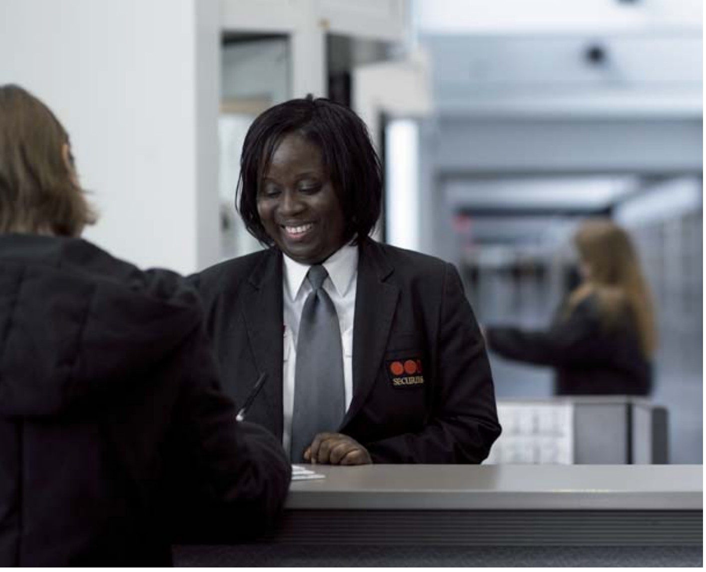
Securitas AB
Annual Report 2006

Contents

Elin Nicole Ødegård, a Security Officer with Securitas Mobile, in front of the Holmenkollen ski jump in Oslo, Norway's best-known tourist attraction. In 2006 Securitas began night-time guarding of private villa areas at Holmenkollen – a new service offered by Mobile which is tailored to customers' specific security requirements.

Note to readers
Securitas AB is a Swedish public company with its registered office in Stockholm. Corporate registration number: 556302-7241. Figures are in Swedish kronor, abbreviated as SEK. Millions of Swedish kronor are abbreviated as MSEK, billions of Swedish kronor as BSEK, millions of US dollars as MUSD, and millions in local currency as MLOC. Figures in parentheses refer to 2005 unless otherwise indicated. Figures for 2006, 2005 and 2004 are reported according to IFRS unless specifically stated otherwise. All figures for 2003 and earlier years are reported using earlier principles. For 2006 and in the comparative figures for 2005 and 2004, adjustments to the statement of income, the statement of cash flow and notes relating to these financial statements have been made in accordance with IFRS 5 'Non-current assets held for sale and discontinued operations'. These adjustments relate to the two primary segments Securitas Systems and Direct which since the distribution of Securitas Systems AB and Securitas Direct AB on September 29, 2006 qualify as discontinued operations. Security Services North America comprises the operations in the USA, Canada and Mexico plus Pinkerton Consulting & Investigations. Loomis (formerly Cash Handling Services) is the new common brand for all cash handling operations in the USA and Europe. Facts about markets and competitive circumstances are Securitas' own assessments, unless a specific source is cited. This Annual Report contains forward-looking information based on Securitas' expectations on the publication date. No guarantees can be provided that these expectations will be fulfilled.



A world leader in security

By means of organic growth and acquisitions over the past 20 years, Securitas has grown to become a world leader in security. The Group is now organized into two specialized guarding divisions, Security Services North America and Security Services Europe, and one specialized division for cash handling services, whose name has been changed to Loomis.

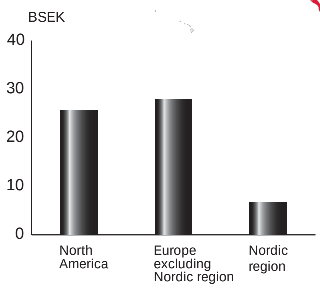
In 2006 the guarding businesses had sales of MSEK 49,085, with about 195,000 employees in more than 30 countries. Operations are focused on specialized guarding services for different customer segments. The businesses have a total world market share of 12 percent, with 16 percent in North America and 18 percent in Europe.

In 2006 Loomis had sales of MSEK 11,474, with about 20,000 employees in the USA and Europe. Market share is 19 percent in both the USA and Europe. Loomis specializes in managing flows of cash through efficient transport, cash processing and ATM services.

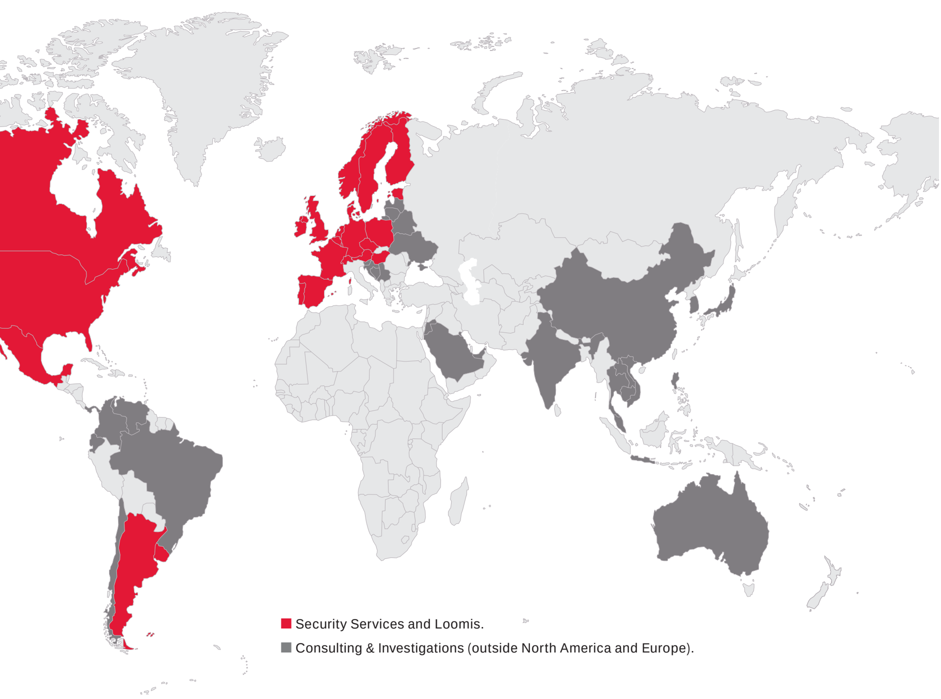
Securitas' strategy of focusing on security and profitable growth has contributed to developing and consolidating the security industry, which has become more focused and independent, with dedicated market players who deliver professional security. Through its leading market position in most countries, Securitas has been, and continues to be, a driving force in the industry. The key words in the development process are professionalism, specialization and segmentation, which reflect the constantly growing and differentiated needs of customers and thereby create new markets and specialized activities with their own business models.

As a consequence of this development, Securitas Systems and Securitas Direct were distributed to shareholders on September 29, 2006 and listed as separate companies on the Stockholm Stock Exchange. It is planned to distribute and list Loomis, in the second half of 2007. After the distribution of Loomis, the Securitas Group will be totally focused on guarding services predominantly in Europe and North America.

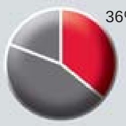
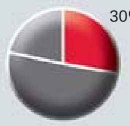
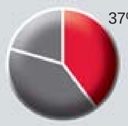
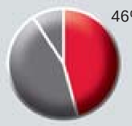
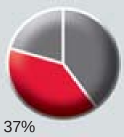
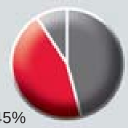
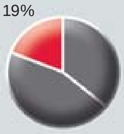
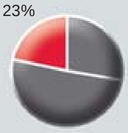
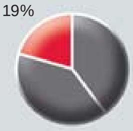
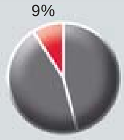
Sales by region, 2006



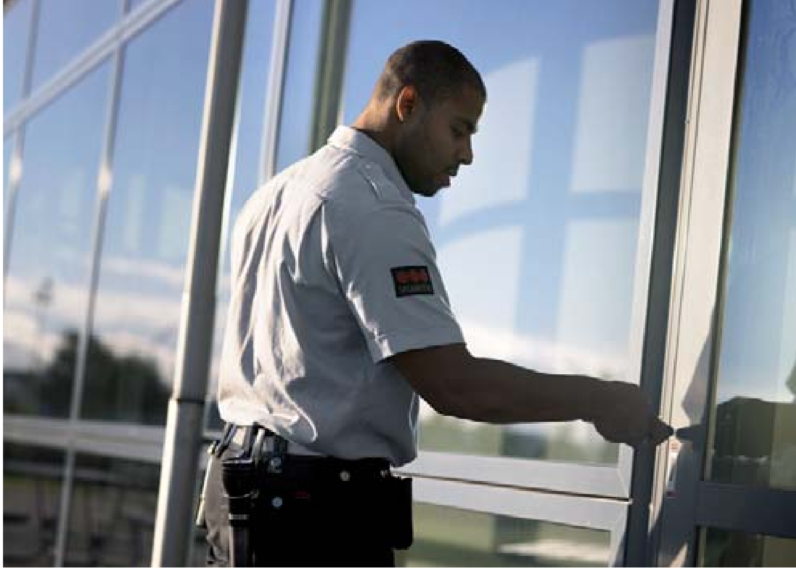
Sales in Argentina 2006: MSEK 248.



The divisions

	Sales	Operating income	Total capital employed	Average number of employees
Security Services North America, page 46. Security Services North America offers specialized guarding services in the three countries of North America – the USA, Canada and Mexico. The division is split into one organization for National and Global contracts, ten geographical guarding regions and three specialty regions in the USA, plus Canada, Mexico and Pinkerton Consulting & Investigations. The three specialty regions in the USA are concerned with the Automotive industry, Government organizations and the Energy industry. Altogether there are 108 geographical areas and 744 branch offices. **Market share:** 16 %.	MSEK 21,736  36%	MSEK 1,088  30%	MSEK 7,116  37%	98,000  46%
Security Services Europe, page 52. Security Services Europe is organized into three business units. Services Europe offers specialized guarding services for medium-sized and large companies in 18 countries. Aviation forms part of this business and is organized separately in nine countries. Mobile offers mobile services for small and medium-sized customers and operates separately in eleven countries. Alert Services offers electronic alarm monitoring of both homes and businesses, with separate organizations in six countries. **Market share:** 18 %.	MSEK 27,305  45%	MSEK 1,937  54%	MSEK 7,235  37%	97,000  45%
Security Services[1]	MSEK 49,085	MSEK 2,753	MSEK 15,664	195,000
Loomis, page 58. Loomis offers secure and efficient cash distribution, cash processing and cash recovery solutions for financial institutions, retailers and other commercial companies through an international network with 440 branch offices in ten European countries and the USA. **Market share:** 19 %.	MSEK 11,474 19% 	MSEK 838 23% 	MSEK 3,674 19% 	20,000 9% 
Group[1]	MSEK 60,523	MSEK 3,591	MSEK 19,338	215,000

[1]Including Other and Eliminations.



2006 in brief

The previous divisions Securitas Systems and Direct were listed on the Stockholm Stock Exchange according to plan at the end of September 2006, and the cash handling business, under the brand name Loomis, is planned to be listed during the second half of 2007. Securitas returned to a higher rate of expansion than the market average, with 6 percent organic sales growth and stable margins.

- Four focused security companies were created:
  - Securitas Systems and Securitas Direct successfully listed.
  - Loomis separated and planned to be listed during the second half of 2007.
  - New management in place in Securitas.
- Stable and improving operations in Security Services and Loomis.
- Income before taxes for 2006 includes items affecting comparability of MSEK –2,060 for the full year 2006, of which MSEK –1,503 arose in the fourth quarter.
- Proposed dividend of SEK 3.10 maintains the 2005 level (including Securitas Systems' dividend of SEK 0.40).

Key ratios

MSEK	2006	2005	2004
Total sales, MSEK	**60,523**	**58,201**	**53,404**
Organic sales growth, %	*6*	*4*	*3*
Operating income before amortization, MSEK	**3,591**	**3,526**	**3,272**
Operating margin, %	*5.9*	*6.1*	*6.1*
Real change	*4*	*5*	*–*
Income before taxes and items affecting comparability	**2,943**	**2,992**	**2,663**
Real change	*4*	*8*	*–*
Income before taxes	**883**	**2,841**	**2,663**
Net income for the year, continuing operations	**513**	**2,158**	**2,026**
Net income for the year, discontinued operations	339	556	503
Net income for the year, all operations	**852**	**2,714**	**2,529**
Earnings per share before items affecting comparability, continuing operations (SEK)	**5.97**	**6.24**	**5.47**
Free cash flow as % of adjusted income	75	105	96
Return on capital employed, %	8	16	17
Dividend per share, SEK	3.10[1]	3.50[2]	3.00[2]
Earnings per share after taxes, SEK	1.41	5.84	5.47

[1] Proposed dividend.
[2] Including Securitas Systems and Direct.

William Thurmond works as a shift supervisor at a major Securitas Global Automotive customer location outside Detroit, USA.

> Today billions, not just millions, of people are seeking a higher standard of living as efficient producers and willing consumers. This new prosperity brings with it higher demands for safety and security. Securitas' challenge is inspiring: better security for a better world.
>
> Thomas Berglund
> *President and Chief Executive Officer*

A strong position for the next step

As 2006 began, Securitas faced three major challenges – to create four new focused security companies through a split of Securitas, to maintain and improve the performance of the different operations during the split, and to prepare and hand over Securitas to a new management generation.

Securitas Systems and Securitas Direct were listed on the Stockholm Stock Exchange according to plan at the end of September 2006, and the cash handling business, under the brand name Loomis, is planned to be listed during the second half of 2007.

The 'new' Securitas returned to a higher rate of expansion than the market average, with 6 percent organic sales growth and stable margins. The business was divided into several specialized business units to further increase the pace of growth and the margins.

As a step in preparing the 'new' Securitas and Loomis for the new phase in their development, we strove to finalize or handle outstanding historical issues. In Spain, for example, we succeeded in reaching a settlement in the 15-year-old litigation process with the bankruptcy estate of the seller from whom we bought our Spanish operations in 1992. In Loomis we have recognized provisions for variances in the British cash handling operations. We have recognized provisions or taken costs, including the costs for the split of Securitas, totaling approximately BSEK 2.

Securitas now stands ready to move into a new phase of development. On March 5, 2007, Alf Göransson and a partly new Group Management team took over Securitas. In an even more focused Securitas, the foundation is stable, growing, profitable and market-leading operations in North America and Europe. Here we find the competence, strategies and visions for continuing success. And above all – here we find the values and the people, the forces that make the difference.

Integrity
Vigilance
Helpfulness

Our values show the way

Security is one of mankind’s most basic needs. It embraces our physical security and our ability to direct and control conditions in our daily lives. Security is an indispensable part of human welfare. It is the foundation of our values.

Keeping this insight alive and well is an important part of Securitas’ corporate culture. In this increasingly technological and digital world in which we live, it is important that a security company like ours never forgets that security is created by people, for people. Securitas has always put security first. Our business is about delivering professional security that minimizes risk: in short, contributing to people’s general well-being.

Our mission is to protect homes, workplaces and the community and thereby make people’s lives more secure. It seems only natural to recommit ourselves to Securitas’ overriding values of Integrity, Vigilance and Helpfulness at a time when the Group once again enters a new phase in its development, and when I myself have decided to move on after 22 years with the company, including 14 years as President and CEO. With the distribution to shareholders and listing of Securitas Systems and Securitas Direct and with Loomis next in line for a distribution during the second half of 2007, as well as with the good profitability in Europe and North America in 2006, Securitas takes a new step towards strengthening its global leadership position.

Our corporate culture, our values and our people are all fundamental to our future success. Securitas is its people – today more than 200,000 employees. We do our duty to protect people and their property, at home and at workplaces in more than 30 countries. Our corporate culture develops skilled and specialized employees, a professional working team. Our success in this regard can be measured in the trust we receive from other people.

Our three guiding principles, Integrity, Vigilance and Helpfulness, summarize the attitudes and our approach to our work that create long-term economic value for our customers, employees and shareholders.

Our value platform was established in the mid 1980s when Securitas moved into its second phase of development after 50 years as a successful Swedish guarding company. Securitas decided at that time to drive the industry toward more specialized security services. We committed ourselves to providing more professional services and, in step with our customers’ demands, began to offer more differentiated services. We adopted the phrase “from arms and legs to refined security services”.

Success came quickly and created room for a substantial international expansion, resulting in a market-leading position in Europe. Our focus led, among other things, to the lock operation Assa merging with the Finnish lock company Abloy and being distributed to shareholders in 1994. A third phase began in 1999 with a breakthrough into the US market with several sizable acquisitions. Today Securitas enjoys a market-leading position in North America with good stability in income and cash flow.

The ‘new’ Securitas is now ready for its next step. With a focus on guarding services in Europe and North America, we are developing services and solutions that create added value for customers, employees and shareholders. We see exciting opportunities in prospect through participation in the huge economic welfare revolution taking place in Asia and other markets undergoing rapid economic expansion.

Size alone is no longer a decisive form of competition. The challenge is rather to utilize all the know-how, experience and creativity we have in business development, in the secure knowledge that we are building on a solid value foundation.


Security solutions that benefit our customers

As demands for security become an increasingly important dimension in transactions between people, companies and society, it is not the demand itself that presents the greatest challenge. More decisive is how the demand for our services looks and how well we are able to meet changing customer needs through increased quality and creativity in the development and delivery of our services and thereby create added value and customer benefit.

The global security market for guarding services grows at a rate of some 7 percent per year. We currently serve about 75 percent of the global security market. Our customers come from all sectors of society: private households, the business community and the public sector.

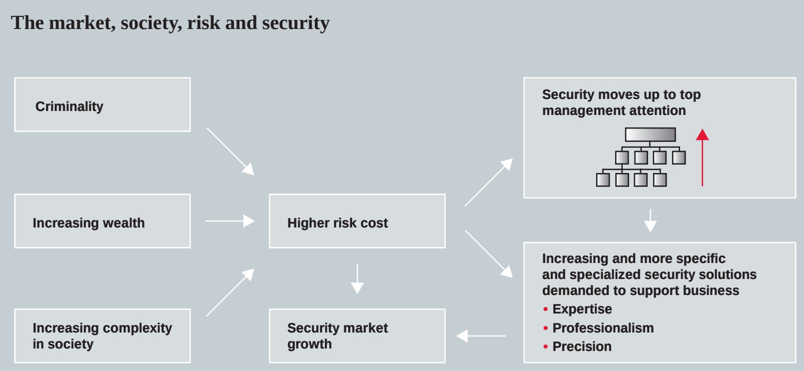
There are large differences among the customer segments: permanent guarding is growing at about 4 percent a year with stable profitability. In the new security markets for mobile services targeted at smaller customers that we have pioneered, growth has been twice as high with good profitability. This is outsourced guarding, segmented after customer needs, with refined and qualified services, designed to provide a high customer benefit, delivered by professional men and women.

Understanding, anticipating and leading customers to tomorrow's sophisticated security solutions is a priority assignment. And this task is becoming increasingly important from a strategic point of view. As risks in society and within the business community become more complex, decisions regarding the procurement of security services move higher up in the organization.

To create value for customers today requires a deeper understanding of the customer's business. Organizing, specializing and deepening our knowledge is achieved through training of our staff and through customer segmentation in line with their specific security requirements. We operate in several dimensions: small and large customers, banks, retail, manufacturing, the pharmaceutical industry, airlines, authorities, ports, and so on.

An analysis of existing and future customer needs forms the basis for cooperative projects with our customers. We arrive at purpose-designed solutions by setting up multi-functional teams, headed by professional project managers and with technical and operational experts with strong local connections. Technical aspects of these solutions are often sourced from the outside, where Securitas Systems is a natural partner. For smaller customers, the trend is to rely on mobile service solutions in cooperation with Securitas Direct, among others.

Taking this development responsibility for the future together with our customers instills legitimacy when Securitas looks to develop new market opportunities. Herein lies yet another complexity in our challenge with fully modern 'islands' of western-style, advanced needs alongside gigantic 'simple' markets. Developing an understanding of these markets and the customer's requirements and using Securitas' well-proven step-by-step model gives us a substantial growth and income potential going forward.



Focus drives development forward

For 20 years Securitas' main strategy has been to focus on security for profitable growth in accordance with the principle "from the simple to the specialized and qualified". When this strategy was first introduced in the 1980s, Securitas broke loose and took the lead in an industry dominated by multi-service companies.

Our focus on security meant that we took a leading position in the industry's international consolidation and specialization transformation: a development that all of our larger competitors came to follow. Specialization has taken three main directions: guarding services, alarm systems and cash handling services. These formed the basis for Securitas' subsequent reorganization into divisions in 2000. Focus leads to increased knowledge, greater customer benefit and stronger competitiveness, resulting in growth and better profitability.

The driving force behind our strategies can be found in the ever-increasing complexity resulting from large-scale operations, more segmentation and higher degrees of specialization of functions in all the added-value processes which are now an integrated part of today's digital networks. This development leads to greater efficiency but also greater risks and vulnerability. Disruption in one part of a network has wide-reaching and costly consequences. This is why security has become an increasingly critical factor for companies and society as a whole. Consequently, questions of security are being given greater priority among today's managements and boards.

Our sub-strategies are aimed at continuously increasing the differentiation of our customer offering. This calls for services such as specialized guarding solutions for large customers or small ones; large and small alarm systems for different customer segments such as banks, industrial companies, small companies and homes; and cash handling services involving transportation, cash processing services, ATMs, and so on.

In line with these sub-strategies, we have gradually established a decentralized organization in which our divisions have developed into increasingly independent operations. These have been built from the bottom up with the emphasis on strong branch offices with responsibility for the concrete knowledge of customer needs and market development. Customer value is best created when decisions are made close to the customer – demanding customers need to meet strong and skilled branch managers.

Thus there was a clear logic in the market's driving forces, our own strategies and organization, leading to the split of Securitas into independent companies; each with the strength to shape its own future. This new structure will serve to further increase the focus of the 'new' Securitas on development of guarding services and the demands for business development and creativity to ensure future profitable growth.

Always take responsibility – here and now

A Securitas streamlined to offer advanced guarding services must find its growth potential by specializing and developing business on both existing and new markets. Our success demands that we place more emphasis on knowledge, innovation and entrepreneurial skills. These are the key areas that characterize the Securitas Model. The Model continues to be our guide in our day-to-day work.

