco and Stockholm throughout the year.

Financial analysts who cover Securitas

COMPANY NAME	NAME
AlphaValue	Hélène Coumes
Barclays	Paul Checketts
Carnegie	Viktor Lindeberg
Citi	Marc van't Sant
Credit Suisse	Andrew Grobler
Danske Equities	Mikael Holm
Deutsche Bank	Sylvia Barker
DNB	Karl-Johan Bonnevier
Exane BNP Paribas	Allen Wells
Goldman Sachs	Milou Beunk
Handelsbanken	Carina Elmgren
HSBC	Srinivasa Sarikonda
JP Morgan Cazenove	Robert Plant
Morgan Stanley	Andrew Farnell
Nordea	Henrik Nilsson
Pareto Securities	Stefan Wård
Redburn	Edward Stanley
RBC Capital Markets	Andrew Brooke
SEB Enskilda	Stefan Andersson
UBS	Bilal Aziz

Annual General Meeting of shareholders in Securitas AB (publ.)

The shareholders in Securitas AB are hereby invited to attend the Annual General Meeting (AGM) to be held at 4.00 p.m. CET on Wednesday May 2, 2018 at Hilton Stockholm Slussen Hotel, Guldgränd 8, Stockholm, Sweden. Registration for the AGM begins at 3.00 p.m. CET.

Notice of attendance

Shareholders who wish to attend the AGM must:
(i) be recorded in the share register maintained by Euroclear Sweden AB (Euroclear), made as of Wednesday, April 25, 2018,
and
(ii) notify Securitas AB of their intent to participate in the AGM at the address:

Securitas AB, "AGM"
c/o Euroclear Sweden AB
P.O. Box 191, SE-101 23 Stockholm, Sweden
or
by telephone +46 10 470 31 30
or via the company website www.securitas.com/agm2018,
by Wednesday, April 25, 2018, at the latest.

On giving notice of attendance, the shareholder shall state name, personal identity number or equivalent (corporate identity number), address and telephone number. A proxy form is available on the company website www.securitas.com/agm2018 and will be sent by mail to shareholders informing the company of their address and their wish to receive a copy of the proxy form. Proxy and representative of a legal person shall submit papers of authorization prior to the AGM. As confirmation of the notification, Securitas AB will send an entry card, which should be presented at registration for the AGM.

In order to participate in the proceedings of the AGM, owners with nominee-registered shares must request their bank or broker to have their shares temporarily owner-registered with Euroclear. Such registration must be made as of Wednesday, April 25, 2018 and the banker or broker should therefore be notified in due time before said date.