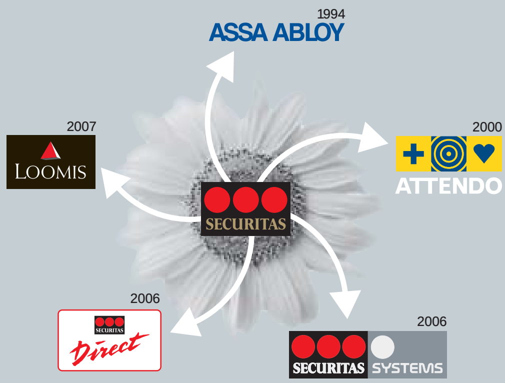
The Model is based on Securitas' values of Integrity, Vigilance and Helpfulness. It guides our managers and employees step-by-step through our business processes, to ensure that things happen in the right order and nothing gets forgotten.

All Securitas employees take responsibility for their customers and their own operations. This responsibility is always "here and now", never "there and then". Responsibility is clarified through systematic measuring and performance evaluations.

Our employees' ownership is always linked to responsibility for both problems and success in the task at hand. Clear incentive programs encourage personal involvement in operational and financial development. Responsibility and ownership foster a high degree of personal entrepreneurship with lots of room to maneuver thanks to Securitas' far-reaching decentralization.

The Securitas Model with its different stages is the primary tool by which managers are turned into leaders and bearers of our corporate culture. It works as a guide at all levels and is sustained through continuous training and discussion. It has shown itself to be successful throughout our operations and wherever the Group is active. The Model communicates values and priorities and a common language, view and behavior – in short, it forms Securitas' culture for organizing the customer offering and for profitable growth. It continues to be the leading tool for all employees when Securitas is continuing to grow on both established and new markets.

> "The driving forces for Securitas' development are our focus on security, customer segmentation and specialization, as well as entrepreneurship and ownership. These driving forces will continue to be central in the new independent security companies."



Strength and concentration for a new development phase

The year's most significant event, and the single largest project in Securitas' history, was the distribution to shareholders and listing of the former divisions, Securitas Systems and Direct. This project was a logical extension of the strategic decision that was taken at the beginning of 2000 after our entry onto the US market. At that time, the Group was divided into five different divisions, each having its own clear strategies and resources to handle customers and customer needs and to develop services and solutions that demanded focus and entrepreneurship.

Five years after this divisional reorganization it was clear that two of our divisions – Securitas Systems and Direct – had developed their own opportunities for independent growth and profitability. Securitas Systems had skillfully implemented and integrated acquisitions of considerable size in various countries and established a clear growth agenda. The same was true of the fast-growing Direct, which had worked out a successful strategy for rapid international expansion through organic growth.

In 2005, when the US operations rebounded after a slump made all the worse following the September 11 terrorist attacks in 2001, we concluded that Securitas enjoyed stable operations in a leading position on the world's biggest security market. Our strategy had succeeded – a strong local organization offering specialized services supplied by professional employees.

These successes gave us the strength and size to proceed to the next phase in our development. Our motive can perhaps best be explained by the general theory that "children should not live at home too long", or the perception that "cash cows eventually die from lack of exercise". At Securitas we believe unconditionally in people. The clearer the challenges, objectives and tasks are formulated, the better the level of creativity and entrepreneurship. The dividing up of these entities into several or more focused companies was also in line with the industry's general driving forces: a society favoring increasingly complex structures for the production and supply of products and services on a global scale. Security needs are becoming more and more specialized and differentiated and the market is becoming increasingly segmented.

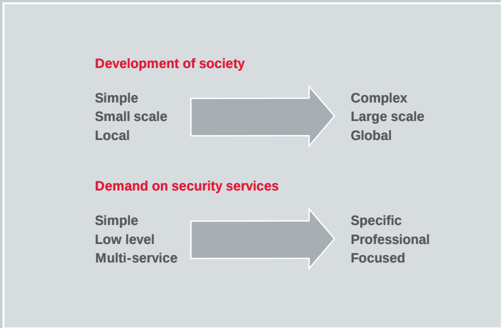
In its current state, Securitas is very much a leading world company: we are number one in the world in guarding services, a market leader in both North America and Europe with market shares of 16 and 18 percent respectively. We have close to 200,000 employees (excluding Loomis) in 30 countries and a presence on 75 percent of the world's security market.

The result of our own market-driving strategies is that we now work within different areas, focusing on providing customer benefit through a number of different specialized solutions in several dimensions. These involve both geography and concentration on large and small customers, segmented industries or the specialized needs of companies operating globally – all from a base of more than 2,000 branch offices.

Loomis, our cash handling services operations, will continue to operate with its own organization and Board, aiming at a distribution and a listing on the stock market during the second half of 2007. Conditions are thus in place for a continued value creating journey for Securitas and its shareholders.

The virtuous circle

Society and industry development



Focusing on the components of the 'virtuous circle', a conscious effort has been made to foster development of security services that meet our customers' latest needs. Providing quality services is decisive for the long-term development of both Securitas and the industry as a whole. This is achieved by working to develop industry standards and wage levels to improve working conditions for guards so that this type of job will be competitive in comparison to other professions. This will lead to a more stable guard corps as employee turnover is reduced, and the service can be more refined and rationalized towards more professional services, often with technical support. Society's current development on many markets raises increasingly higher demands than previously on quality and precision in security work.

Better security for a better world

In the early stages of the industrial revolution some 100 years ago, it took 40–50 years for a country to double its GDP. Today, China, India and Vietnam, and a list of other developing countries, are achieving this growth in 10 years.

Today billions, not just millions, of people are seeking a higher standard of living as efficient producers and willing consumers. This new prosperity is leading to demands for the same levels of safety and security as are enjoyed in the USA and Europe. Securitas' challenge is inspiring: better security for a better world.

Securitas' mission to protect homes, workplaces and the community has taken on a new meaning against the background of the rapid global growth in market economies and the increased levels of democracy and economic welfare of billions of people. The task remains the same though: to protect homes, workplaces and the community – all to make people's lives more secure. This is a task of fundamental importance for a well-functioning society that offers security and respect for all its citizens.

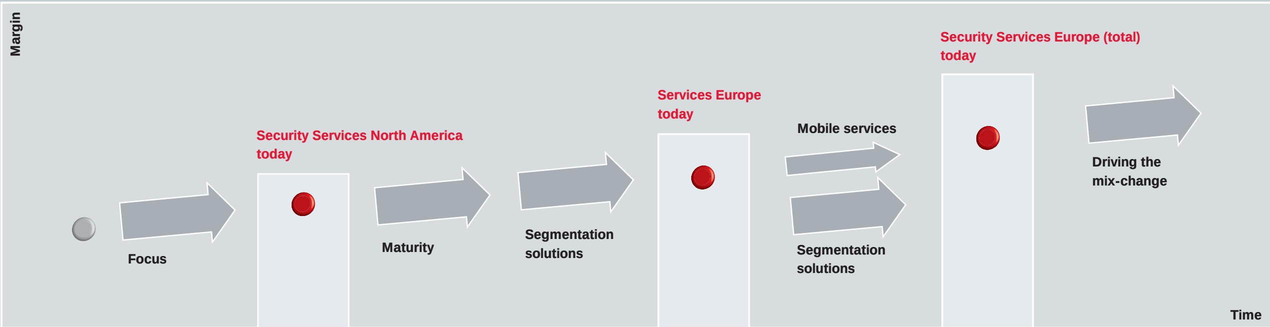
To this end our primary contribution is the provision of quality services and solutions and the value we create for our customers in the form of increased security. We also contribute to social developments wherever we work by following the rules the international community has established for international business. We have a framework in our Code of Conduct. Social responsibility is an integral part of line responsibility for all managers and a cornerstone in Securitas' corporate governance. In the same way, we support and respect fundamental human rights in accordance with recognized international conventions.

In addition, we have our own strategically rooted, businesslike approach to social responsibility. We wish to develop the security industry and the many people who work within it.

When Securitas establishes itself on a new and often less developed security market, the types of services demanded are often simple guarding services with temporary, unqualified staff with low wages and high employee turnover – "arms and legs". We seek an early dialog with the customers, the industry and labor unions to promote more professional services offering higher quality. This in turn places demands on wage development, leading to better prices and higher profitability.

As the customer's demands change, our services move up the value chain, adding more technology and higher levels of efficiency – a 'virtuous circle'. The improvement in standards leads to greater refinements and more rationalizations, based on added value for the customers and the community. Our competitiveness strengthens, our employees develop, receiving career opportunities and wages they can live on. Continuing to develop people by creating professional jobs on new markets that deliver benefits to our customers and to society as a whole is an important strategic criterion for the future growth and profitability of Securitas.

Customer segmentation and specialization drive margin development



Margin development at Securitas follows the development of operations and the maturity of the market. In markets with low growth and a fragmented industry structure, margins are often low and the service offering is concentrated on simple services with a very basic content. As new organizational principles are introduced, as customers are segmented and as services focus on more varied security requirements, so margins are affected positively. Better cost control and the opportunity to set prices follow. In more mature markets, margin development is a function of the development of new services for more advanced security and of changing the mix in the customer portfolio. Mix-change involves increased focus on such items as mobile services and a greater technology content in security solutions, which in turn drives margin development.

On the threshold of more growth to come…

The past 20 years have shown that Securitas' strategies deliver added value for customers, employees and shareholders. A focused step-by-step growth, offering increasingly sophisticated services and solutions, results in higher margins and better profitability.

Where does Securitas go from here?

We have a good road map to orient ourselves by, with proven models and processes for increased segmentation, specialization and professionalism. A route that creates customer benefit and better growth and income for us. We start with well-structured European operations segmented to meet advanced customer needs; a stable platform in North America for continued expansion, higher growth and profitability; and a cash handling services operation which is running as an independent operation prior to a planned distribution and listing on the stock exchange during the second half of 2007.

Together, these circumstances provide leverage for higher profitability with a focus on the following areas:

In Europe, priority will be given to moving our large-customer segment up the value chain in several countries. The goal is to reach the good margin performance levels we have achieved in this segment in countries such as Sweden, Norway, Finland, Spain, Portugal, Argentina and Poland. We know that this can be done through a better understanding of the customers' business, through more segmentation, and through the development of concepts and solutions, for example using partnership with Securitas Systems to add a higher degree of technology to the customer offering.

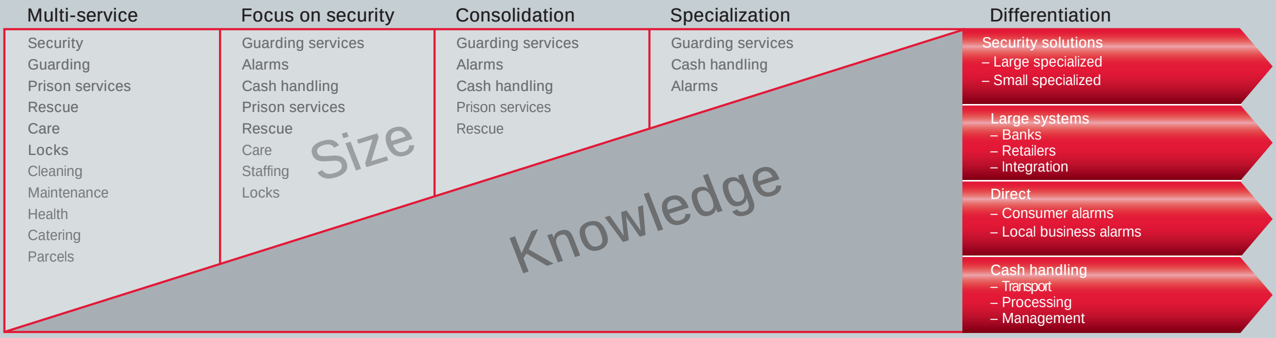
In North America, we see opportunities for gradual margin improvements by increasing the segmentation of the security offering, the customers and our services. This will give us economies of scale within the framework of specialization and drive our offering to a higher value. We will continue our refinement process with regional initiatives for certain types of customers and customer needs, including mobile services. We are also open to making supplementary acquisitions.

Mobile services for smaller customers produce substantial added value and higher margins. This applies to security solutions for stores, commercial centers, offices, smaller company facilities, schools and other institutional customers. Securitas Direct is a natural partner. The concept that we have developed in several northern European markets has a lot of potential in the rest of Europe and in North America. We are primarily working on better sales processes to achieve faster growth.

New markets are perhaps the most intriguing area of focus. We already have a base, with 1 percent of our total sales of security services in countries outside North America and Europe. The potential is huge. The total security market has been estimated to amount to BUSD 124, of which 75 percent is found in North America and Europe. By 2015 the total market is expected to amount to BUSD 230. The market share of the rest of the world is expected to grow much faster, to account for one-third of the total security market. In many important developing countries the rate of growth is double that of North America and Europe.

We are completely confident that our business models are well suited to help these countries meet their evolving security needs as they move to consolidate their democracies and market economies and improve the overall well-being of their citizens. Herein lies a new and promising area of growth for Securitas going forward. Initially it will take time to build on our existing global customer base, partnerships and selective acquisitions.

From multi-service providers to security specialists



Several decades ago, security often was a part of multi-service companies or conglomerates. The daily agenda was determined on the basis of the company's combined operational needs, and security issues were secondary. Since then an independent security industry has emerged in which the majority of players are engaged in security alone. Guarding services and cash handling services have since become independent business operations, while alarm companies and conglomerates are driving the alarm business. The future development of the security industry seems clear. The industry will be dominated by a few large international security specialists who will be competing in certain segments along with regional and niche players. Size is no longer the foremost competitive argument. The decisive marketing strengths will be a critical mass of knowledge and the ability to devise innovative solutions that deliver customer benefits within increasingly specialized segments.

But the future holds many opportunities. In the last 20 years the security market has undergone fundamental changes. New requirements and new security solutions have created new business operations and companies that didn't exist as recently as the mid 1980s. Today the pace of development is even more rapid. Changes are occurring at breathtaking speed as billions of people living in these new-market countries achieve their new-won prosperity.

If 20 years ago I had predicted that Securitas, which at that time had less than BSEK 1 in sales and 5,000 employees, would grow by 25 percent annually and have sales amounting to more than BSEK 60 with over 200,000 employees in 2006, they would have called me a dreamer.

It just shows how reality can exceed your dreams. If Securitas continues to grow by 8–10 percent a year, in 20 years the Group will have sales of around BSEK 350!

Dreamer or not, I am convinced that in 20 years Securitas, maybe several Securitas companies, will be able to look ahead with great confidence because of the promising growth opportunities we are exploiting today. Securitas' greatest strengths will always be the combined skill of its employees, its creativity and entrepreneurship and its belief that people make the difference.

After 22 years with Securitas, the last 14 as President and CEO and a member of the Board, I have decided to relinquish all my responsibilities with the company. It seems a logical and appropriate time to step aside to make room for a fresh approach after having had the privilege, together with many skillful colleagues, to guide and develop Securitas through several crucial phases, particularly this latest phase in which the Group has been divided into several dedicated security companies.

It is with enthusiasm that all of us at Securitas welcome Alf Göransson as my successor. Alf has all the exceptional qualifications and experience needed to run this Group. Most recently Alf has completed a successful six years as President of NCC, one of the leading construction companies in the Nordic region. Securitas is embarking on a new and exciting journey with good opportunities for profitable growth. I would like to wish Alf and all of the employees at Securitas the very best in the years ahead!

Stockholm February 15, 2007

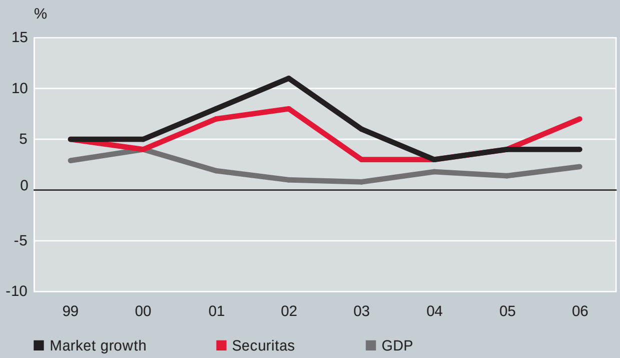
Thomas Berglund

Entering the Securitas head office in Stockholm, President and CEO Thomas Berglund pauses to speak to Security Officers Linda Bergman, Tommy Axelsson and Jessica Resander who are on their way to various clients in the Stockholm area.

The growth of the security market, USA (guarding)

Source: Securitas and Freedonia

The growth of the security market, Europe (guarding)



Source: Securitas and Freedonia

Strong drivers of continued good growth

The rapid rise in the standard of living in many developing countries and the increasing complexity of society, together with the rising cost of disruptions and the rising need for protection, are strong drivers of continued good growth in the security market. Demand is moving towards increasingly differentiated and specialized services in an increasingly segmented market. This gives security companies opportunities for improved profitability at the same time as their customers are offered cost-effective solutions delivered with high quality.

Security is an inherent part of people's sense of welfare. Demand is driven primarily by two linked mega-trends: the global improvement in the standard of living and the increasing complexity of society.

In the last 10–20 years the rise in the world's standard of living has taken a major stride forward owing to the rapid growth in many developing countries, especially in India, China and their neighbors. Here GDP per capita for more than two billion people has doubled in ten years. This can be compared with the Industrial Revolution in Europe in the late nineteenth century, when doubling took 40–50 years.

Today some 75 percent of the world security market lies in Europe and North America, with an estimated value of BUSD 124 and annual growth averaging 8 percent. In the rest of the world the market is growing at twice this rate, and by 2015 will account for an estimated 35 percent of a total world market then worth BUSD 230.

Guarding accounts for the largest share of the total worldwide security market: about 44 percent. Other major submarkets are alarms (about 30 percent) and cash handling (about 9 percent). The guarding market is expected to achieve an average annual global growth rate of around 7 percent.

However, the rate of growth for guarding differs significantly between the mature markets of Europe, the USA and Japan and the less developed markets in the rest of Asia and in Latin America. While the mature markets are expected to average long-term annual growth of around 4–6 percent, estimates point to figures of 11–12 percent in the rest of Asia and Latin America. The share of the worldwide guarding market represented by these growth markets will rise from some 26 percent today to 37 percent by 2015.

Greater complexity

This development of the market, stimulated by deregulation, globalization, increased market economics and democratization, goes hand in hand with the general trend of increased complexity in modern society, which intensifies the need for reliable, tailor-made security solutions. The larger scale of operations, coupled with greater specialization and segmentation of functions and with cross-border supply chains where value-creating processes depend on just-in-time deliveries controlled by digital information, generates increased risks and greater vulnerability. Any disruptive events can have far-reaching effects and put large sums at risk. Security issues are thus gaining ever higher priority for companies, institutions and private individuals, and decisions about them have moved up the command chain to senior management and the boardroom.

The available market is also growing and being redefined in step with the development and product-offerings of the security companies, the needs of customers, the advance of tech-

The world market for security services (guarding)

	2006					2015		
	Size 2006, BUSD	Size 2006, BSEK	% of total	Long term growth	Securitas' market share	Size 2015, BUSD	Size 2015, BSEK	% of total
North America[1]	19	128	33%	4–6%	16%	26	181	26%
Europe[2]	20	140	36%	4–6%	18%	33	225	32%
Japan	3	21	5%	6%	0%	5	35	5%
Rest of Asia	6	42	11%	10%	0%	16	109	16%
Africa/the Middle East	3	20	5%	11–12%	0%	7	51	7%
Latin America	5	36	10%	11–12%	1%	14	96	14%
Total	**56**	**387**	**100%**	**7%**	**12%**	**101**	**697**	**100%**

SEK/USD = 6.89
[1] North America includes USA, Canada and Mexico.
[2] Europe includes Turkey.

Source: Securitas and Freedonia

nology and the consolidation of the security industry into ever larger companies that are investing in worldwide growth as security specialists. More and more customers are choosing to outsource their security needs, with constantly growing requirements for specialized services providing high value.

This means that a significant scope for growth still exists even in the mature markets, since only 55 percent of the security market in the USA and about 75 percent in Europe are currently outsourced. Companies and institutions handle the rest internally themselves. There are also substantial differences between different countries. For example, the outsourced share in Denmark, Norway and Austria is barely half that of countries such as Sweden and Argentina. Established security specialists thus have a major potential for growth through increasing the level of penetration in their existing markets.

Segmentation and partnership

In order to upgrade its service offering and exploit the potential for growth, Securitas has segmented its service offering in a number of ways, for example geographically and by industry, industrial segment and size of customer and market. This results in more specialized and deeper knowledge of customer requirements and increases the need to find the right solutions for each customer. By focusing on the customer, security services are developed in close cooperation with customers and in partnership with other suppliers. The newly independent companies Securitas Systems and Securitas Direct are natural partners here.

An increasingly segmented and professional market gives the security companies the incentive to refine their services and solutions. Providing higher value boosts prices and operating margins. A rough comparison of margins shows that security companies have succeeded in raising the average margin in Europe from 4–6 percent in the late 1990s to 5–8 percent today. In the USA, where the development of the security market is running a little behind Europe, margins have more-or-less doubled, to 4–6 percent, in the same period. At the same time the total cost to the individual customer of constantly improved security has fallen.

Specialization in the area of guarding offers a further illustration. The 'old' market for permanent guarding is growing at about 4 percent a year. The 'new' guarding market includes specialized guarding services, mobile services and alarm services. The growth is twice as high.

Increased consolidation

Since the mid 1980s Securitas has pioneered the idea of focusing solely on security. Management and the Board of Directors decided at that time to invest in skills development and specialization in order to achieve sales and growth driven by income and quality. As a result, Securitas became the instigator of the industry's restructuring. The security industry has changed from an extremely fragmented structure, dominated by multiservice companies and conglomerates and a very large number of smaller local players, to increased consolidation.

In Europe the four largest companies had a combined market share of 15 percent in 1990. Today the three largest companies have 35 percent. In the USA the five largest security companies accounted for 33 percent of the total market in 1990. Today the five largest companies have a market share of 51 percent.

The growing demand for quality and for more specific security services is also driving the development of standards, laws, rules and norms. These can differ significantly between countries but are basically concerned with the right to run security companies, checks on employees' backgrounds, and training requirements. These standards are constantly being extended, which further enhances the level of quality and professionalism in the industry.

Focus on security for profitable growth

Securitas' success calls for staying in the forefront of developments in the security industry. Our strategy means focusing on security by fostering an organization that continually evolves by bringing greater knowledge to bear in the development of specialized and added-value services for increasingly segmented markets and customer groups. The recently implemented distribution to shareholders and listing of Securitas Direct and Securitas Systems and the planned listing of Loomis are examples of this focused strategy.

Main strategy

Focus on security for profitable growth

The ability to offer the right service to the customer creates growth. Organizational efficiency promotes profitability. Focused employees generate knowledge. Growth, profitability and knowledge create the resources for future development of the customer offering and provide stimulus for employees and increased value for shareholders.

The main strategy and the foundation of our business model therefore focus on security through organic growth. This is realized thanks to an understanding and awareness of different customer needs and specialized demands and by providing new services and solutions to match. Our organic development is supplemented by acquisitions designed to help Securitas expand onto new markets and to strengthen our presence on existing markets. Securitas has substantial experience in this area having implemented more than 60 acquisitions over the past two decades using our proven acquisition model which leads to rapid integration and often results in good volumes, margins and profitability.

Our success is measured by our customers and is reinforced in every meeting with our staff. In financial terms we work to ensure that our success achieves the following:

- Organic sales growth above market average growth.
- Positive development of operating margin.
- 20 percent return on capital employed from existing operations with an ambition to reach this same return within three years for acquired operations.

As society becomes increasingly complex, the market grows and demands more reliable, tailored security solutions. By satisfying these new and more complex needs we open new markets, win market share and grow in line with or faster than the underlying market growth. This leading position is maintained by ensuring that the organization has the ability to develop and deliver efficient and value-added services and solutions for the customer.

Sub-strategies

Specialization and customer segmentation

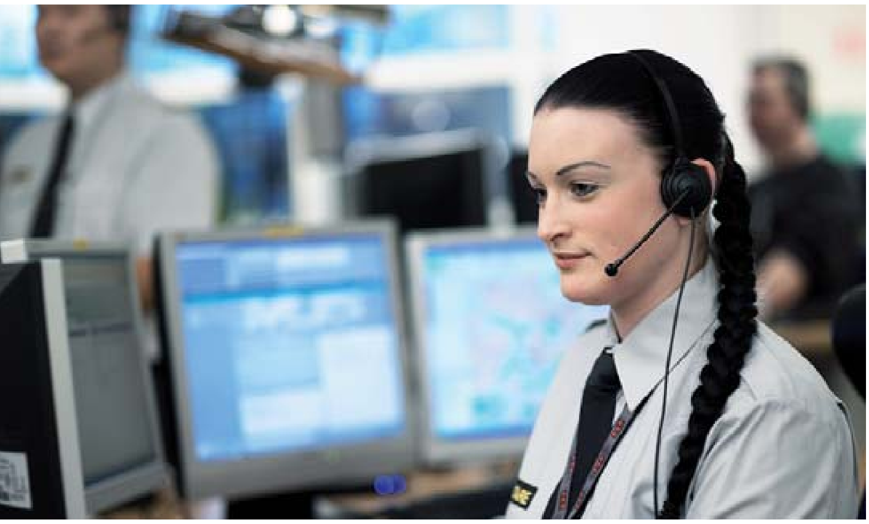
The primary sub-strategy for exploiting and increasing the potential in the underlying organic growth is to steadily refine the customer offering in the direction of more specialized services. By raising the degree of refinement Securitas creates more and more customer-tailored offers that are more competitive. In turn the customers find it more profitable to invest in a wider number of specialized security services and are motivated to outsource their own security work. This means that demand is segmented and grows in volume. The refinement work generates both higher prices and higher margins while providing the customers with more value added for their security investment.

Decentralized organization

Securitas has developed an important supporting strategy in the form of a decentralized organization that places emphasis on the more than 2,000 branch offices where the concrete value-adding creativity takes place in the day-to-day collaboration with customers. The strong position enjoyed by the branch offices stems from Securitas' decentralization philosophy. The quality of the customer offering is best when the decision-making process lies close to the customers and their employees. Demanding customers have the right to engage with skilled, independent and strong local managers. The branch offices are run by qualified managers with substantial responsibility to develop and run the operation on the basis of their own statement of income. This fosters entrepreneurship as a part of the Securitas culture.

Shared culture, governance, control and incentives

Securitas has a strong corporate culture that creates shared values such as responsibility, ownership and entrepreneurship. This culture is based in large part on the so-called Securitas Model which forms the basis for how the Group's employees work and organize themselves in order to develop and bring about profitable growth. All aspects of the Model are implemented by the managers at all levels, making them the standard-bearers of the Group's cultural message. It has proved itself to be successful in all of the Group's operations and in all places where Securitas operates. One of the key elements in our culture calls for continuous measuring and monitoring of performance and clear guidelines for the remuneration of employees personally involved in our financial development.



Market leadership

One sub-strategy calls for achieving market leadership on attractive markets with good potential for long-term profitability. This means that Securitas takes it upon itself to function as a reformer of the market from the standpoint of structure and quality with respect to service development, professionalism and confidence. Market leadership demands size in order to influence the surrounding community's laws, rules and norms and the development of wages in the security industry – not to mention the level of professionalism needed to change prevailing attitudes as to which tasks can be entrusted to a security company. The resulting development of the service offering widens the overall market potential.

Securitas' employees implement our strategy

Security is created by people – for people. This is why the driving forces and ambitions of Securitas' employees are of such decisive importance. For a long time the guarding industry was regarded as an area without a future – a job one couldn't live on. Wages were low and the employee turnover was very high. Being a security guard was something one did if there was nothing else on offer.

This is still the case on many markets. But when Securitas enters a market these conditions gradually begin to change. Securitas initiates a dialog with the industry, the unions and the authorities to promote a higher level of professionalism so as to raise the quality of guarding services. Developing standards for the industry is important. Today most developed countries have instituted laws and rules for companies and their employees working in the security industry. This means background checks on employees, minimum training standards and license requirements for running a security company.

Securitas is the driving force in the establishment of this positive transition. When demand for higher quality and more specialized security services drives the development of standards, it increases the wage level. This means that Securitas can recruit more qualified employees and train them better. This in turn reduces employee turnover and increases the length of time people remain in their job, which means more experienced employees and better training. More experienced and qualified employees make it possible to offer more refined and specialized services. The higher cost of recruiting qualified guards is partly compensated through rationalization of the security solutions offered, and by introducing technology such as burglar alarms, access control systems, fire alarm systems, mobile services and alarm monitoring.

Employing more professional people helps to change the conception of the security industry. It is viewed more positively by customers and the public. These changes help to expand the market. Employees in the security business receive higher status and trust and are entrusted with new and more expert tasks within the security field.

Wage development plays a central role in this transition. Remuneration must be competitive in comparison to other professions in order to attract qualified people. On many markets, wages for guards have increased faster than those for the average industrial worker in recent years. The average annual wage increase for guards in Europe these past six years has been 4.3 percent, compared to 2.7 percent for their industrial counterparts. In the USA, the corresponding figures are 3.9 percent and 3.2 percent over the past four years.

Another sign of the increased professionalism and of the growing career opportunities opening up is employee turnover. In the Nordic countries, where Securitas has held a market-leading position for a long time, employee turnover is between 15 and 20 percent annually. In Europe, total employee turnover is around 35 percent annually. In North America, where consolidation in the industry is relatively new, turnover is approximately 70 percent. Countries with low employee turnover often give their employees twice as many training hours during their first year on the job.

Progress for security guards is reflected in the differences between undeveloped and developed security markets. In those markets where Securitas' development model has been in place longest, the working conditions for guards have improved the most.

Securitas' Code of Conduct – ethics in everyday life

Securitas' mission is to protect homes, workplaces and the community. To ensure that customers, employees, shareholders and other interested parties have confidence in our company, ethics and values must play a prominent role in all our operations. Ethical behavior benefits our operations. All Securitas' operations, as well as our employees' actions, must always maintain the highest ethical, moral and legal standards.

Securitas' operations are based on three fundamental values: *Integrity, Vigilance and Helpfulness.*

- *Integrity* – Securitas' work is based on honesty. A company's success depends in large measure on its employees' honesty and integrity. A Securitas employee must be honest to be allowed to work unsupervised on the customer's premises or with items of value. Securitas can never compromise on demands for integrity and honesty. Honesty also means being able to openly express one's opinion and to report irregularities and other relevant information.
- *Vigilance* – Securitas' operations are based on professionalism. A Securitas employee must always be alert and attentive and be able to listen and evaluate situations in order to protect the customer's premises and items of value, as well as the values Securitas stands for.
- *Helpfulness* – Securitas strives to make people's lives more secure. A Securitas employee must always be prepared to lend assistance. We must be prepared to support and take care of our colleagues, customers and others who need our help.

To live up to our responsibility, as it is described in this document, in a successful way, Securitas must work to develop and run a profitable company that supports the kinds of continuous work required to meet our customers' needs.

Securitas requires that the principles described in the Code of Conduct be respected and observed throughout the whole organization and, within our sphere of influence, by all those we do business with.

Society

As a leading company in the security industry, Securitas has a long-standing responsibility vis-à-vis those countries and communities in which we operate. The company must be a good corporate citizen and follow laws and regulations wherever we work.

Human rights

Securitas supports and respects basic human rights and recognizes its responsibility to see that they are followed in its daily operations. Securitas regards the following rights as fundamental: freedom of thought, conscience, religion, opinion and expression; freedom from discrimination due to race, religion, gender, sexual persuasion, ethnic background, marital status, disability or other status; freedom from unlawful detention, execution and torture; and freedom to organize.

Employees

Securitas' operations are based on trust. In order for our customers to trust us, each and every employee must respect and protect our ethical principles and fundamental values as they are described in the Code of Conduct and in our "Fundamental Values", the Securitas staff handbook.

Securitas strives to continuously improve our operations. All relations with our employees must be based on mutual respect and dignity. We are convinced there is a direct relationship between the skills of our employees and our success as a company. To attract skilled people we must ensure that we are an attractive employer – a company that offers good working conditions, fair wages and appropriate training.

As the leading company in the security industry, Securitas also has the responsibility to drive the development of the industry as a whole. By working closely with industry associations, authorities and police, Securitas works to develop services and the market in a way that raises overall standards and wages in the industry.

Securitas is not associated with forced labor or other forms of involuntary work. The company does not employ anyone under the age of 15, or under the minimum legal age in any country where the minimum is higher than 15.

Securitas respects every employee's right to form a union or to belong to a union he or she chooses, and to negotiate in accordance with local laws and ordinances.

Securitas is an equal-opportunity employer. Discrimina-

tion on the basis of ethnic or national origin, gender or other characteristic at the time of employment or in relation to remuneration, training, promotion, dismissal or retirement is never accepted.

Securitas promotes a productive working environment and does not tolerate bullying or harassment.

Securitas strives to offer a secure and healthy working environment and endeavors to take reasonable measures to prevent accidents.

Securitas works for an ongoing interaction with the communities in which it operates.

Securitas supports fair remuneration for its employees. Securitas' strategy calls for raising wages to a level that meets or exceeds the amount necessary to live on.

Securitas follows working-hours regulations in accordance with national laws and industry standards.

Business ethics

Securitas demands honesty, integrity and fairness, and works to maintain and promote high business ethics in all parts of our operations. We are aware that corruption and cartel activity distort the market and present an obstacle to economic and social growth. This is why Securitas does not participate in these disreputable practices. We support the efforts of international and national authorities to establish and maintain high ethical standards in all industries.

Securitas subscribes to laws governing fair competitive practices. Honest competition must be based on integrity, product quality, price and customer service. Securitas does not accept bribes of any kind.

Business decisions should always be based on objective criteria and all employees should avoid conflicts of interest that may arise between their private lives and Securitas' operations.

Communication

Securitas values open communication with all who are in some way affected by our operations, regardless of whether they are an employee, customer, investor or member of the public or a representative of same. Comprehensive information about the company should be readily available and Securitas should respond quickly to questions.

Implementation

It is every Securitas employee's responsibility to live up to and actively promote the company's Code of Conduct. All employees are encouraged to report breaches of the Code to their superior for further investigation. If a case is ignored or if a charge is of sufficiently serious a nature, it should be reported to local management, whose responsibility it will be to conduct a full investigation and, where necessary, take the appropriate steps.

In March 2006 Securitas entered into an agreement with the Union Network International (UNI) and the Swedish Transport Workers Association. This agreement serves to further strengthen our commitment to the Securitas Code of Conduct in all of our operations around the world, and aims to promote good relations between Securitas and its employees, including their right to union affiliation.

Securitas' Code of Conduct and the implementation agreement are based on The United Nations Universal Declaration of Human Rights and the International Labor Organization's fundamental principles of and rights at work.

The Group's financial reporting aims to produce as accurate information as possible so that managers and employees can take the decisions necessary to achieve profitable growth in line with Securitas' strategies and can control risks to ensure the satisfactory fulfillment of objectives.

Håkan Winberg
Executive Vice President and Chief Financial Officer

Financial control for correct and timely decisions

To accomplish its strategies and guide its employees and organization towards achieving its objectives, Securitas has an established financial framework that continuously measures the Group's performance at every level from the more than 2,000 branch offices up to the consolidated Group. This method of reporting makes it possible to follow a number of clear, simple key ratios that are understood by every employee.

The Group's financial reporting aims to produce as accurate information as possible so that managers and employees can take the decisions necessary to achieve profitable growth in line with Securitas' strategies and can control risks to ensure the satisfactory fulfillment of objectives. Financial reporting also forms the basis of good internal control.

The Group's financial reporting is based on the following foundations:

- Securitas Six Fingers, the financial model that gives guidelines for the divisions' financial focus and the division of responsibilities between different levels of the organization regarding financial key ratios.
- Financial Policies and Guidelines, the Board of Directors' policy document built around three central themes: transparent and coherent internal and external reporting, proactive risk management, and continuous improvement of financial oversight and control processes.
- The Securitas Reporting Manual, which provides all managers and financial staff with detailed instructions and definitions for financial reporting.
- The Controller, who has the role of working with integrity and professionalism and in collaboration with others to inspire high ethical standards and high levels of competence and dedication and to strive continuously for accurate, transparent, relevant and timely financial information.

A clear and simple financial model – the basis for financial reporting

Securitas' financial control model is basically simple. It focuses on transparency and the clear relationships between income and expenses in the statement of income, capital in the balance sheet and the generation of cash flow to attain as much free cash flow and shareholder value as possible. Managers and employees thereby gain understanding of the relationships between risks and opportunities and how they can be overseen and controlled. Transparent, accurate financial reporting is also the basis of good internal control.

The graphic on page 25 shows the statement of income, the statement of cash flow and the balance sheet and the relationships between them.

Statement of income

The statement of income is functionally divided and thus reflects the organization. As a result, responsibility for each profit level is clear and managers with operational responsibility can concentrate on the factors they can affect. Gross margin and operating margin are the key indicators used in operational reviews at both division and Group level. Amortization of acquisition-related intangible fixed assets, financial items and taxes are monitored separately.

Statement of cash flow

In principle, Securitas' operating income should generate an equal cash flow from operating activities. However, the cash flow is affected by investments in, and depreciation of, fixed assets used in the 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 plus depreciation, less net investments, 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. When items related to acquisitions and shareholders' equity are deducted from free cash flow, the result is cash flow for the year. The consolidation of net debt in foreign currency usually generates a translation difference that is reported separately. Cash flow for the year plus the change in loans and translation differences equals change in net debt.

Balance sheet

Securitas uses the terms capital employed and financing of capital employed in describing its balance sheet and financial position. Capital employed consists of operating capital employed plus goodwill, acquisition-related intangible fixed assets and shares in associated companies. Operating capital employed, which consists of operating fixed assets and working capital, is continuously monitored at operating level to avoid unnecessary tied-up capital. Capital employed is financed by net debt and shareholders' equity.

Six Fingers – the internal model for financial reporting for timely and correct actions

To create a simple, clear reporting method for timely and accurate financial monitoring, Securitas has used a financial model called Six Fingers since the late 1980s, which serves as the basis for internal review. It was originally developed at Security Services and later modified and adapted to the divisional structure. In 2005, Six Fingers was further developed to reflect the ongoing specialization and differentiation of the divisions and the introduction of IFRS.

Six Fingers focuses on the key factors that impact profit, not on the profit trend itself. These factors are clearly linked to operations and are used from branch offices upward. They are grouped into categories – volume-related factors, efficiency-related factors and capital-usage-related factors – and allow managers to take fast, precisely judged decisions about actions to improve profit. The model is also used to analyze acquisition targets.

The graphic on page 27 shows the key factors, how they are applied in the divisions and how they are linked to the Group's external key ratios.

Volume-related factors

Selling of services and retaining and increasing income are based on the establishment of long-term customer relationships. Guarding and cash handling services are often purchased on an annual or multi-year basis. The first three key factors therefore relate to the development of the customer contract portfolio:

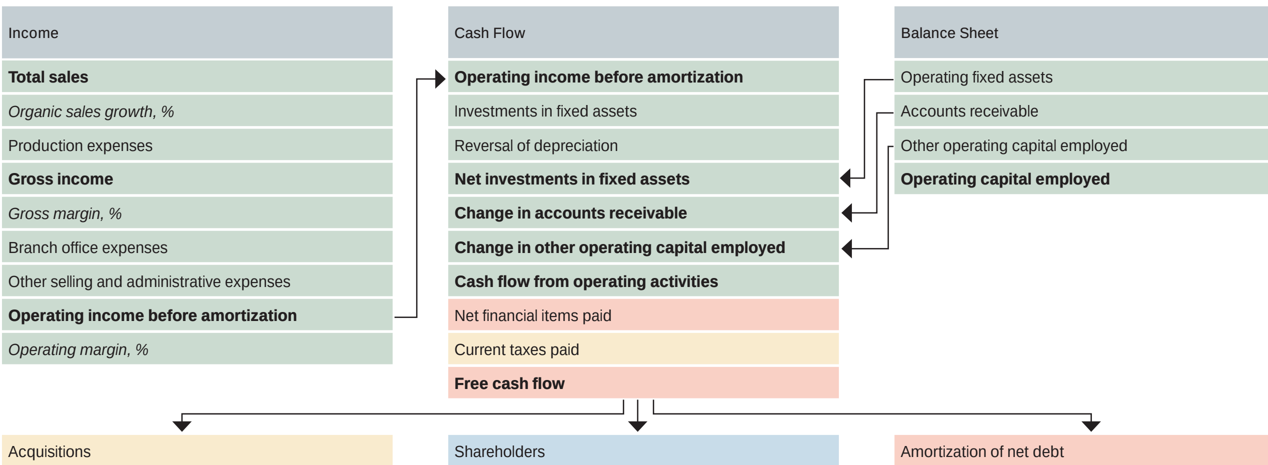
- **New sales of customer contracts**.
- **Net change in the portfolio of customer contracts.** This includes new sales plus increased sales in existing contracts, less terminated customer contracts and reduced sales in existing contracts.
- **Total sales.** This includes short-term assignments as well as contract-based sales.

Price changes are monitored separately and added to the net change in the portfolio to arrive at the closing balance for the period.

Specification of contract portfolio (example)

	Value	% change in op. portfolio
Opening balance	**100**	
+ New starts	15	
+ Increases	5	
– Terminations	12	
– Reductions	4	
Net change	**4**	**+4**
Price change	**3**	**+3**
Closing balance	**107**	**+7**

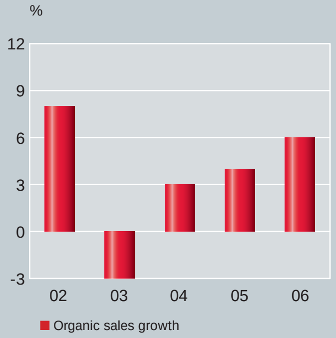
Securitas' financial model – the relation between Income, Cash flow and Balance sheet



The diagram 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

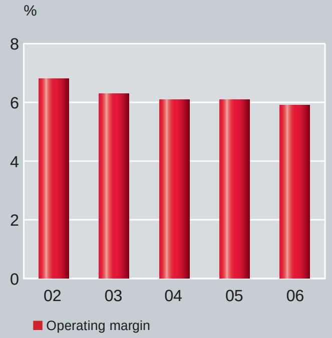
Main financial objectives

Organic sales growth



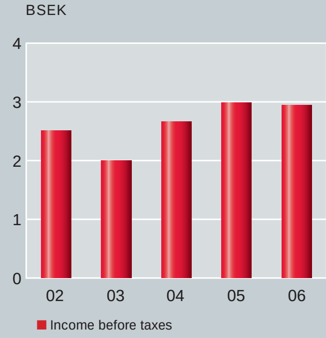
Volume-related key ratio
Objective: The objective for organic sales growth is that Securitas should grow more than the market.
Fulfillment of objective: In 2006 the Group grew organically by 6%, which is more than the market's growth in 2006.

Operating margin



Efficiency-related key ratio
Objective: The objective is to improve operating margin continuously. Income growth should be achieved through profitability and leverage.
Fulfillment of objective: In 2006 the Group's operating margin fell back to 5.9%, from 6.1% in 2005. The change was due primarily to the lower operating margin in Aviation business in Europe.

Income before taxes[1]



Income before taxes amounted to MSEK 883 and was burdened by items affecting comparability of MSEK 2,060. Adjusted for items affecting comparability, costs for maintaining committed financing in connection with the distribution of Systems and Direct and the effects of revaluation of financial instruments, the real change in income before taxes was a fall of 4% compared with 2005.

[1] 2005 and 2006 adjusted for items affecting comparability.
[2] 2005 net debt adjusted for the distribution of Securitas Systems and Securitas Direct, proforma.

Efficiency-related factors

Efficiency-related factors provide managers with instruments to monitor service efficiency and costs. Accordingly, the fourth and fifth key factors in Six Fingers are:

- **Gross margin,** defined as total sales less direct expenses as a percentage of total sales.
- **Indirect expenses,** which focus on the organizational structure and include administrative expenses, that is, the costs of branch, area and regional/country offices.

Gross income less indirect expenses equals operating income before amortization of acquisition-related intangible fixed assets. When this is expressed as a percentage of total sales, it indicates the Group's operating margin, which in Securitas' financial model is shown before acquisition-related items.

Capital-usage-related factors

In general Securitas' operations are not capital-intensive, although there are differences between the divisions. Security Services has the lowest capital requirements and Loomis has the highest. Most of the capital is tied up in accounts receivable, so that the sixth key factor 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 factors are continuously monitored at all levels in the organization.

One measure of capital usage is operating capital employed as a percentage of total sales. Operating capital employed is calculated as operating non-interest-bearing assets less operating non-interest-bearing liabilities.

Monitoring of strategies with the aid of financial key ratios

The key factors in Six Fingers are clearly linked to the external key ratios used to monitor Securitas' strategies. The prime focus is on growth, operating margin and return on capital employed, which provide information about how Securitas' primary strategy of profitable growth is progressing.

Main financial objectives

The volume-related factors – new sales, net change in customer contract portfolio and total sales – together equate with total sales and organic sales growth.

Acquisitions are not reported as organic sales growth during the first year after acquisition. Organic sales growth is also adjusted for divestitures and changes in exchange rates to reflect real change.

The objective is to grow faster than the market.

The efficiency-related factors – gross income and indirect expenses – define operating income before amortization and operating margin.

Operating income less amortization of goodwill and financial items gives the Group's income before taxes.

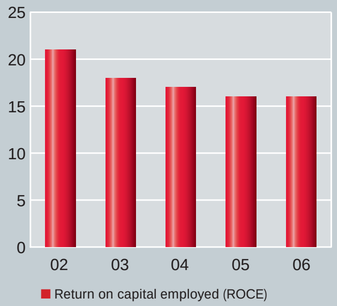
The objective is to improve the operating margin continuously, and thus avoid growth without profitability and leverage.

The capital-usage-related factors – as regards capital employed, operating capital employed as a percentage of total sales is monitored all the way up to the Group level. Capital employed is defined as operating capital employed plus goodwill, acquisition-related intangible fixed assets and shares in associated companies.

Return on capital employed is defined as operating income before amortization of goodwill divided by capital employed excluding shares in associated companies. The objective is a return on capital employed exceeding 20 percent.

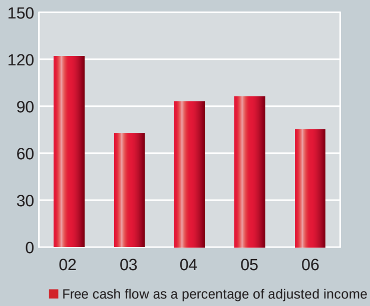
Financial stability objectives

Return on capital employed (ROCE)[1]



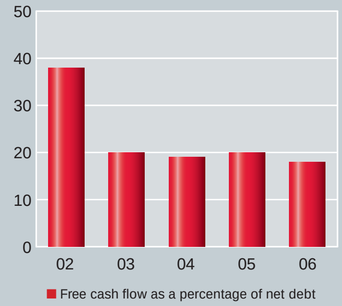
Capital-usage-related key ratio
Objective: The objective is that return on capital employed should amount to at least 20%.
Fulfillment of objective: In 2006 the return was 8%, which is explained primarily by the impact of the items affecting comparability and the impact from the distributed operations. The return for the continuing operations, after adjusting for items affecting comparability, was 16%.

Free cash flow as a percentage of adjusted income



Capital-usage-related key ratio
Objective: The objective is that free cash flow should amount to 75-80% of adjusted income.
Fulfillment of objective: In 2006 free cash flow amounted to 75% of adjusted income. Free cash flow was affected primarily by the increased organic sales growth, especially at Security Services Europe, but also by increased capital expenditure at Loomis.

Free cash flow as a percentage of net debt[2]



Capital-usage-related key ratio
Objective: The objective is that free cash flow in relation to net debt should amount to at least 0.20 – that is, that net debt would be paid off in a maximum of five years with the present cash flow.
Fulfillment of objective: In December, 2006. free cash flow in relation to net debt amounted to 0.18.

[1] 2005 and 2006 adjusted for items affecting comparability.
[2] 2005 net debt adjusted for the distribution of Securitas Systems and Securitas Direct, proforma.

Financial stability objectives

The Group's free cash flow is operating cash flow less financial items paid and current tax paid. Free cash flow indicates how much cash flow can be used for dividends to shareholders, for acquisitions and for amortizing net debt. Free cash flow less items such as dividends and acquisition-related payments gives change in net debt. The objective is a free cash flow amounting to 75–80 percent of adjusted income. The adjusted income equals operating income before amortization adjusted for financial income and expenses and current tax. Free cash flow is also monitored in relation to the level of net debt.

The objective is that free cash flow in relation to net debt should exceed 20 percent.

Six Fingers and Securitas' financial key ratios

	The Group's key ratios	Key ratios by division	
		Security Services	Loomis
Volume-related factors			Number of new ATMs
			Number of monitored ATMs
		New sales	New sales
		Retention of customer contracts	Retention of customer contracts
		Net changes	Net changes
		Price changes	Price changes
	Organic sales growth	Organic sales growth	Organic sales growth
	Acquired sales growth	Acquired sales growth	Acquired sales growth
	Total sales	Total sales	Total sales
Efficiency-related factors		Employee turnover	Employee turnover
			Cash handling losses
		Direct expenses	Direct expenses
		Gross margin	Gross margin
		Indirect expenses	Indirect expenses
	Operating margin	Operating margin	Operating margin
	Income before tax		
	Earnings per share		
Capital-usage-related factors		Days of sales outstanding	Days of sales outstanding
			Investments in fixed assets
	Operating capital employed as % of total sales	Operating capital employed as % of total sales	Operating capital employed as % of total 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	Return on capital employed
	Free cash flow in relation to net debt		

The table provides an overview of how the model for internal reporting, Six Fingers, is linked to the external key ratios in the figures above.

Risk management – a process for achieving strategies and objectives

Managing risks on behalf of customers and of Securitas is the core of our business, and has the ultimate aim of giving the organization the ability to accept and control the risks that are necessary if Securitas is to be able to accomplish its strategies and achieve its objectives. The management of risks takes place through a structured process of assigning responsibility that is the basis of the Group's corporate governance and internal control, and stretches upwards from branch managers to Group Management and the Board of Directors, who answer to the Annual General Meeting.

Background

Securitas is exposed to various types of risks in the day-to-day running of its business. These risks fall into two main categories, operational risks and financial risks. Both can affect the financial performance and position of the Group if they are not managed in a structured way. Operational risks are risks associated with day-to-day operations and the services we provide to our customers. They may arise, for example, when services do not meet the required standards and result in loss of property, damage to property or bodily injury. Financial risks arise because the Group has external financing needs and operates in a number of foreign currencies.

To allow the divisions, countries and regions to focus fully on their operations, financial risk management is centralized as far as possible on the Group Treasury Centre. For a further description of the management of financial risks, refer to Note 6 on page 82 in the Group's Notes and comments.

Organization

Since operational risks arise in local business operations, they must be managed with a decentralized approach. Customer contract management and loss prevention measures are essential activities in this regard. Every branch manager in Securitas has to evaluate and understand the risks associated with providing services. The Group's divisional Presidents are responsible for all aspects of operations in their divisions, including operational risk management and risk control. The ultimate responsibility for claims settlement and for the purchase of certain strategic insurance programs lies at Group level.

Risk responsibilities

Activities	Branch/ area	Country/ division	Group
Risk evaluation	■	■	■
Contract management	■	■	
Loss prevention	■	■	
Claims settlement		■	■
Insurance purchase			■

At Group level there is a risk committee, consisting of members of Group Management, which sets risk management policies for the entire Group. The Group's Risk Manager and the Risk Managers in the divisions report to this committee. In addition, the Security Services North America, Security Services Europe and Loomis divisions have their own risk committees, which meet regularly.

Management of operational risks

Preventing losses from occurring and thereby protecting customers and employees is the most important objective of operational risk management. In order to evaluate the operational risks in new and existing business activities, Securitas uses a business risk evaluation model. This model focuses on a number of important aspects of the assignment and the relationship with the customer, and is described in more detail below. Should a loss occur and Securitas is deemed to be fully or partly responsible, insurance solutions are used to minimize the financial impact of any claims by customers or third parties.

The business risk evaluation model

Assignment

This is the first stage of the process. The key points are the size of the project, its duration and whether it involves a new or existing service. Specific training and supervision requirements are also considered.

Risk

The type of customer under consideration is of importance in terms of level of operational risk and financial status. High-risk customers and large loss potential have to be identified and necessary insurance cover taken out for the risk involved. The creditworthiness of the customer must also be assessed.

Contract

A fair division of responsibilities and risks between Securitas and the customer is essential in every contract. Standardized contracts are the norm. Reasonable caps on potential liability and indemnification for third-party claims are important components of the customer contract.

Profitability

This stage involves careful calculation of the profitability of the business. Managers have to assess the investment required and whether the contract involves any off-balance-sheet exposure. Payment terms also have to be considered, and a judgment made as to whether the assignment will generate sufficient profit in relation to the risks (see the business risk evaluation model below).

Risk business plans

As part of the annual budget process, each division submits a risk business plan, which is built from the bottom up. The business plan sets out the main focus and priorities in operational risk management within the division for the coming year. In addition, at least one business risk evaluation seminar is held each year with participants from all the divisions, from countries or regions and from the Group.

The object of these meetings is to increase awareness and understanding of the risks that operations are exposed to, for example by reviewing various contracts or processes.

Insurance

Securitas has decided to transfer certain operational risks to the insurance market through central Group insurance programs. The main programs are General Liability Insurance, which covers claims for property damage and bodily injury, Workers Compensation Insurance in the USA, which covers work-related claims, and Cash Handling Insurance, which covers losses in Loomis' operations. By purchasing Group insurance programs centrally, Securitas gains economies of scale in the pricing of the programs and better access to more-specialized international insurance markets.

The transfer of risk to the insurance market is done in a three-step process. In the first step, the local operations retain a predetermined part of all losses through a local deductible. In the next step, the Group's own reinsurance companies (so-called captives) are used to retain a predetermined and capped risk in the Group above the level of the local deductible. The total self-retention, that is the total level of risk retained in the Group in local operations and in the reinsurance companies, depends on the estimated risk exposure and the pricing of external reinsurance. Normally it makes financial sense to retain a certain portion of the risk in the Group, as there is a certain level of loss that normally occurs. To insure these losses externally would usually cost more than the value of the losses.

As a third step, the risk above the self-retention level is reinsured to appropriate limits in the external insurance market. By using captives, Securitas gains some independence from the insurance markets and can minimize the impact of short-term fluctuations in price and capacity on these markets.

Losses and cost of risk

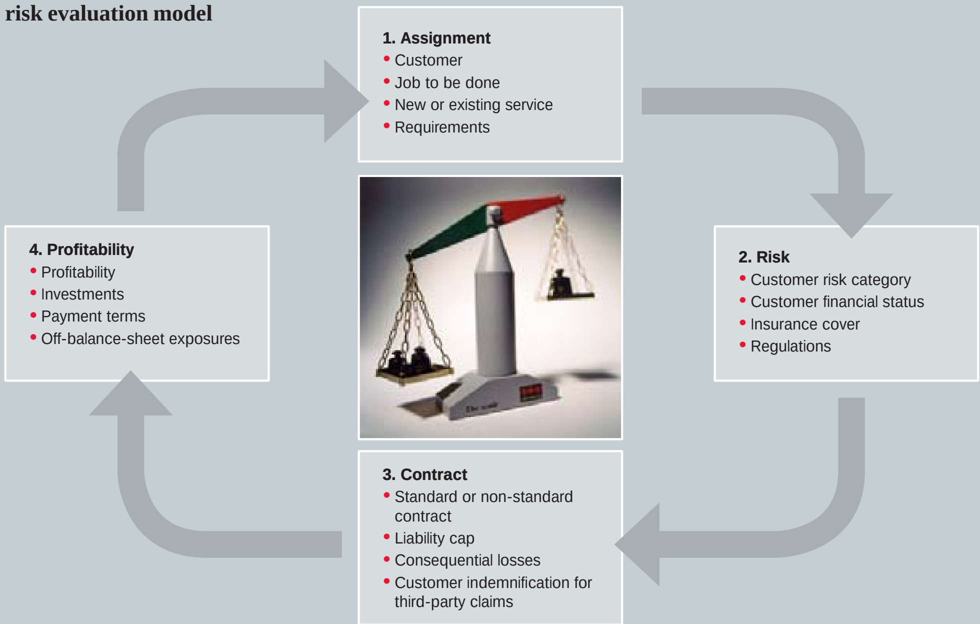
The cost of risk consists of external insurance premiums plus the self-retained part of losses. The Group Insurance Centre is responsible for centrally purchasing the Group's insurance programs and thereby ensuring competitive premiums and terms.

The operating units are responsible for keeping losses to a minimum in terms of number and size. As a principle, the cost of risk and the consequences of good or poor management of the risk cost are carried down to the branch level. Loss patterns and the cost of risk for each unit are reported and monitored on a monthly basis as a part of financial reporting.

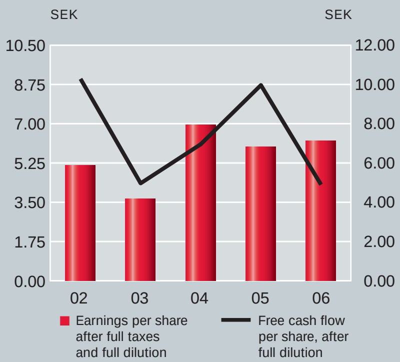
Key ratios for monitoring risks

Losses				
Number of losses	x	Average loss	=	Total cost of losses
Cost of risk				
Insurance premiums	+	Cost of retained losses	=	Cost of risk

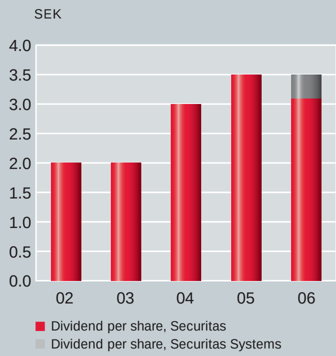
The business risk evaluation model



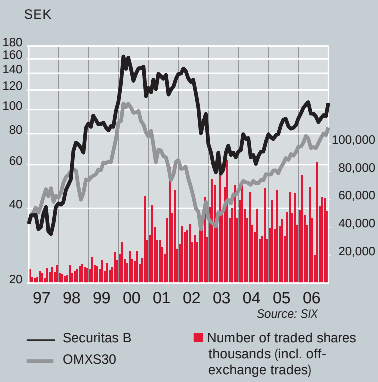
Earnings per share and free cash flow per share



Dividend per share



Share price performance



One share became three

The Securitas share has been listed on the Stockholm Stock Exchange since 1991. The share is included in the Stockholm Stock Exchange's OMXS and OMXS30 indexes. At year-end 2006 Securitas' weight in the OMXS index was 0.87 percent (1.31) and in the OMXS30 index was 1.30 percent (1.87).

During the year a total of 672 million (599) Securitas shares were traded on the Stockholm Stock Exchange, representing a value of MSEK 85,433 (72,093). The turnover rate during the year was 191 percent (169), against a turnover rate of 148 percent (135) for the entire Stockholm Stock Exchange. Market capitalization at year-end was MSEK 38,696 (48,188).

The share capital amounted to SEK 365,058,897 at December 31, 2006, divided among 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 one vote.

Share price performance

The market price of the Securitas share rose by 17.8 percent in 2006, while the OMXS index gained 23.6 percent and the OMXS30 index gained 19.1 percent. The lowest price paid for a Securitas share in 2006 was SEK 81.77 and the highest price was SEK 113.98.

Shareholder structure

At December 31, 2006 Securitas had 33,462 shareholders (31,396), an increase of 6.6 percent since 2005. The principal shareholders are Investment AB Latour, which together with Förvaltnings AB Wasatornet and SäkI AB holds 11.4 percent (11.0) of the capital and 30.0 percent (29.7) of the votes, and Melker Schörling AB, which holds 4.5 percent (4.2) of the capital and 10.9 percent (10.7) of the votes. At year-end, institutional investors accounted for more than 90 percent of total share capital. Investors outside Sweden accounted for 36 percent (44) of the capital and 25 percent (31) of the votes.

Ten largest shareholders at December 31, 2006

Shareholder	A-shares	B-shares	% of capital	% of votes
Säkl AB	8,642,600	4,000,000	3.5	17.4
Investment AB Latour	4,000,000	23,090,000	7.4	12.2
Melker Schörling AB	4,500,000	11,759,300	4.5	10.9
Alecta pension fund	0	24,300,000	6.7	4.7
JP Morgan Chase Bank	0	21,972,859	6.0	4.2
Morgan Stanley & Co Inc	0	10,917,066	3.0	2.1
Caceis Bank	0	9,128,290	2.5	1.8
SSB CL Omnibus AC OM07	0	8,453,330	2.3	1.6
Didner & Gerge fund	0	8,170,000	2.2	1.6
Fourth National Pension Fund	0	5,113,459	1.4	0.9
Total ten largest shareholders	**17,142,600**	**126,904,304**	**39.5**	**57.4**

Source: VPC (the Swedish Central Securities Depository) and changes known to Securitas.

Shareholder structure at December 31, 2006

Number of shares	Number of shareholders	Number of A-shares	Number of B-shares	% of capital	% of votes
1–500	22,703	0	4,033,086	1.11	0.78
501–1,000	4,999	0	4,210,301	1.15	0.81
1,001–5,000	4,251	0	9,938,188	2.72	1.91
5,001–10,000	550	0	4,124,444	1.13	0.79
10,001–15,000	180	0	2,264,970	0.62	0.44
15,001–20,000	134	0	2,435,777	0.67	0.47
20,001–	645	17,142,600	320,908,031	92.6	94.8
Total	**33,462**	**17,142,600**	**347,916,297[1]**	**100**	**100**

[1] Includes VPC calculation differences on 1,500 B-shares.

Source: VPC (the Swedish Central Securities Depository) and changes known to Securitas

Ownership by country

Holdings December 31, 2006

Sweden, 64 %
USA, 10 %
United Kingdom, 9 %
Other, 17 %

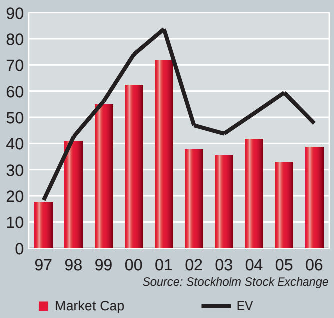
Holdings December 31, 2005

Sweden, 56 %
USA, 14 %
United Kingdom, 13 %
Other, 17 %

Source: VPC

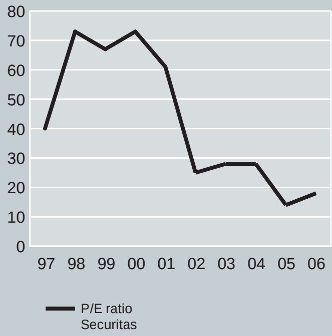
Market capitalization and Enterprise Value

MSEK



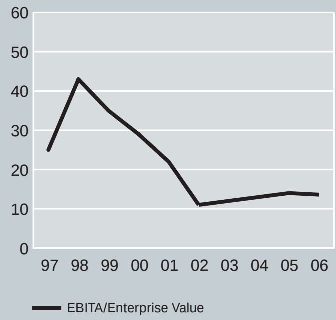
P/E ratio
Securitas' P/E ratio was 18 at year-end 2006.

TIMES



EBITA/Enterprise Value
Securitas' market capitalization at year-end 2006 was fourteen times operating income before amortization of goodwill.

TIMES



All values for 2005 and 2006 are calculated for continuing operations (Securitas excluding Securitas Systems and Direct)

Distribution of Securitas Systems and Securitas Direct

On February 9, 2006, Securitas announced plans to transform three of its divisions, Loomis AB, Securitas Systems AB and Securitas Direct AB, into independent specialized security companies. The Extraordinary General Meeting of Securitas AB held on September 25, 2006 confirmed the Board of Directors' proposal that all shares in the wholly owned subsidiaries Securitas Systems AB and Securitas Direct AB should be distributed to the shareholders and that the companies should be listed on the Stockholm Stock Exchange. The date of the distribution was September 29, 2006. For each Series A or Series B share in Securitas, a share of the same Series (A or B) in Securitas Systems and in Securitas Direct was issued. The qualification date for receiving shares in Securitas Systems and Securitas Direct was September 28, 2006. The last day of trading in Securitas shares with the right to take part in the distribution was September 25, 2006. Preparations for the listing of Loomis AB are continuing and the division is planned to be listed on the Stockholm Stock Exchange during the second half of 2007, following the same distribution principles as for Securitas Systems and Securitas Direct.

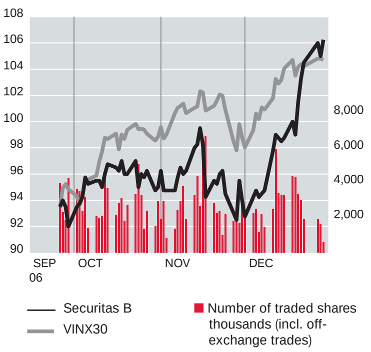
Securitas Systems and Securitas Direct each have a total share capital of SEK 365,058,897, divided among an equal number of shares. Of these shares, 17,142,600 are Series A shares and 347,916,297 are Series B shares. Each Series A share carries 10 votes and each Series B share one vote. The principal shareholders are Investment AB Latour, which together with Förvaltnings AB Wasatornet and SäkI AB holds 11.4 percent (11.0) of the capital and 30.0 percent (29.7) of the votes, and Melker Schörling AB, which holds 4.5 percent (4.2) of the capital and 10.9 percent (10.7) of the votes. For further information about Securitas Systems and Securitas Direct, refer to www.securitassystems.com and www.securitas-direct.com.

On September 26, 2006 the Stockholm Stock Exchange set new opening prices of SEK 92 for the Securitas share, SEK 23 for Securitas Systems and SEK 16 for Securitas Direct.

Share prices for Securitas, Securitas Systems and Securitas Direct, September 26 – December 29, 2006

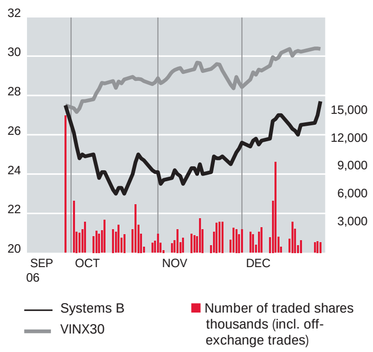
Securitas

SEK



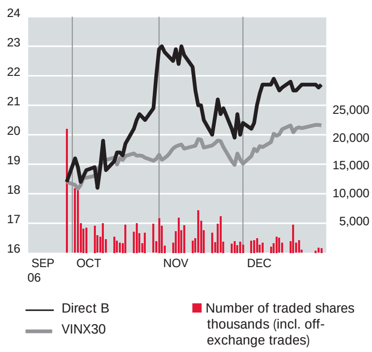
Securitas Systems

SEK



Securitas Direct

SEK



Dividend and dividend policy

The Board of Directors and the President propose a dividend of SEK 3.10 (3.50) per share. With a free cash flow averaging 75–80 percent of adjusted income and a balanced growth strategy comprising both organic and acquisition-driven growth, Securitas should be able to sustain a dividend level of 40–50 percent of the annual free cash flow.

Data per share

SEK/Share	2006	2005	2004	2003	2002
Earnings per share before dilution	6.00[1]	6.32[1]	5.55[1]	3.66	5.14
Earnings per share after dilution	5.97[1]	6.24[1]	5.47[1]	3.45	4.14
Dividend	3.10[2]	3.50[3]	3.00[3]	2.00	2.00
Dividend as % of earnings per share	52[1]	56[3]	55[3]	58	48
Yield, %	2.9[4]	3.9[3]	3.9[3]	2.1	1.9
Free cash flow per share	4.88[5]	6.53[5]	5.46[5]	4.94	10.26
Share price at end of period	106.00	90.00[5]	76.00[5]	97.00	104.00
Highest share price	114.00	93.00[5]	82.00[5]	116.00	216.50
Lowest share price	82.00	73.00[5]	57.00[5]	69.50	104.00
Average share price	98.00	83.00[5]	68.00[5]	93.20	166.94
P/E ratio	18	14[5]	14[5]	28	25
Number of shares outstanding (000s)	365,059	365,059	365,059	365,059	363,056
Average number of shares outstanding, after dilution (000s)	376,165	378,712	382,409	382,417	376,690
Number of shares outstanding, after dilution (000s)	379,615	375,015	382,409	382,409	382,473

[1] Calculated before items affecting comparability and for continuing operations.
[2] Proposed dividend.
[3] Including Securitas Systems and Direct.
[4] Calculated on proposed dividend.
[5] Excluding Securitas Systems and Direct.

Definitions

Yield: Dividend relative to share price at the end of each year. For 2006, the proposed dividend is used.
Free cash flow per share: Free cash flow in relation to the number of shares outstanding before dilution.
P/E ratio (price/earnings): The share price at the end of each year relative to earnings per share after taxes.
EBITA multiple: The company's market capitalization and liabilities relative to operating income before amortization, net financial items and taxes.
Turnover rate: Turnover during the year relative to the average market capitalization during the same period.
Market capitalization: The number of shares outstanding times the market price of the share price at year-end.
Enterprise Value: Market capitalization + net debt.

Development of share capital

Year	Transaction	No. of shares	SEK
1987	Opening capital	200,000	20,000,000
1989	Non-cash issue	285,714	28,571,400
1989	New issue	342,856	34,285,600
1989	Split 50:1	17,142,800	34,285,600
1989	Stock dividend	17,142,800	85,714,000
1992	Rights issue	22,142,800	110,714,000
1993	Conversion	23,633,450	118,167,250
1994	Non-cash issue (Spain)	24,116,450	120,582,250
1996	Split 3:1[1]	72,349,350	120,582,250
1996	Rights issue[1]	72,349,350	144,698,700
1996	Conversion	72,697,739	145,395,478
1997	Conversion	73,206,315	146,412,630
1998	Conversion	73,439,693	146,879,386
1998	Rights issue[2]	73,439,693	293,758,772

Year	Transaction	No. of shares	SEK
1998	Split 4:1[2]	293,758,772	293,758,772
1998	New issue Raab Karcher	308,114,828	308,114,828
1998	New issue Proteg	325,104,472	325,104,472
1998	Conversion	325,121,812	325,121,812
1999	Conversion	327,926,707	327,926,707
1999	New issue Pinkerton	355,926,707	355,926,707
1999	Conversion	356,318,317	356,318,317
2001	Conversion[3]	361,081,321	361,081,321
2002	Conversion	363,055,906	363,055,906
2003	Conversion[4]	365,058,897	365,058,897
2004	n/a	365,058,897	365,058,897
2005	n/a	365,058,897	365,058,897
2006	n/a	365,058,897	365,058,897

[1] A 3:1 split was effected in 1996, as was a stock dividend, changing the par value of the share from SEK 5 to SEK 2.
[2] A 4:1 split was effected in 1998, as was a stock dividend, changing the par value of the share from SEK 2 to SEK 1.
[3] 148,200 refers to interim shares registered with the Swedish Patent and Registration Office on January 11, 2002.
[4] The 1998/2003 convertible debenture loan was converted on March 31, 2003 except for MSEK 5 that was not converted. The total number of shares after dilution of all outstanding convertible debenture loans is 375,015,400.

Financial overview 1992–2006

Securitas has grown into a world leader in security through organic sales growth and acquisitions. With its clear focus on security, Securitas has led a comprehensive consolidation that has established security services as a separate industry. Having previously been parts of service conglomerates, security services now constitute specialized business areas in guarding, alarms and cash handling services.

Securitas' strategic focus on security began in the mid 1980s. Since then, the Group has grown from a Swedish guarding company to a world leader in security with market-leading positions in Europe and North America. Securitas has undergone four phases of development: expansion in Europe, establishment in the USA, creation of a divisional structure, and the splitting of the Group into independent listed security companies.

In the last 15 years Securitas' sales have grown from just under MSEK 6,000 to about MSEK 70,000. This represents average annual growth of 25 percent, of which 5 percent has been organic sales growth. In the same period operating income has grown from MSEK 340 to MSEK 4,500, which represents annual growth of 23 percent. Return on total capital employed has averaged 20 percent over the period. All these figures include the now distributed businesses Securitas Systems and Securitas Direct.

Expansion in Europe, 1992–1998

Securitas took its first step outwards into Europe as early as 1989 when it acquired a guarding company in Portugal. At that time, the Securitas Model had already proved successful in the Nordic operations. During the period 1992–98, a series of acquisitions were made in Spain, Germany, France, Great Britain, Austria and Switzerland. The main acquisitions were Esabe in Spain, Proteg in France and DSW and Raab Karcher in Germany. These acquisitions had a combined sales volume of around MSEK 8,000 and were strategic establishments in the company's ambition to achieve market leadership in Europe. Securitas was now active in the major European countries, with an emphasis on guarding operations, although alarms and cash handling were also important businesses established through the many acquisitions. The organization was country-based, with a common management and organization for all business areas. Each country was organized in a strongly decentralized structure of local branch offices, sited close to the customers and having their own responsibility for profit and staffing. During this phase, Securitas became a European market leader in security. Over the period 1992–98 the Group's total sales more than trebled, including the distribution of Assa Abloy in 1994. The organic sales growth averaged 5 percent, with improved operating margins. Free cash flow averaged 80 percent of adjusted income and return on total capital employed averaged 26 percent.

Establishment in the USA, 1999–2000

The security market in the USA represents some 35 percent of the world security market. It was thus of interest to Securitas as soon as the European operations were established and operating well. A number of opportunities were evaluated and in 1999 Securitas launched its expansion into the USA with the acquisition of the listed market leader, Pinkerton. The acquisition signaled Securitas' clear intention of taking a leading position on the American security market and was followed by further acquisitions. In 2000 the second-largest security company, Burns, was acquired, and together with another four regional acquisitions this created the American platform for Securitas. In total, Securitas acquired a sales volume of around MSEK 30,000 and a US market share of 20 percent in 1999 and 2000. A comprehensive restructuring project created a national organization of 650 local branch offices, 100 areas and 10 guarding regions. On top of this there was the cash handling business of Loomis & Fargo, which came from the acquisition of Burns and the subsequent acquisition of the rest of the business in 2001. This established Securitas as a major player on the American cash handling market. In 2003, all guarding operations in the USA were brought together under the Securitas name, while the cash handling business continued to operate under the Loomis name. Through its acquisitions in the USA, Securitas trebled its total sales once again. Organic sales growth achieved a peak of 9 percent in 1999, before falling back a little in 2000. Growth in margins was stable at over 6 percent during these two acquisition-heavy years. Free cash flow averaged 65 percent of adjusted income, while return on total capital employed fell to rather lower levels on account of the substantial acquired operations.

Creation of a divisional structure, 2001–2005

Consolidation in the security market, growing customer demands and specialization of security services imposed new requirements on Securitas' way of organizing its offer to customers. The country-based organization with a common management for all branches of the business was proving less efficient in responding to the increasingly specific customer demands that were being placed on guarding services, alarms and cash handling alike. In 2000, Securitas carried through a comprehensive move to a divisional structure with five divisions. This organized all the country-based businesses under guarding in the USA or Europe, large alarm systems, home alarms and cash handling. Each division had its own management resources and developed its own concept for its own market under the Securitas name, supported by the financial strength of a large organization and leading positions on many markets. The common Securitas culture also encouraged business skills, entrepreneurship and ownership – driving forces that advanced both the restructuring of Securitas and its continuing expansion.

Four new security companies, 2006

The formation of the divisional structure in 2000 paved the way for the decision in 2006 to separate the divisions and distribute Securitas Systems, Securitas Direct and Loomis to Securitas' shareholders. In the five years that the Securitas divisions were operational, distinctive business models and customer concepts had been developed. Strong organizations and managements had created autonomous businesses that were now better placed to develop as independent companies than as parts of a collective group organization. During the period 2000–2006, the Securitas Group averaged organic growth of 5 percent a year, with stable margins. Acquisition activity was focused on complementary acquisitions rather than creating new platforms. After the many US acquisitions, return on total capital employed rose towards the Group's objective of 20 percent. Free cash flow confirmed the improvement in income and averaged 85 percent of adjusted income.

In September 2006, Securitas Systems and Securitas Direct were distributed to Securitas' shareholders, who thereby acquired two new security shares in addition to their Securitas shares. Loomis was the object of an acquisition approach that was broken off, and the listing process continued with the intention of listing Loomis on the Stockholm Stock Exchange during the second half of 2007. Securitas will thus have created four new security companies. Together with Assa Abloy, which was distributed in 1994, Securitas will have created five listed companies with distinct strategies and good opportunities to continue independently to create value for both customers and shareholders. Refined in this way, Securitas itself is continuing on its path of developing security solutions for customers in Europe and North America and achieving its declared ambition of growing in new markets.

MSEK
INCOME
■ **Total sales**
of which acquired business
■ ***Acquired sales growth, %*** [1]
■ ***Organic sales growth, %***
Operating income before amortization
■ ***Operating margin, %***
Amortization of goodwill
Amortization of acquisition related intangible fixed assets
Acquisition related restructuring costs
Items affecting comparability
Financial income and expenses excluding revaluation of financial instruments
Revaluation of financial instruments
Share of income in associated companies
■ **Income before taxes**
Taxes
Net income for the year
Minority share in net income
Average number of shares after dilution ('000)
■ **Earnings per share, after dilution (SEK)**
CASH FLOW
Operating income before amortization
Investments in fixed assets
Reversal of depreciation
Changes in other operating capital employed [2]
Cash flow from operating activities
as % of operating income before amortization
Financial income and expenses paid
Current taxes paid
■ **Free cash flow**
as % of adjusted income
Acquisitions, including cash payments from restructuring reserves
Cash flow from items affecting comparability
Cash flow from financing activities
Cash flow for the year, continuing operations
Cash flow for the year, discontinued operations
Cash flow for the year, all operations
Interest-bearing net debt at beginning of year adjusted for new principle
Change in loans
Revaluation of financial instruments
Translation differences on interest-bearing net debt
Effect of dividend of discontinued operations
Interest-bearing net debt at year-end
CAPITAL EMPLOYED AND FINANCING
Fixed assets excluding acquisition related items
Accounts receivable
Other operating capital employed
Operating capital employed, all operations
■ ***as % of total sales***
Operating capital employed, continuing operations
Operating capital employed, discontinued operations
Goodwill, all operations
Of which goodwill, continuing operations
Of which goodwill, discontinued operations
Acquisition related intangible fixed assets, all operations
Of which acquisition related intangible fixed assets, continuing operations
Of which acquisition related intangible fixed assets, discontinued operations
Shares in associated companies, all operations
Of which shares in associated companies, continuing operations
Of which shares in associated companies, discontinued operations
Capital employed, all operations
■ ***Return on capital employed, %***
Of which capital employed, continuing operations
Of which capital employed, discontinued operations
Net debt
Net debt equity ratio, multiple
Interest coverage ratio, multiple
■ ***Free cash flow in relation to net debt***
Minority interests
Shareholders' equity attributable to equity holders of the Parent Company
Return on equity, %
Equity ratio, %
Financing of capital employed

[1] Acquired sales growth is calculated as the year's acquisitions as a percentage of the previous year's total sales.
[2] Including changes in accounts receivable.

Operating items are labeled in green.
For definitions and calculations of key ratios refer to Note 3, page 79.

■ Group key ratios.

Previous accounting principles														IFRS		
Securitas all businesses														Securitas excluding Systems and Direct		
1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2004	2005	2006
5,734.8	6,010.6	6,843.8	7,309.1	9,074.3	10,762.9	13,710.1	25,646.3	40,806.5	60,363.6	65,685.3	58,850.3	59,686.6	66,013.6	53,404.1	58,200.6	60,523.0
2,522.0	160.3	820.9	–	1,784.2	1,002.6	1,834.7	10,964.4	13,361.0	12,364.1	4,104.5	964.0	1,519.0	2,074.3	818.8	1,399.5	970.5
83	3	14	–	24	11	17	80	52	30	7	1	3	3	2	3	2
6	2	0	5	7	7	9	9	6	7	8	–3	3	5	3	4	6
342.6	368.8	482.5	548.7	687.9	777.8	1,002.8	1,630.5	2,560.3	3,854.5	4,458.4	3,732.0	4,027.3	4,445.7	3,272.2	3,526.0	3,591.1
6.0	6.1	7.0	7.5	7.6	7.2	7.3	6.4	6.3	6.4	6.8	6.3	6.7	6.7	6.1	6.1	5.9
–26.8	–37.2	–63.9	–65.9	–99.4	–115.5	–171.4	–403.9	–707.4	–1,089.8	–1,164.5	–1,137.0	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–99.6	–122.5	–85.4	–98.1	–93.3
–	–	–	–	–	–	–	–	–	–	–	–	–26.5	–35.1	–23.0	–1.1	–0.4
–	–	–	–	–	–	–	–	–	–	–	–	–	–150.6	–	–150.6	–2,060.2
–6.4	1.0	–26.2	–11.7	–39.8	–51.4	–79.0	–110.8	–514.2	–892.2	–782.3	–596.8	–516.6	–523.1	–500.6	–483.2	–519.8
–	–	–	–	–	–	–	–	–	–	–	–	–	36.2	–	36.2	–35.8
–10.2	–2.6	–0.4	0.7	1.1	3.2	13.7	–	24.8	29.4	–	–	–	11.8	–	11.8	1.2
299.2	330.0	392.0	471.8	549.8	614.1	766.1	1,115.8	1,363.5	1,901.9	2,511.6	1,998.2	3,384.6	3,662.4	2,663.2	2,841.0	882.8
–72.7	–70.9	–149.1	–124.4	–167.5	–169.1	–244.1	–316.5	–512.0	–718.3	–997.0	–754.1	–855.5	–948.7	–637.2	–683.0	–369.3
226.5	259.1	242.9	347.4	382.3	445.0	522.0	799.3	851.5	1,183.6	1,514.6	1,244.1	2,529.1	2,713.7	2,026.0	2,158.0	513.5
–0.1	–2.1	–0.2	–0.4	–0.2	0.9	–0.5	–1.5	–0.2	–0.9	–28.8	–1.8	–	–	0.7	1.5	1.6
283,596	283,596	296,975	296,975	296,975	296,975	313,616	355,790	365,123	365,123	376,690	382,417	382,409	378,712	382,409	378,712	376,165
0.80	0.91	0.82	1.17	1.29	1.50	1.73	2.30	2.39	3.27	4.14	3.45	6.79	7.31	5.47	5.84	1.41
342.6	368.8	482.5	548.7	687.9	777.8	1,002.8	1,630.5	2,560.3	3,854.5	4,458.4	3,732.0	4,026.4	4,293.6	3,272.2	3,526.0	3,591.1
–207.1	–231.6	–292.7	–339.1	–475.6	–557.4	–699.0	–1,044.3	–1,202.3	–1,764.3	–1,746.1	–1,718.6	–1,969.9	–2,220.4	–1,408.5	–1,496.0	–1,511.8
208.9	246.1	262.2	289.8	354.0	450.5	569.6	754.3	942.2	1,377.2	1,493.5	1,564.1	1,613.0	1,948.6	1,270.3	1,509.7	1,477.9
–148.2	–3.2	67.9	–75.6	–8.5	–57.3	–41.7	–79.9	–121.8	–164.0	982.4	–650.3	–39.5	50.6	–209.4	88.1	–492.1
196.2	380.1	519.9	423.8	557.8	613.6	831.7	1,260.6	2,178.4	3,303.4	5,188.2	2,927.2	3,630.0	4,072.4	2,924.6	3,627.8	3,065.1
57	103	108	77	81	79	83	77	85	86	116	78	90	95	89	103	85
–16.6	–1.6	–26.6	–11.0	–38.7	–48.2	–65.3	–118.3	–503.5	–774.6	–794.6	–615.0	–518.4	–485.2	–502.2	–445.3	–516.1
–52.0	–81.6	–98.9	–104.6	–127.7	–114.4	–183.7	–340.5	–586.4	–575.5	–678.2	–510.9	–581.5	–926.1	–428.3	–796.9	–769.0
127.6	296.9	394.4	308.2	391.4	451.0	582.7	801.8	1,088.5	1,953.3	3,715.4	1,801.3	2,530.1	2,661.1	1,994.1	2,385.6	1,780.0
45	103	110	71	75	74	77	68	64	80	122	73	93	94	96	105	75
–670.2	–229.4	–448.3	–	–1,114.7	–1,131.7	–3,712.9	–3,700.9	–10,944.3	–3,001.5	–1,709.7	–1,307.8	–2,362.3	–1,213.2	–686.0	–862.5	–361.2
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	19.5	–129.3
970.9	–175.4	573.1	170.2	334.1	705.0	3,984.5	4,006.3	8,528.9	–121.1	29.5	1,572.3	–1,495.3	–1,192.6	–2,040.1	–3,313.5	–1,106.3
428.3	–107.9	519.2	478.4	–389.2	24.3	854.3	1,107.2	–1,326.9	–1,169.3	2,035.2	2,065.8	–1,327.5	255.3	–732.0	–1,770.9	183.2
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–595.5	2,026.2	–1,251.0
428.3	–107.9	519.2	478.4	–389.2	24.3	854.3	1,107.2	–1,326.9	–1,169.3	2,035.2	2,065.8	–1,327.5	255.3	–1,327.5	255.3	–1,067.8
–131.9	–99.6	–78.2	–122.6	75.0	–738.6	–1,532.5	–2,418.6	–2,052.6	–12,418.8	–12,582.6	–9,886.8	–10,686.8	–10,636.9	–10,686.8	–10,636.9	–11,944.8
–396.0	129.3	–563.6	–290.8	–447.0	–833.1	–1,623.6	–846.2	–8,885.2	2,452.7	–414.0	–2,095.5	765.2	97.4	765.2	97.4	966.6
–	–	–	–	–	–	–	–	–	–	–	–	–	51.8	–	51.8	–16.2
–	–	–	10.0	22.6	14.9	–116.8	105.0	–154.1	–1,447.2	1,074.6	834.0	616.0	–1,712.4	616.0	–1,712.4	695.2
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,632.4
–99.6	–78.2	–122.6	75.0	–738.6	–1,532.5	–2,418.6	–2,052.6	–12,418.8	–12,582.6	–9,886.8	–9,082.5	–10,633.1	–11,944.8	–10,633.1	–11,944.8	–9,734.6
1,684.4	1,471.0	1,518.3	1,508.7	2,332.1	2,793.8	3,616.1	4,895.7	7,895.3	9,088.9	8,401.0	8,047.6	7,971.5	8,390.4	7,971.5	8,390.4	7,383.5
901.2	748.5	902.7	921.1	1,220.3	1,569.6	2,879.2	4,559.4	8,179.5	7,656.5	6,759.5	6,736.0	8,828.0	10,362.5	8,828.0	10,362.5	8,855.6
–1,675.3	–1,189.5	–1,352.3	–1,326.6	–1,961.7	–2,181.3	–3,442.8	–5,511.3	–9,331.7	–10,891.3	–10,269.6	–9,262.2	–10,135.4	–10,844.7	–10,135.4	–10,844.7	–11,569.9
910.3	1,030.0	1,068.7	1,103.2	1,590.7	2,182.1	3,052.5	3,943.8	6,743.1	5,854.1	4,890.9	5,521.4	6,664.1	7,908.2	6,664.1	7,908.2	4,669.2
11	16	15	15	14	16	15	12	13	10	7	9	11	12	10	10	8
910.3	1,030.0	1,068.7	1,103.2	1,590.7	2,182.1	3,052.5	3,943.8	6,743.1	5,854.1	4,890.9	5,521.4	6,664.1	7,908.2	5,265.4	5,923.7	4,669.2
–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,398.7	1,984.5	–
322.1	440.2	649.5	590.5	1,180.7	1,457.4	4,564.0	7,178.4	15,133.7	18,639.9	16,672.2	14,777.8	15,301.9	17,792.4	15,301.9	17,792.4	14,031.6
322.1	440.2	649.5	590.5	1,180.7	1,457.4	4,564.0	7,178.4	15,133.7	18,639.9	16,672.2	14,777.8	15,301.9	17,792.4	13,352.5	15,317.6	14,031.6
–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,949.4	2,474.8	–
–	–	–	–	–	–	–	–	–	–	–	–	433.2	638.5	433.2	638.5	464.2
–	–	–	–	–	–	–	–	–	–	–	–	433.2	638.5	212.3	359.3	464.2
–	–	–	–	–	–	–	–	–	–	–	–	–	–	220.9	279.2	–
53.1	–	–	–	–	258.4	261.0	0.9	602.6	42.4	–	–	–	178.6	–	178.6	172.7
53.1	–	–	–	–	258.4	261.0	0.9	602.6	42.4	–	–	–	178.6	–	178.6	172.7
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1,285.5	1,470.2	1,718.2	1,693.7	2,771.4	3,897.9	7,877.5	11,123.1	22,479.4	24,536.4	21,563.1	20,299.2	22,399.2	26,517.7	22,399.2	26,517.7	19,337.7
36	24	26	28	26	20	13	15	12	16	21	18	18	16	17	16	8
1,285.5	1,470.2	1,718.2	1,693.7	2,771.4	3,897.9	7,877.5	11,123.1	22,479.4	24,536.4	21,563.1	20,299.2	22,399.2	26,517.7	18,830.2	21,779.2	19,337.7
–	–	–	–	–	–	–	–	–	–	–	–	–	–	3,569.0	4,738.5	–
99.6	78.2	122.6	–75.0	738.6	1,532.5	2,418.6	2,052.6	12,418.7	12,582.6	9,886.8	9,082.5	10,633.1	11,944.8	10,633.1	11,944.8	9,734.6
0.08	0.06	0.08	n/a	0.36	0.65	0.44	0.23	1.23	1.05	0.85	0.81	0.90	0.80	0.90	0.82	1.01
5.0	3.9	4.8	4.3	5.8	5.8	5.4	6.9	3.7	3.7	5.3	5.3	6.5	6.0	5.5	5.5	4.4
1.28	3.80	3.22	n/a	0.53	0.29	0.24	0.39	0.09	0.16	0.38	0.20	0.24	0.22	0.19	0.20	0.18
12.3	17.0	5.9	0.9	0.2	0.3	3.9	1.8	1.5	17.5	13.2	15.6	16.6	1.5	16.6	1.5	0.4
1,173.6	1,375.0	1,589.7	1,767.8	2,032.6	2,365.1	5,455.0	9,068.7	10,059.2	11,936.3	11,663.1	11,201.1	11,749.5	14,571.4	11,749.5	14,571.4	9,602.7
29	20	16	19	19	19	15	10	9	10	11	9	17	17	14	14	6
28	38	35	35	32	30	35	43	29	31	31	30	30	32	30	31	27
1,285.5	1,470.2	1,718.2	1,693.7	2,771.4	3,897.9	7,877.5	11,123.1	22,479.4	24,536.4	21,563.1	20,299.2	22,399.2	26,517.7	22,399.2	26,517.7	19,337.7

Security Officer René Verheijen inspects trucks that are ready to leave Scania's production site in Zwolle, Netherlands, where Securitas has the overall responsibility for security 24 hours a day. On the site, which is Scania's largest production facility in Europe, Securitas handles reception services, access control, beat patrols as well as the monitoring of surveillance cameras and burglar alarms installed by its partner Securitas Systems.

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 2006 financial year.

Securitas provides security solutions comprising guarding services and technical solutions, alarm monitoring, and cash handling services. The Group has about 215,000 employees and operates in 30 countries mainly in Europe and North America.

Financial overview

The two previous primary segments Securitas Systems and Direct are treated as discontinued operations according to IFRS 5. Further information is provided in Note 2 Accounting principles and in Note 38 Discontinued operations.

The Group has adopted the amendment to IAS 19 Employee Benefits as of January 1, 2006. The change in accounting principles means that actuarial gains and losses are now recognized immediately via equity. Comparatives have been restated for 2004 and 2005. Further information is provided in Note 2 Accounting principles and in Note 32 Provisions for pensions and similar commitments.

The Group has separately disclosed items affecting comparability on the face of the statement of income and on the face of the statement of cash flow. Comparatives have been adjusted to reflect this change. In previous years such items were included in Operating income before amortization. Further information is provided under the heading Comments to items affecting comparability and in Note 4 Critical estimates and judgements and items affecting comparability.

Sales and income

Sales amounted to MSEK 60,523 (58,201). Organic sales growth improved to 6 percent (4).

Sales January–December

MSEK	2006	2005	%
Total sales	**60,523**	**58,201**	**4**
Acquisitions/Divestitures	–971	–909	
Currency change from 2005	912	–	
Organic sales	**60,464**	**57,292**	**6**

Operating income before amortization was MSEK 3,591 (3,526), which, adjusted for changes in exchange rates, was an increase of 4 percent compared to 2005. The operating income was negatively impacted by MSEK 60, related to the decline in result in the airport security business in Europe compared to 2005.

The operating margin was 5.9 percent (6.1). Adjusted for the negative impact of MSEK 60 specified above, the operating margin was 6.0 percent.

Revaluation of financial instruments had a negative impact of MSEK 72 compared to 2005 and amounted to MSEK –36 (36).

Financial income and expenses amounted to MSEK –520 (–483) including MSEK –23 for maintaining committed financing relating to the listing project.

Income before taxes was MSEK 883 (2,841), which adjusted for changes in exchange rates was a decrease of 67 percent. Adjusted for items affecting comparability amounting to MSEK –2,060, the negative impact of MSEK 23 in the finance net for maintaining committed financing relating to the listing project, and the negative impact from revaluation of financial instruments of MSEK 72, the real change in income before taxes was an increase of 4 percent compared to 2005.

Income January–December

MSEK	2006	2005	%
Income before taxes	**883**	**2,841**	**–69**
Currency change from 2005	57	–	
Income	**940**	**2,841**	**–67**

The Group's tax rate was 41.8 percent (24.0). Adjusted for items affecting comparability the tax rate was 25.5 percent (22.8).

The net income was MSEK 514 (2,158). Earnings per share were SEK 1.41 (5.84). Earnings per share before items affecting comparability were SEK 5.97 (6.24).

Net income, all operations (including Securitas Systems and Direct until September 29, 2006) was MSEK 852 (2,714). Earnings per share, all operations (including Securitas Systems and Direct until September 29, 2006) were SEK 2.31 (7.31).

Condensed Statement of Income according to Securitas' financial model

MSEK	2006	2005
Total sales	**60,523.0**	**58,200.6**
Organic sales growth, %	*6*	*4*
Production expenses	–49,029.8	–46,781.8
Gross income	**11,493.2**	**11,418.8**
Selling and administrative expenses	–7,907.0	–7,892.8
Other operating income	4.9	–
Operating income before amortization	**3,591.1**	**3,526.0**
Operating margin, %	*5.9*	*6.1*
Amortization of acquisition related intangible fixed assets	–93.3	–98.1
Acquisition related restructuring costs	–0.4	–1.1
Items affecting comparability	–2,060.2	–150.6
Operating income after amortization	**1,437.2**	**3,276.2**
Financial income and expenses excluding revaluation of financial instruments	–519.8	–483.2
Revaluation of financial instruments	–35.8	36.2
Share of income in associated companies	1.2	11.8
Income before taxes	**882.8**	**2,841.0**
Taxes	–369.3	–683.0
Net income for the year, continuing operations	**513.5**	**2,158.0**
Net income for the year, discontinued operations	338.5	555.7
Net income for the year, all operations	**852.0**	**2,713.7**

Securitas' financial model is described on pages 24–27. Operating items. Net debt related items. Goodwill, taxes and non-operating items. Items related to shareholder's equity.

Comments to items affecting comparability

For the full year 2006 items affecting comparability amounted to MSEK –2,060 (–151).

Security Services related items

The aggregate amount classified as items affecting comparability for Security Services amounts to MSEK –333 for the full year 2006.

Esabe

In January 1992, Securitas acquired Esabe, Spain's then second largest company in the guard services and cash-in-transit segments. Shortly following such acquisition, the seller in such transaction filed for bankruptcy under Spanish law. As a consequence of such bankruptcy filing, Securitas has been involved in multiple litigations with the bankruptcy estate in respect of claims by the estate relating to the validity of the acquisition transaction and certain accounts claimed to be due to the estate. During 2006, final rulings in these litigations were made by the Spanish Supreme Court. Following these final rulings, Securitas entered into settlement negotiations with representatives of the estate and a final settlement has been agreed with the estate resolving all of the outstanding claims. A provision has been recognized in the amount of the payment to be made to the estate under the settlement agreement.

Globe/Federal Aviation Administration

Prior to the Aviation and Transportation Security Act (Aviation Security Act), which was passed in November 2001, the air carriers were responsible under federal law for providing pre-board screening of passengers. In most cases, the air carriers contracted with private security companies for these services. Under the Aviation Security Act, pre-board screening services were federalized in two steps. The first step consisted of a transition period where the Federal Aviation Administration (FAA) became the party responsible for pre-board screening and contracted with private security companies for these services (the FAA's responsibilities were later transitioned to the Transportation Security Administration (TSA)). The second step, which occurred in November 2002, consisted of the TSA directly providing these services by federal government employees. Globe had been requested to provide pre-board screening services during the initial transition period and, following extended negotiations, Globe entered into an agreement with the FAA in February 2002 to provide such services during the transition period. Based on the performance of Globe during this transition period, in April 2002 Globe contracted with the FAA/TSA to service additional airports. During the transition period, the FAA/TSA compensated Globe based on the governing contract and the invoices submitted.

After the services had been substantially completed, the TSA indicated that it wished to renegotiate the pricing under the contract and stopped making payments under the contract. Following unsuccessful negotiations attempting to resolve the amounts in dispute, Globe commenced formal legal proceedings during 2004 to recover the amounts due under the contract.

The trial in this matter is currently scheduled for February 2007. Management has determined that an additional bad debt provision should be recognized in the amount of the net account receivable which remains uncollected.

Brazil

In connection with the efforts of Securitas to expand its activities in South America, Securitas entered into an agreement during 2005 with respect to the possible acquisition of a security guard company in Brazil. In order to support this company while required governmental approvals were obtained, Securitas provided a bank guarantee for the benefit of the subject company. The governmental approvals took much longer 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 following the receipt of the government approval. The government approval confirms the ability of foreign companies such as Securitas to enter the Brazilian security market. In view of the decision not to complete the subject transaction, a provision in the amount of the bank guarantee and for other expenses incurred has been recognized based on management's best estimate as of December 31, 2006.

Premises in Germany

After the divestiture of the German cash handling operations and also as a result of the subsequent bankruptcy of the Heros Group of companies, Securitas has certain exposures in relation to properties in Germany. The Group has provided for onerous rent contracts and has also tested buildings for impairment. As a result provisions for onerous rent contracts and impairment losses have been recognized. The provisions and impairment losses have been allocated between Security Services and Loomis based on the previous utilization of these properties.

Loomis related items

The aggregate amount classified as items affecting comparability for Loomis amounts to MSEK –1,511 (–151) for the full year 2006.

Welo

During 2001, Securitas in Germany in response to customer requests took on cash booking responsibilities (referred to as Welo – Werte logistik) in addition to the cash in transit activities which it had historically provided in Germany. In connection with the performance of these Welo activities during the time of the euro introduction in Germany, a loss developed with a major customer. The amount of the loss was advanced by Securitas Germany to the customer in accordance with the relevant contract in two payments (one paid in 2003 and the other paid during 2004) and the equivalent has been claimed against the relevant insurance policies.

The German cash handling operations were divested in November 2005 to the German Heros Group. However, the economic interest in the Welo claim was retained by Securitas as part of that transaction. The company holding the legal Welo claim was sold to Heros in this transaction. In February 2006 the Heros Group of companies filed for insolvency under German law, including the company which is the nominal plaintiff in the Welo claim. Against this background Securitas decided during the second quarter 2006 to provide for the full Welo claim. The insurance claim will continue to be pursued as planned.

Heros

The German Cash Handling operations were divested in November 2005 to the German Heros Group. In February 2006 the Heros Group of companies filed for insolvency under German law. In connection with the foregoing, the insolvency trustee is examining all relevant prior transactions of the insolvent companies, including the German cash handling companies which Securitas sold to the Heros Group. Management has determined that a provision should be recognized in respect of the Heros insolvency.

As mentioned above under Security Services, Securitas also has certain exposures in relation to properties in Germany. The Group has provided for onerous rent contracts and has also tested buildings for impairment. As a result provisions for onerous rent contracts and impairment losses have been recognized. The provisions and impairment losses have been allocated between Security Services and Loomis based on the previous utilization of these properties.

Securitas Cash Management Ltd (SCM)

A detailed account of the developments in SCM has been presented in Securitas Interim Reports since the third quarter of 2005, in the Securitas Annual Report for 2005 and onward.

SCM is a company jointly owned by Loomis (75 percent) and HSBC and Barclays (12.5 percent respectively). SCM was created when the two banks in 2001 decided to outsource their handling of physical cash (notes and coins) in the UK. SCM took over 28 cash centers spread over the UK from the two banks and Loomis. SCM also took over all employees and the existing work procedures and reconciliation methodology.

During 2002–2004 the 28 cash centers were reduced to 11, new work streams and methods were developed and implemented and the efficiency of the operations was improved. One of the important enhancements was the introduction of an IT system, designed to replace the predominantly manual based systems, to keep fully automated track of all cash received, processed, stored and distributed by the cash center operations.

As a result of these actions, SCM provides a high-quality service to the banks and achieves a good operating profit.

When cash is received by the centers and cash is distributed out from the centers, corresponding entries are registered on bank accounts relating to SCM, the banks and the clients of the banks. Certain of these procedures were manual at the time SCM took over the outsourcing contract, and some still are manual today. There are approximately 10 million transactions through all the cash centers each year. Depending of the type of transaction, entries are made either by local bank branches, centralized bank functions and/or by SCM. A new process, jointly developed by the banks and SCM, to fully automate these entries and reconcile all entries so as to reduce and then eliminate the possibility of mistakes, is under implementation.

Over the last two years, a fully automated reconciliation system has been developed and is in the course of being implemented across all cash centers in order to identify and correct manual booking errors. This provides a robust system for timely reconciliation of entries and investigation of any errors made by either the banks or SCM. The continuous development of IT systems will provide management with information so as to address errors or problems in a timely manner.

Following the consolidation of cash centers and the establishment of new work procedures were introduced, variances between the bank accounts and the automated system in SCM were identified. In April 2005 a dedicated team to investigate the variances was established by SCM. The investigation was complicated by the difficulty of obtaining electronically based information from the banks and the large volume of manual records. Independent outside consultants were engaged in October 2005 to assist in the establishment of improved IT and management systems and to assist in the investigation of the variances.

As a result of the continuing investigation by SCM and the external independent investigators into the variances, the amount of the variance has been estimated to be MGBP 61 as of December 31, 2006. A provision equal to the estimated variance has now been deemed justified.

Management has taken steps to strengthen the control systems in place as well as strengthening the management team for Loomis and SCM. The investigation into the variance is continuing and SCM is working closely with the banks to address the causes of the problem. It is not possible, until the results of the investigation are known, to evaluate in a meaningful way the rights and obligations of SCM in respect of third parties or the ability of SCM to claim any part of the variance through insurance.

According to the Swedish listing agreement, Securitas has informed the Stockholm Stock Exchange about the SCM situation, and in accordance with normal procedures the Stock Exchange will initiate a review.

Group related items (Other)

Costs relating to the listing project and the relocation of the Securitas head office to Stockholm have been treated as items affecting comparability. These costs amount to MSEK 216 for the full year 2006.

Divestiture of German cash handling operations in 2005

The capital loss of MSEK 151 has been treated as an item affecting comparability in the comparatives for the full year 2005.

Cash flow

Operating income before amortization amounted to MSEK 3,591 (3,526). Net investments in fixed assets after depreciation amounted to MSEK –34 (14).

Changes in accounts receivable amounted to MSEK –703 (–312) which is mainly due to organic sales growth. Changes in other operating capital employed amounted to MSEK 211 (400).

Cash flow from operating activities amounted to MSEK 3,065 (3,628), equivalent to 85 percent (103) of operating income before amortization.

Free cash flow was MSEK 1,780 (2,386), equivalent to 75 percent (105) of adjusted income. The lower free cash flow compared to 2005 is explained by the improved organic sales growth.

Cash flow from investing activities, acquisitions, was MSEK –362 (–862). Cash flow from items affecting comparability was MSEK –129 (19). Cash flow from financing activities was MSEK –1,106 (–3,314). Cash flow for the period, discontinued operations, was MSEK –1.251 (2,026).

Cash flow for the period, all operations, was MSEK –1,068 (255), of which MSEK 183 (–1,771) related to continuing operations.

Condensed Statement of Cash Flow according to Securitas' financial model

MSEK	2006	2005
Operating income before amortization	**3,591.1**	**3,526.0**
Investments in fixed assets	–1,511.8	–1,496.0
Reversal of depreciation	1,477.9	1,509.7
Net investments in fixed assets	**–33.9**	**13.7**
Change in accounts receivable	–702.6	–311.8
Change in other operating capital employed	210.5	399.9
Cash flow from operating activities	**3,065.1**	**3,627.8**
Financial income and expenses paid	–516.1	–445.3
Current taxes paid	–769.0	–796.9
Free cash flow	**1,780.0**	**2,385.6**
Cash flow from investing activities, acquisitions	–361.2	–862.5
Cash flow from items affecting comparability	–129.3	19.5
Cash flow from financing activities	–1,106.3	–3,313.5
Cash flow for the year, continuing operations	**183.2**	**–1,770.9**
Cash flow for the year, discontinued operations	–1,251.0	2,026.2
Cash flow for the year, all operations	**–1,067.8**	**255.3**

Securitas' financial model is described on pages 24–27. Operating items. Net debt related items. Goodwill, taxes and non-operating items.

Capital employed and financing

The Group's operating capital employed was MSEK 4,669 (7,908 for all operations and 5,923 for continuing operations), corresponding to 8 percent (10 for continuing operations) of sales adjusted for full year sales of acquired units. The decrease in operating capital employed compared to December 31, 2005 is mainly related to the provisions and impairment losses recognized as items affecting comparability in the fourth quarter of 2006. The higher DSO is explained by strong organic sales growth. The dividend of Securitas Systems and Direct has reduced the closing balance of operating capital employed by MSEK 2,469.

Acquisitions have decreased operating capital employed by MSEK 88 during 2006, of which the decrease in continuing operations was MSEK 95.

Acquisitions increased consolidated goodwill by MSEK 282, of which MSEK 253 related to continuing operations. An impairment loss of MSEK 41 has been recognized for the goodwill relating to the operations of SCM, in conjunction with the recognition of the provision for variances mentioned under the section Comments to items affecting comparability. Adjusted for negative translation differences of MSEK 1,488 for all operations and after the impact from the dividend of Securitas Systems and Direct of MSEK –2,513, total goodwill for the Group amounted to MSEK 14,032 (17,792 for all operations and 15,318 for continuing operations).

The annual impairment test of all Cash Generating Units which is required under IFRS took place during the third quarter 2006, in conjunction with the business plan process for 2007. Further information regarding the accounting principles for impairment testing is provided in Note 2 Accounting principles, under the section Impairment. None of the Cash Generating Units tested for impairment had a carrying amount that exceeded the recoverable amount, and consequently no impairment losses other than the MSEK 41 relating to the operations of SCM mentioned above have been recognized in 2006.

Acquisitions increased acquisition-related intangible fixed assets by MSEK 206 during 2006, of which MSEK 203 were in continuing operations. After amortization of MSEK –93 in continuing operations, amortization of MSEK –18 in discontinued operations, negative translation differences of MSEK 6 in all operations and after the impact from the dividend of Securitas Systems and Direct of MSEK –264, acquisition-related intangible fixed assets amounted to MSEK 464 (639 for all operations and 359 for continuing operations).

The Group's total capital employed was MSEK 19,338 (26,518 for all operations and 21,779 for continuing operations). The translation of foreign capital employed to Swedish kronor decreased the Group's capital employed for all operations by MSEK 1,630 after considering net investment hedging and by MSEK 1,985 before net investment hedging of MSEK 355. The dividend of Securitas Systems and Direct has reduced the closing balance of capital employed by MSEK 5,246.

The return on capital employed was 8 percent (16 for continuing operations).

The Group's net debt amounted to MSEK 9,735 (11,945 for all operations). Acquisitions and acquisition-related payments during 2006 increased the Group's net debt by MSEK 415 (MSEK 362 in continuing operations), of which purchase price payments accounted for MSEK 335 (MSEK 296 in continuing operations), assumed net debt for MSEK 65 (MSEK 65 in continuing operations) and acquisition-related restructuring costs paid for MSEK 15 (MSEK 1 in continuing operations). The Group's net debt decreased by MSEK 695 for all operations during 2006 due to the translation of net debt in foreign currency to Swedish kronor. The dividend of Securitas Systems and Direct has reduced the closing balance of the net debt by MSEK 1,632.

In April 2006, a dividend to shareholders totaling MSEK 1,278 (1,095) was paid. The dividend per share was SEK 3.50 (3.00).

The interest cover ratio amounted to 4.4 (5.5). The free cash flow to net debt ratio amounted to 0.18 (0.20).

Interest expense for the period on the outstanding convertible debenture loans amounted to MSEK –74 (–78).

Shareholders' equity amounted to MSEK 9,603 (14,573 for all operations). The translation of foreign assets and liabilities to Swedish kronor decreased shareholders' equity by

MSEK 935 after considering net investment hedging of MSEK 355 and MSEK 1,290 before net investment hedging. Please refer to Statement of recognized income and expense, for further information. The dividend of Securitas Systems and Direct has reduced the closing balance for shareholders' equity by MSEK 3,614.

The total number of outstanding shares amounted to 365,058,897 as of December 31, 2006. The average number of shares after full conversion of all outstanding convertible debenture loans is 376,165,189 for 2006. Further information regarding the recalculation of the conversion prices of the outstanding convertibles is provided in the financial review below and in Note 30 Convertible debenture loans. The number of shares after dilution has increased to 379,614,554 and has impacted the average number of shares after dilution from the fourth quarter 2006.

Condensed Balance Sheet according to Securitas' financial model

MSEK	2006	2005
Operating capital employed	4,669.2	5,923.7
Goodwill	14,031.6	15,317.6
Acquisition related intangible fixed assets	464.2	359.3
Shares in associated companies	172.7	178.6
Capital employed, discontinued operations	–	4,738.5
Total capital employed	**19,337.7**	**26,517.7**
Net debt	9,734.6	11,944.8
Shareholders' equity	9,603.1	14,572.9
Total financing	**19,337.7**	**26,517.7**

Securitas' financial model is described on pages 24–27. Operating items. Net debt related items. Goodwill, taxes and non-operating items. Items related to shareholder's equity.

Acquisitions

All acquisition calculations are finalized by the latest one year after the acquisition is made.

Renful, Germany

Security Services Europe has acquired Renful Flugverkehr Services GmbH in Germany. The company, which is a specialized aviation security company with operations at the airports in Frankfurt, Munich and Stuttgart, has annual sales of MEUR 5 (MSEK 47) and 300 employees. The acquisition strengthens Securitas' position in aviation security and gives access to more training capacity in this area. The total enterprise value of the acquisition is MEUR 2.2 (MSEK 21) and it has been included in Securitas as from February 1, 2006.

Sécurité St. Germain, Canada

The Canadian operations within Security Services North America has acquired the contract portfolio and related assets of Sécurité St. Germain in Quebec, Canada. The company has annual sales of MCAD 14 (MSEK 93) and 500 employees. It has a good position in mobile services, which will be used as a platform to expand the concept in the Canadian marketplace. The total enterprise value of the acquisition is MCAD 1.8 (MSEK 11) and it has been included in Securitas as from March 1, 2006.

Emerald Security, Canada

The Canadian operations within Security Services North America has acquired Emerald Security Inc in Toronto, Canada. The company has annual sales of MCAD 8 (MSEK 52) and 350 employees. It is the largest mobile services supplier in the

Acquisitions January – December 2006 (MSEK)

Company	Division[1]	Included from	Annual sales[2]	Purchase price[3]	Enterprise value[4]	Goodwill[5]	Acquisition related intangible fixed assets
Opening balance						**17,792**	**639**
Renful, Germany	Security Services Europe	Feb 1	47	21	21	17	2
St. Germain, Canada	Security Services North America	Mar 1	93	11	11	–	11
Black Star, Spain	Security Services Europe	n/a	–	–	23	30	–
DAK Güvenlik, Turkey	Security Services Europe	Apr 1	160	18	19	74	18
PSI, Spain[5]	Security Services Europe	Jun 1	342	133	176	142	77
Emerald Security Inc., Canada	Security Services North America	Aug 1	52	24	25	16	5
Safeguard, USA	Security Services North America	Nov 1	102	45	48	–	35
KARE, Turkey	Security Services Europe	Dec 31	72	–	–6	24	14
Other acquisitions[6]		n/a	44	44	44	–50	41
Total acquisitions January – December 2006, continuing operations			**–**	**296**	**361**	**253**	**203**
Premier, USA	Securitas Systems	Apr 1	33	34	34	27	3
Other acquisitions		n/a	10	5	5	2	–
Total acquisitions January – December 2006, discontinued operations			**–**	**39**	**39**	**29**	**3**
Total acquisitions January – December 2006, all operations			**–**	**335**	**400**	**282**	**206**
Amortization of acquisition-related intangible fixed assets, continuing operations						n/a	–93
Amortization of acquisition-related intangible fixed assets, discontinued operations						n/a	–18
Impairment losses on goodwill[7]						–41	n/a
Translation differences						–1,488	–6
Impact from dividend of discontinued operations						–2,513	–264
Closing balance						**14,032**	**464**

[1] Refers to division with main responsibility for the acquisition.
[2] Estimated annual sales.
[3] Price paid to the seller.
[4] Purchase price plus acquired net debt.
[5] 60 percent of purchase price paid in May 2006.
[6] Contro Veranstaltungsdienste GmbH, Security Services Germany, Hassemans (Contract portfolio), Security Services Sweden, Home Alert Valvarius (Contract portfolio), R&G (Contract portfolio) and Hummel (Contract portfolio), Security Services the Netherlands, Errem SA (Contract portfolio) Security Services Switzerland, A.R.B.U.S (Contract portfolio) and Patrol (Contract portfolio), Security Services Germany, Kristianstad Hundbevakning (Contract portfolio), Nässjö/Eksjö Bevakning (Contract portfolio) and Polar Bevakning (Contract portfolio), Security Services Sweden, Avantage Sécurité Sarl and AD Sécurité (Contract portfolio), Security Services France, Waterfront/Defense (Contract portfolio), Security Services UK, adjustment of Burns' goodwill, Security Services USA.
[7] SCM UK (included in the Statement of income under Items affecting comparability).

Toronto area and the acquisition will make Securitas the leading mobile supplier in the Toronto area and establish a platform for future mobile services growth. The total enterprise value of the acquisition is MCAD 4 (MSEK 25) and it has been included in Securitas as from August 1, 2006.

DAK Güvenlik, Turkey

Security Services Europe entered the Turkish security services market by acquiring 51 percent of the shares in DAK Güvenlik. The purchase price for 51 percent of the shares is MTRY 4.0 (MSEK 18). Securitas has an option to buy the remaining 49 percent of the shares and the purchase price will based on the financial performance of the company until the year 2009.

DAK Güvenlik is one of the leading security services companies in Turkey with a nationwide coverage and activities mainly within permanent guarding services for large customers. The company has sales for 2006 of MTRY 33 (MSEK 160) and 3,000 employees. The total enterprise value is MTRY 4.2 (MSEK 19) and it has been included in Securitas as from April 1, 2006.

KARE, Turkey

Security Services Europe has, through DAK Güvenlik, acquired 100 percent of KARE in Turkey. The company, which has 900 employees, has annual sales of MTRY 15 (MSEK 72) in guarding. The acquisition will strengthen Securitas' presence in Istanbul and Ankara. The enterprise value of the acquisition is estimated to MTRY 8.5 (42 MSEK) which will be partly based on the financial performance of the company during 2007. It is included in Securitas as from December 31, 2006. The first part of the purchase price was paid in January 2007 and consequently only the aquired net debt (cash) has impacted the period ending December 31, 2006.

Turkey has a fast growing economy with real GDP growth well above 5 percent in 2005. The Turkish market for security services is estimated to be worth MSEK 3,200 and is expected to grow by 6–7 percent annually. The market is very fragmented with most of the low-end security outsourced to private security companies. However, the market is moving towards high-end security solutions, driven by a clear outsourcing trend and new regulations for licensing of companies, security officers and training requirements, fully in effect as of January 2006.

PSI (Paneuropea de Seguridad Integral), Spain

Security Services Europe has acquired PSI (Paneuropea de Seguridad Integral) in Spain with security services in major Spanish cities. With the acquisition of PSI, Securitas strengthens the position as a nationwide security provider in Spain.

PSI has sales for 2006 of MEUR 37 (MSEK 342) and approximately 1,600 employees. The enterprise value of the acquisition is estimated to MEUR 27 (MSEK 250). 60 percent of the purchase price has been paid. The remainder is to be paid over two years. PSI has been included in Securitas as from June 1, 2006.

Safeguard, USA

Security Services North America has acquired Safeguard in Hawaii with annual sales of MUSD 14 (MSEK 102) and 500 employees. The company is specialized in high rise security and has a market leading position in this customer segment in the Honolulu area. The enterprise value of the acquisition is MUSD 6.7 (MSEK 48) and it is included in Securitas as from November 1, 2006.

Aseco and Proguard, Uruguay

Securitas has entered the security market in Uruguay through the acquisition of Aseco and Proguard. Aseco which is mainly active in guarding with 550 employees and Proguard which is mainly active in alarm monitoring with 2,200 connections have combined sales of MUYU 77 (MSEK 23). The enterprise value of the acquisitions is MUYU 36 (MSEK 11) and they will be included in Securitas as from January 1, 2007.

The security services market in Uruguay is estimated to MSEK 250 and it is growing by 7 percent annually.

Four New Security Companies

On February 9, 2006 Securitas announced the intention to transform three of its divisions into independent specialized security companies: Loomis AB, Securitas Direct AB and Securitas Systems AB, thus creating four independent security companies with their own Boards, management and business focus.

The Extraordinary General Meeting in Securitas AB held on September 25, 2006 decided, in accordance with the Board of Directors' proposal, on a dividend to the effect that all shares in the wholly-owned subsidiaries Securitas Direct AB and Securitas Systems AB would be distributed to the shareholders. The dividend date was September 29, 2006. The listing preparation for Loomis AB continues and the division will be listed on the Stockholm Stock Exchange during 2007.

On September 29, 2006 Securitas Systems AB and Securitas Direct AB were listed as separate companies on the Stockholm Stock Exchange. The two former divisions of Securitas AB have, during a rapid process lasting less than a year, been demerged and prepared for listing. Stable organizations, clear business models and focused management constitute a good position for each of the two companies to develop further as independent entities.

Loomis AB (Cash Handling Services)

As announced in the Securitas Interim Report for January-March 2006, in addition to the listing process of Loomis AB, Securitas evaluated indications of interest from financial and industrial buyers of the Cash Handling Services division. After due consideration of the received indications of interest, Securitas concluded that the stock exchange listing alternative should continue to be pursued, and consequently the division will not be divested. Loomis AB is on track to be listed during the second half of 2007 on the Stockholm Stock Exchange. It has also been decided that the division will change its name to

Loomis AB and it has started to implement the change of its branding to Loomis for all operations.

Other significant events

New President and CEO

Alf Göransson was appointed President and CEO for Securitas AB in August 2006 and will replace Thomas Berglund on March 5, 2007.

Update on 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 from 2001 onward. For further information refer to Note 37, Contingent Liabilities on page 98. There have been no material developments in this matter subsequent to the publication of the Annual Report for 2005, other than that the number of lawsuits where Globe or another Securitas company is a defendant has been reduced from 58 to 48 due to settlement.

Securitas AB 6.125 percent MEUR 350 Euro Notes 2006

The notes matured in January 2006 and have been refinanced by drawings under other Group financing facilities.

Information about Securitas Employee Convertible 2002

In accordance with the terms and conditions of the four convertibles issued by Securitas AB under the Securitas Employee Convertible 2002, the conversion prices of the convertibles have been recalculated due to the dividend of Securitas Systems AB and Securitas Direct AB.

The recalculation is based on the value of the shares in Securitas AB, Securitas Systems AB and Securitas Direct AB, measured during the period September 29 until November 2, 2006. The recalculation factor has been fixed at 0.684555, which means that the value of the Securitas AB share corresponds to approximately 68.5 percent of the sum of the values of a share in each of Securitas AB, Securitas Systems AB and Securitas Direct AB.

Loan amounts and conversion rates

	Outstanding amount, EUR	Conversion rate (EUR) Original	New	No. of new B shares
Loan 2002/2007 series 1	63,624,375	20.3	13.9	4,577,293
Loan 2002/2007 series 2	63,624,375	24.3	16.6	3,832,794
Loan 2002/2007 series 3	63,624,375	28.4	19.4	3,279,607
Loan 2002/2007 series 4	63,624,375	32.4	22.2	2,865,963
Total	**254,497,500**			**14,555,657**
Number of shares outstanding				365,058,897
Number of shares after dilution				379,614,554

A full conversion of all four convertibles would result in a total of 14,555,657 new Series B shares in Securitas AB being issued, which corresponds to a dilution of 3.99 percent of the capital and 2.88 percent of the votes.
The Securitas Employee Convertible Programme expires in May 2007.

Personnel

Securitas has about 215,000 employees in 30 countries mainly in Europe and North America.

As a framework for Securitas and all its employees the Group's Board of Directors has adopted a Code of Conduct. It is every Securitas employee's responsibility to live up to and actively promote the company's Code of Conduct. All employees are encouraged to report breaches in the code to their superior for further investigation. If a case is ignored or if a charge is of sufficiently serious a nature, it should be reported to local management, whose responsibility it will be to conduct a full investigation and, where necessary, take the appropriate steps. In March 2006, Securitas entered into an agreement with the Union Network International (UNI) and the Swedish Transport Workers Association. This agreement serves to further strengthen our commitment to the Securitas Code of Conduct in all of our operations around the world.

Securitas supports and respects basic human rights and recognizes its responsibility to see that they are followed in its daily operations.

Securitas is not associated in any way with forced labor or other forms of involuntary work. The company does not employ anyone under the age of 15 or under the minimum legal age in any country where the minimum is higher than 15.

Securitas respects every employee's right to form a union or to belong to a union he or she chooses, or to negotiate in accordance with local laws and ordinances.

Securitas strives to offer a secure and healthy working environment and endeavors to take reasonable measures to prevent accidents.

Wages and other benefits should at least meet the locally applicable minimum wage level or the minimum level for the industry.

Securitas should follow working regulations in accordance with national laws and/or those stipulated as standard for the industry.

Research and development

Securitas is a service company and does not carry out any research 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 customer. There are no capitalized research expenditures in the Group per December 31, 2006.

Environment

The Group and the Parent Company's operations do not require a permit under the Swedish environmental code.

Development in the Group

Securitas Services' divisions in North America and Europe have stable organizations and management structures, and are well positioned on their markets, with market shares of 16 and 18 percent respectively. Cash Handling Services, which is changing its name to Loomis, is a now a separate legal entity within Securitas, with new management and a separate Board. Loomis has a market-leading position in the USA and in Europe, with a total market share of 19 percent. Loomis is planned to be listed on the Stockholm Stock Exchange during the second half of 2007.

Parent Company operations

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

The Parent Company's income amounted to MSEK 469 (480) and mainly relates to administrative contributions and other income from subsidiaries. The income after financial items amounted to MSEK 2,868 (3,941). In the income after financial items are included result from sale of shares in subsidiaries of MSEK 0 (–46), dividends from subsidiaries of MSEK 5,338 (4,619), interest income of MSEK 1,154 (1,197), interest expense of MSEK –1,692 (–1,568) and other financial income and expenses, net, of MSEK –1,726 (–270). Included in other financial income and expenses, net are impairment losses relating to shares in subsidiaries of MSEK –1,539. Impairment losses have been recognized in conjunction with the Parent Company having received dividend from the subsidiary and also in conjunction with intra-group restructuring resulting from the dividend of Securitas Direct AB and Securitas Systems AB. Net income for the year amounted to MSEK 2,877 (4,015).

Cash flow for the year amounted to MSEK 779 (–400).

The Parent Company's fixed assets amounted to MSEK 53,032 (54,682) and mainly comprise shares in subsidiaries of MSEK 51,581 (54,397). Current assets amounted to MSEK 13,979 (19,060), of which receivables from subsidiaries amounted to MSEK 12,697 (16,764). Liquid assets amounted to MSEK 813 (1,759). Shareholders' equity amounted to MSEK 24,954 (31,899). The Parent Company's liabilities mainly consisted of interest-bearing debt of MSEK 41,529 (41,031), of which liabilities to subsidiaries amounted to MSEK 30,114 (27,463).

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

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 April 17, 2007.

Funds in the Parent Company available for distribution:

	SEK
Hedging reserve	25,416,585
Translation reserve	172,894,620
Retained earnings	14,150,494,194
Net income for the year	2,877,110,879
Total	**17,225,916,278**

The Board of Directors and the President propose a dividend to the shareholders of:

	SEK
SEK 3.10 per share	1,131,682,581
To be carried forward	16,094,233,697
Total	**17,225,916,278**

During 2006 an Extraordinary General Meeting of Securitas AB was held on September 25. This Extraordinary General Meeting decided, in accordance with the Board of Directors' proposal, on a dividend of all shares in the wholly-owned subsidiaries Securitas Direct AB and Securitas Systems AB. The book value of the shares in the two subsidiaries distributed by way of dividend amounted to SEK 8,519,151,520.

The Board's statement on the proposed dividend

With reference to the Board's dividend proposal, the Board of Directors hereby makes the following statement pursuant to Chapter 18, section 4 of the Swedish Companies Act.

The Company's unappropriated earnings as per December 31, 2006 amount to SEK 14,348,805,399.

The net income for the year amounts to SEK 2,877,110,879, of which SEK –27,785,574 is the result of financial instruments being valued pursuant to Chapter 4, section 14 a of the Swedish Annual Accounts Act.

The Company's equity would have been SEK 22,173,651 lower as per December 31, 2006 if financial instruments, having been valued at actual value pursuant to Chapter 4, section 14 a of the Swedish Annual Accounts Act, had instead been valued at the lower of cost or market.

Unappropriated earnings of SEK 17,225,916,278 are therefore at the Annual General Meeting's disposal.

Provided that the 2007 Annual General Meeting resolves to allocate the results in accordance with the Board's proposal, SEK 16,094,233,697 will be carried forward. After distribution of the proposed dividend, there will be full coverage for the Company's restricted equity.

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 at sight its obligations. The proposed dividend 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 dividend is 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, please refer to the statements of income, balance sheets and statements of cash flow as well as comments and notes.

"In August 2006 we retained and expanded our contract with General Motors for another five years. To us, this was an acknowledgement of our consistency in service delivery and of our efforts in specialization and developing global accounts.

Santiago Galaz
Divisional President, Security Services North America

Strong growth in new sales and the contract portfolio

"2006 saw a continuation of the rising trend in sales growth and stability in operating margin achieved in 2005. This was the result of a consistent and purposeful strategy and a combination of efforts in many areas. There is no doubt that Security Services North America is now on the right track with a strong and stable organization and the Securitas Model in place.

2005 was an important turning point for our organization, when we turned a falling trend into a rising one. Our efforts in customer focus and personnel development contributed to this success, but we must bear in mind that we also had a large number of special assignments resulting from the hurricanes that ravaged the USA.

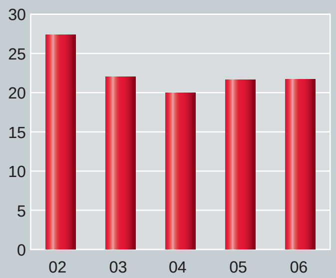
In 2006, though, our growth in sales and profitability was a result of growing our normal business. In this light, it is extremely satisfying to have improved our organic sales growth with a stable operating margin.

In a large organization such as Security Services North America, with more than 100,000 employees spread over three countries and five time zones, it is essential to maintain a consistent level of service delivery and skill, especially for our national and cross-border customers. The Branch Manager training program continued in 2006 and is planned to continue in 2007. In combination with our Securitas Services Excellence (SSE) program, this significantly improved our performance in 2006. SSE, a program intended to help implement and maintain a high and consistent service delivery, was a major contributor to our client retention rate of more than 90 percent. Together with an increase in new sales this forms a good platform for continued growth. In August 2006 we retained and expanded our contract with General Motors for another five years. To us, this was an acknowledgement of our consistency in service delivery and of our efforts in specialization and developing global accounts.

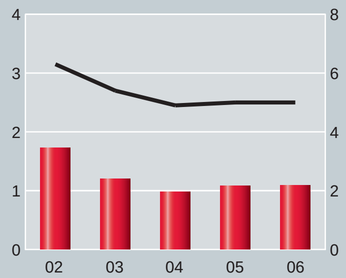
After years of working to put the right organization in place, develop our skills and run our day-to-day business efficiently, our organization is now mature and stable enough for the next step. In 2007 we will start to introduce new value-added services incorporating technical solutions which we believe will help to speed our growth and increase margins further. There are already pilot programs and partnerships in place, and this project will be rolled out progressively over the next three years.

There will always be processes and programs to fine-tune, issues to solve and new markets to explore and capture, but I am convinced that we are now on the right track. Security Services North America is stronger than ever and we intend to build on this strength and develop our relationships further in 2007 – with our people, our partners and, last but certainly not least, our customers."

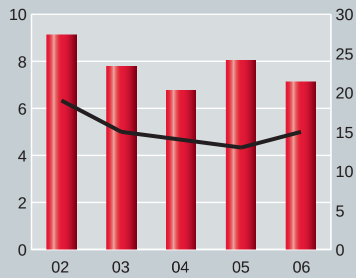
Total sales



Operating income/Operating margin



Capital employed/ Return on capital employed



The year 2006 » **A rising trend in both organic sales growth and operating margin began at the start of 2006 and is continuing. Key ratios such as new sales and contract portfolio have improved on those of last year. The division shows both organizational and operational stability. During 2006, continued measures to increase efficiency in operations and achieve consistent service delivery have successfully been implemented. Security Services North America comprises operations in the USA, Canada and Mexico plus Consulting & Investigations.**

- Total sales amounted to MSEK 21,736 (21,616). Organic sales growth amounted to 5 percent (4).
- Operating income amounted to MSEK 1,088 (1,080). The operating margin was 5.0 percent (5.0).
- Return on total capital employed amounted to 15 percent (13).
- The training program for Branch Managers continued at full intensity in 2006 and will continue in 2007.
- The Securitas Service Excellence Program contributed to significantly improved continuity in service delivery.
- In August 2006 it became clear that Securitas will retain and expand its contract with General Motors in the USA and Europe.

Financial key ratios

MSEK	2006	2005[1]	2004[1]
Total sales	**21,736**	**21,616**	**20,017**
Organic sales growth, %	*5*	*4*	*–2*
Operating income before amortization	**1,088**	**1,080**	**982**
Operating margin, %	*5.0*	*5.0*	*4.9*
Cash flow from operating activities	**877**	**987**	**818**
Cash flow from operating activities, %	*81*	*91*	*83*
Operating capital employed	**1,163**	**1,123**	**895**
Operating capital employed as % of sales[2]	*6*	*5*	*5*
Total capital employed	**7,116**	**8,034**	**6,768**
Return on capital employed, %[3]	*15*	*13*	*14*

[1] Adjusted for IAS 19 amendment.
[2] The calculation is based on operating capital employed adjusted for the balance sheet impact of items affecting comparability. The unadjusted key ratio is provided in Note 9.
[3] The calculation excludes the impact from items affecting comparability both on the statement of income and balance sheet. The unadjusted key ratio is provided in Note 9.

Operational key ratios

	2006	2005	2004
Contract portfolio growth, %	**5**	**4**	**0**
Wage increases, %	**2**	**2**	**2**
Price increases, %	**2**	**2**	**2**
Client retention, %	**93**	**90**	**89**
Employee turnover, %	**70**	**60**	**60**

Shamika Smith works as a receptionist in the lobby of a major Global Automotive customer outside Detroit, Michigan. Securitas is responsible for access and egress control, inspection of packages, equipment and ID badges and assistance to visitors and employees.

Shift Supervisor William Thurmond communicating with his colleagues. In addition to reception services, Securitas is in charge of building and parking lot control as well as response to emergency situations, including coordination with agencies such as the police and the fire department.

Organization and structure

Security Services North America provides specialized guarding services in the three countries of the North American continent: Canada, USA and Mexico. The division consists of one organization for National and Global Accounts; 10 geographical regions and three specialty regions (Automotive, Government Services and Energy) in the USA; plus Canada, Mexico and Pinkerton Consulting & Investigations.

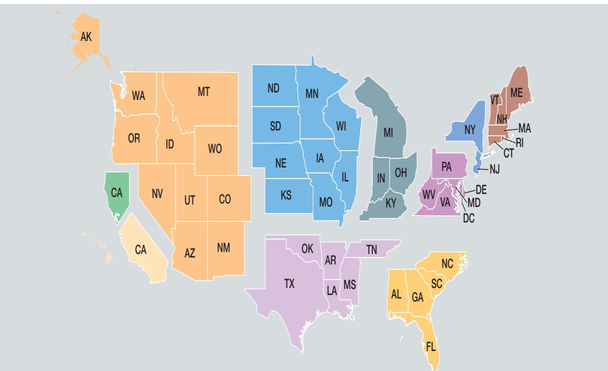
All in all, there are 108 geographical areas, 744 branch offices and more than 100,000 employees.

The service offering ranges from mobile patrols, specialized guarding, receptionist services, console operations, alarm response and event security to security consulting and one-stop security solutions. The customer base represents most industries and sectors, including manufacturing, banking and finance, education, high-tech, entertainment, healthcare, residential areas, utilities and power, and retail.

In some regions of the USA, Securitas has a greater presence in specific vertical sectors, such as high-rise buildings, the petrochemical industry, ports and gated communities. In addition, the National Accounts team has a high level of specialization in different vertical markets, with special emphasis on high-tech, telecom and retail. The National Accounts business is achieving faster organic sales growth than the average for the division and represented 13 percent of total sales in the USA in 2006.

Organization (excluding Canada and Mexico)

Security Services North America		
Guarding regions	Specialty regions	Consulting & Investigations
North Central East Central South Central Mid-Atlantic New England New York/New Jersey South East Rocky Mountain North California South California National Accounts	Automotive Energy Government	Operations in more than 30 countries



- North California
- South California
- Rocky Mountain
- New York/New Jersey
- North Central
- South Central
- East Central
- Mid-Atlantic
- New England
- South East

Security Services USA, Canada and Mexico

Key events of 2006

In 2004 and 2005, an extensive training program was rolled out in which 475 Branch Managers were trained in finance, sales and human resources development. This program continued in 2006, with six additional training modules in areas such as service delivery, price-setting models and risk management. Six more training modules will be carried out in 2007. Moreover, the management publication USA Management Bulletin was reintroduced to improve communication with Branch Managers and strengthen benchmarking exercises and best practice.

The Securitas Services Excellence (SSE) program – the service delivery model for the US operations – was fully implemented during the year and has had a positive impact on client retention, which was maintained above 90 percent. The model includes a number of service delivery management tools to ensure a consistent level of service standards.

Another important event occurred in August 2006, when Securitas retained and expanded its contract with General

Cisco Systems, a world leader in network solutions for the Internet, is Securitas' largest national account in the USA. At the company's headquarters in San José, California, Securitas provides permanent guarding, first responders and service representatives as well as control room staffing for the company's state-of the-art security operations center.

Marcos Valdivias works as a Mobile Patrol Officer at Cisco Systems. In addition to handling security for Cisco's company headquarters in San José, Securitas provides security for all of Cisco's operations throughout the USA.

Securitas Service Exellence Program

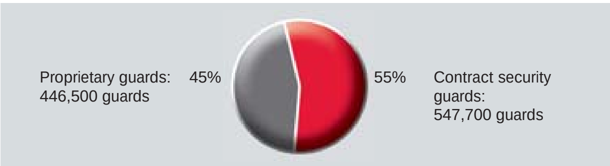
Motors in North America and Europe, a contract worth approximately MUSD 800 over five years. This can be attributed to the strong customer focus and customer relationship and the service delivery provided by the Automotive organization.

In December 2005 and with effect from 2006, Securitas Security Services became protected under the US SAFETY Act (The Support Anti-terrorism by Fostering Effective Technologies Act of 2002). The Act aims, in short, to encourage the development and deployment of technologies that will enhance the protection of the nation against terrorism; more specifically, it creates liability limitations for companies protected under the Act when qualifying anti-terrorism technologies have been deployed.

Market and customers

National GDP growth for 2006 is estimated at approximately 3 percent in the USA, 2 percent in Canada and over 4.5 percent in Mexico. The US market for contracted security has been relatively stable over the last three years and currently stands at 55 percent, compared to 45 percent for proprietary security.

Guards employed by security companies and by other companies



Source: BLS National Occupational Employment and Wages Estimates. CRS – The Library of Congress.

This represents a slight increase in the market share for contracted security. The growth rate for private security has been stable at one percentage point above GDP growth. In Canada and Mexico most of the market is outsourced – almost 80 percent in Canada and close to 90 percent in Mexico. Security Services North America grew organically by 5 percent, an increase of 1 percentage point compared to 2005. In real portfolio growth this represents a higher increase, since the 2005 organic sales growth rate was affected by the hurricanes of the last two quarters.

Sales and market shares

Country/operations	Sales MSEK	Sales MLOC	Market share, %
USA	19,749	2,698	18
Canada[1]	1,400	217	12
Mexico	277	413	2
Consulting & Investigations	355	48	n/a
Total	**21,781**		**16**

[1] Adjusted for full-year sales of acquired units.

The Securitas market share remains at 18 percent in the USA and 12 percent in Canada. The market share in Mexico is lower, but Securitas is nevertheless among the top five private companies. The largest competitor in the USA, Group 4 Securicor via Wackenhut Corp., holds an 11 percent market share and the five largest private companies have a combined market share of 51 percent – a rise of 2 percentage points on 2005. The top seven companies have a combined share of 56 percent. The American security market is still fragmented, with national and local companies, but in Canada it is more consolidated. The top four companies there hold 70 percent of the market. The market in Mexico consists of many private security companies with almost equal shares, but the largest competitor is the private security division of the State Police in Mexico City.

Average wage levels for guards in the USA are traditionally relatively low compared to other occupational groups. There is still a difference in wages between contracted security officers and proprietary guards, with proprietary guards in general earning more. However, the difference has decreased from 20 percent to 17 percent over the last three years.

Moreover, wage increases in Securitas of 2 percent in 2006 now position the company at a 9 percent higher wage level than its competitors. The decrease in the wage gap in combination with substantial and continuous efforts to raise service delivery consistency is an important strategic development, since it further improves Securitas' market position relative to proprietary security.

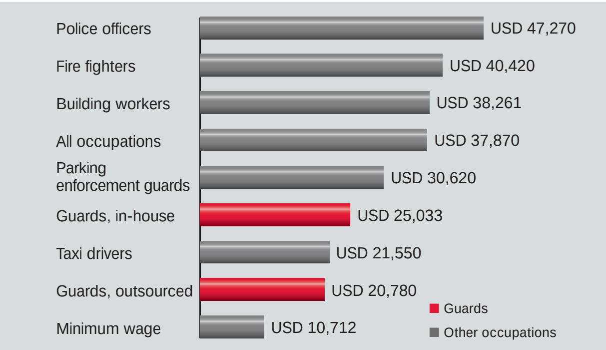
At APM Terminals at the Port of Tacoma in Washington State, USA, Securitas is responsible for access control, vehicle inspections and transportation and ensures that traffic regulations and policies are observed.

Security Officer Cord Salter checks the authority of a visitor to the port area, following the rules of the US Coast Guard.

Roving Security Supervisor Benjamin Parrish inspects an incoming truck in accordance with the rules of the US Coast Guard and APM Terminals' security policy.

The five main vertical markets of proprietary security are Educational services, Healthcare and Social services, Accommodation and Food services, Retail trade, and Public administration. These five represent 60 percent of the in-house market.

Average annual wages for selected occupational groups in the USA



Source: BLS National Occupational Employment and Wage estimates. www.bls.gov

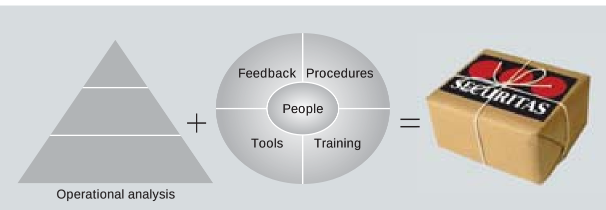
Strategy and objectives

The overall long-term financial objective for Security Services USA, Canada and Mexico is to grow at least in line with the market for private security and to improve profitability year-on-year. In 2006, the efforts made in human resources development and service delivery resulted in improved organic sales growth and profitability.

To develop the business further, Securitas has a clear strategy of moving from selling hours to providing tailored customer solutions adapted to the clients' needs.

For the most part, technology or software that is needed as part of a security solution is provided by the customer, although it may sometimes be managed by the contracted company. In 2006, the idea of integrating technical solutions with services was piloted in some local areas, and the concept will be extended during 2007. With strategic partnerships in place, it will now be possible to offer tailored solutions that include intrusion alarm systems, CCTV, and software for managing visitors in addition to existing features.

Securitas solutions



The Branch Manager training program in the USA will continue, with six additional training modules in 2007. The primary aim of this training process is to ensure consistent service delivery across the nation. In addition, it is intended to drive the process of decentralization in the organization and encourage increased local responsibility at branch office level. In Canada and Mexico similar processes have been put in place or are in the pipeline for 2007 with the aim of improving the employee retention rate and developing specialization skills and tools.

To summarize the strategies for Security Services USA, Canada and Mexico, the division will strive to maintain its strong leadership, raise industry standards, increase the level of specialization, introduce added-value services and solutions, and continue to maintain a high client retention rate.

Consulting & Investigations

Pinkerton Consulting & Investigations (C&I), a wholly owned subsidiary of Securitas, provides security consulting and investigative services such as fraud investigations, due diligence, computer forensics and intellectual property and brand protection services. It operates from 32 branch offices throughout the world, serving customers in the pharmaceutical, electronics, consumer goods and financial sectors among others.

A reorganization and change of strategy over the last three years have led to an increase in profitability and more solid business in each of the offices through adding traditional types of business to crisis-related services.

Traditionally, C&I's core business is mainly project-based, in contrast to the contract-driven security services. The bulk of the day-to-day business still consists of fraud investigations

Linda Dos Santos, Managing Director of Consulting & Investigations' Computer Forensics Electronic Discovery Lab in Atlanta, Georgia, is going through the details of a new investigation together with her team. Shown above are laboratory technician Ashley Ryan, Tamma Trump and Operations Manager Cory Mock.

Pinkerton Consulting & Investigations' lab provides services to investigate fraud, theft of trade secrets, and compliance with discovery requests for electronic data including archived and deleted e-mails. Information is obtained from many different sources such as hard drives, backup tapes and CDs. The end result is the delivery of information ready for legal review to attorneys and corporations worldwide.

and due diligence. However, this fluctuates over time because of its project-based nature. The aftermath of natural disasters causes increases in executive protection and evacuation services. Implementation of new regulations such as the C-TPAT (Customs-Trade Partnership Against Terrorism) program has also had an impact on the consulting business concerned with global supply chain logistics, for example.

The market and the competition in security consulting are even more fragmented and localized than in the traditional security services industry, and there are very few companies with a global span. As the services of these companies differ from the range of C&I's services, it is also very difficult to measure market shares.

Key events of 2006

In July 2006, C&I took an important step in extending its international presence with the opening of a new office in New Delhi, India. This took the form of a joint venture with the Indian law firm Kochhar Group. With a substantial number of international trading customers, India makes a strategic complement to the company's existing footprint in the Far East.

As the market for protecting intellectual property and brands increases, it is especially important to be able to offer trade and consumer goods customers an international presence. C&I has established a specialized cyber-surveillance branch office in Hartford, Connecticut, to be able to monitor and track counterfeit products for its customers.

A steadily growing business for C&I during 2006 was computer forensics. The subsidiary runs a specialized laboratory for the purpose in Atlanta, Georgia, where services such as hard-drive reconstruction and e-mail recovery are provided, mostly to assist litigation processes but also on a regular basis for multinational corporations.

Strategies and objectives

One important strategy for C&I is to further increase long-term and regular business. Multi-country contracts play a significant role in this process and therefore C&I is looking to increase its global span even further in 2007. A first step in this direction has already been taken with official approval to open a new office in Dubai.

Another important strategic step, taken in July 2006, was to re-enter the market for background screening. Operations are now in a build-up phase and are expected to be profitable in 2007.

Over the past two years we have managed to create specialized and dedicated organizations that are now ready for take-off in 2007.

Tore K. Nilsen
Divisional President, Security Services Europe

Strong development in the contract portfolio and organic sales growth

"In 2006 Securitas took another important step in its history of specialization when we created the two new business units of Mobile and Alert Services. The separation process began in 2001 when Security Services Europe became a separate division of Securitas, focused on guarding services. The following years allowed us to focus even more on our core business, and in 2006, when Securitas became a true security services company, the next logical step was to specialize and refine our core services further.

During the year the two new business units – Mobile and Alert Services – have established strong management teams and organizations and are well prepared for further growth in 2007, when they will operate as independent business units. The Mobile business unit is headed by Morten Rønning and operates in 11 countries and Alert Services is headed by Lucien Meeus and operates in six countries.

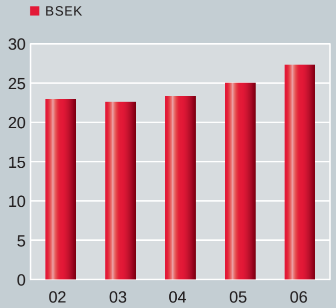
Excluding the business of Mobile and Alert Services, both of which focus on smaller customers, the large-customer operations, Services Europe, still account for 85 percent of total sales through guarding operations in Europe. The main focus of our large-customer segment in 2006 was to continue to develop specialized guarding services. By developing strong customer-segment concepts, supported by technology and guard tools, our plan is to grow faster than the market average and to improve our operating margins year by year. This development will be based on our country organizations except in the aviation segment. Aviation security is a very specialized service and probably the most internationally regulated and benchmarked business in our industry. We have therefore decided to create a separate Aviation organization within Services Europe, operating in nine countries.

The Aviation team experienced worse turbulence than expected in the early months of 2006, but managed to turn the business round in the third quarter, and the fourth quarter confirmed that they are now on the right track. The team, headed by Marc Pissens, will continue on the successful road of specialization and concept development to meet customer demands, and is well positioned for 2007.

Overall, we saw a turnaround in the business in 2006. The low organic sales growth, turbulence in the customer portfolio and modest profitability of the first two quarters changed in the third quarter, and we are now back on track with prospects of good organic sales growth and improved margins in the future.

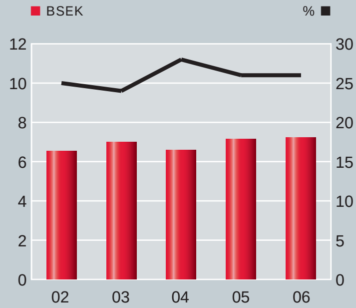
Over the past two years we have managed to create specialized and dedicated organizations that are now ready for take-off in 2007. This specialization makes us better positioned to develop our services further and grow our business. More than ever before, we are ready to provide our customers with better solutions through our people."

Total sales



Operating income/Operating margin

Capital employed/ Return on capital employed



The year 2006 » A new organization was implemented in Security Services Europe during 2005. In 2006 Mobile and Alert Services were established as separate business units. As of January 2007 the European guarding operation consists of Services Europe, providing specialized guarding for large customers and including Aviation providing airport security; Mobile for small and medium-sized customers; and Alert Services for electronic surveillance of homes and businesses.

- Total sales amounted to MSEK 27,305 (24,996). Organic sales growth amounted to 7 percent (5).
- Operating income amounted to MSEK 1,937 (1,874). The operating margin was 7.1 percent (7.5).
- Return on total capital employed amounted to 26 percent (26).
- Two separate business units with separate management resources and line organizations were created within Security Services Europe – Mobile and Alert Services.
- Aviation has moved into profit.
- In July 2006 Securitas obtained a new contract for airport security at Arlanda and Bromma Airports in Sweden.

Financial key ratios

MSEK	2006	2005[1]	2004[1]
Total sales	**27,305**	**24,996**	**23,289**
Organic sales growth, %	*7*	*5*	*4*
Operating income before amortization	**1,937**	**1,874**	**1,849**
Operating margin, %	*7.1*	*7.5*	*7.9*
Cash flow from operating activities	**1,753**	**1,916**	**1,732**
Cash flow from operating activities, %	*91*	*102*	*94*
Operating capital employed	**1,216**	**1,288**	**1,530**
Operating capital employed as % of sales[2]	*5*	*5*	*7*
Total capital employed	**7,235**	**7,165**	**6,592**
Return on capital employed, %[3]	*26*	*26*	*28*

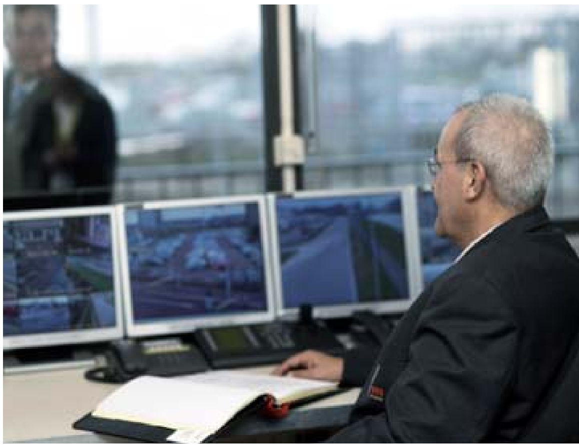
[1] Adjusted for IAS 19 amendment.
[2] The calculation is based on operating capital employed adjusted for the balance sheet impact of items affecting comparability. The unadjusted key ratio is provided in Note 9.
[3] The calculation excludes the impact from items affecting comparability both on the statement of income and balance sheet. The unadjusted key ratio is provided in Note 9.

Operational key ratios

	2006	2005	2004
Contract portfolio growth, %	**5**	**3**	**5**
Wage increases, %	**1.5**	**2**	**3**
Price increases, %	**1.5**	**2**	**3**
Client retention, %	**>90**	**>90**	**>90**
Employee turnover, %	**35**	**34**	**35**

Security Officer Wesly Veltrop is on patrol inside Scania's production plant. With 135 new trucks being produced here every day, all security measures must be followed by the book.

Head of security and risk management at Scania in Zwolle, Teun Groothedde, discusses security routines with Michel Smits, Securitas' Security Manager at the site. Scania is one of Securitas' growing number of clients that choose to outsource their security manager function to Securitas. This means that Michel Smits can focus fully on continuously developing security services in line with Scania's demands.



From the central monitoring area, Security Officer Paul Dezentjé manages access control of visitors as well as the monitoring of different parts of the Scania production site through an advanced system of surveillance cameras.

Services Europe

Services Europe, the large-customer operations, provides specialized guarding services for medium-sized and large companies in 18 countries across Europe. The Aviation organization is part of Services Europe and is represented in nine countries. The Services Europe organization is divided into 738 branches with a total of 83,500 employees.

Customers' industries and businesses range from financial services, retail, energy services, health care and the public sector to special events. This requires a thorough understanding of each industry and a strong ability to provide tailor-made solutions. Securitas' solutions are developed locally in close cooperation with customers and often include elements of technology in addition to manned guarding. The combination of security officers with specific skills and training, together with security systems, physical security and IT systems, provides flexible and cost-effective security solutions. Securitas acts as the coordinator for its customers and a single point of contact in combining the elements above, partnering with designated sub-contractors on each specific requirement.

During 2006, Services Europe operated as an independent unit, and put much effort into structuring the organization. The Mobile and Alert Services business units were separated from the organization operationally from the beginning of the year. The process of distributing the Securitas Systems and Securitas Direct divisions to the shareholders in September then brought additional challenges to the organization in those countries that were affected. The preparations for the split-up and the implementation of a separate organization for the services that were previously shared with Systems and Direct required more efforts than expected.

The specialization process continued during 2006. Dedicated sales and operational teams for specific customer segments at national or local level were appointed, customer studies and events were carried out, and manuals and training programs were developed. These local efforts have produced encouraging results in the form of a higher customer retention rate. In addition, organic sales growth for specialized segments exceeded the average growth. The specialized segments vary from country to country, depending on Securitas' position and local strength. However, some industries such as retail, the public sector and health care are common to more than one country.

Securitas established an operational footprint in Turkey during 2006 by means of an acquisition made in April, which has been implementing the Securitas Model since then. An additional local acquisition with focus on the retail segment was made in Spain.

Market and customers

In 2006, the average GDP growth in the countries where Services Europe operates was 3.1 percent. The total market for outsourced security services in those countries grew by 4 percent and Services Europe grew organically by 6 percent. The total security market in the same region represents a value of BSEK 190, of which the outsourced part is 74 percent (BSEK 140). In 2006 Securitas increased its market share there to 19 percent, compared to 18 percent in 2005. Its market share on the total European market was 18 percent.

Sales and market shares

Country	Sales MSEK	Sales MLOC	Market share, %
Sweden	2,859	2,859	> 50
Norway	1,658	1,443	> 50
Denmark	296	239	25
Finland	1,003	108	> 50
Estonia	71	121	14
Germany	3,888	420	15
UK/Ireland	1,201	89	6
Belgium	1,875	203	46
The Netherlands	1,859	201	19
Switzerland	494	84	17
Austria	345	37	18
France	5,196	562	23
Spain[1]	5,015	543	26
Portugal	929	100	26
Argentina	248	105	5
Hungary	100	2,857	12
Poland	266	112	3
Czech Republic	172	525	5
Turkey[1]	218	46	6
Elimination of internal sales[2]	–157		
Total[1]	**27,536**		**18**

[1] Adjusted for full-year sales of acquired units.
[2] Refers to sales within the Security Services Europe division.

Event security is an area of operations that places high demands on tailored security solutions, and in the summer of 2006 Securitas took on assignments at both the Football World Cup in Germany and the European Athletics Championship in Gothenburg, Sweden, shown here. Security Officer Camilla Söderberg ensured that only those with proper authority gained access to the track.

The European Athletics Championship was not just a major sporting event but also a public carnival. Securitas' assignment was to combine the highest possible security with the best possible service.

Securitas' airport-security operation, Aviation, offers special services to airports, as here at Brussels Airport.

There are close to 22,000 security companies operating in Europe, with a total of nearly 1.1 million employees. The market is still fragmented, and most companies are local players, competing mainly on price. Securitas has a strong position in the European market and is the market leader in eight countries and second or third in another eight. The main competitors are Group 4 Securicor (G4S), which operates across Europe except in Spain and Portugal, and Prosegur, which operates in four European countries, Spain, Portugal, France and Italy. The British company Initial-Rentokil sold its guarding business to MITIE Group PLC during the year.

Strategy and objectives

The overall objective of Security Services Europe is to grow faster than the market average, and with a yearly improvement in margin, by specializing in specific customer segments and offering tailor-made security solutions. The growth strategy will be supported by selective acquisitions, mainly in EU countries, and the long-term objective is to have an operational presence in the whole of the EU.

Additional steps in the specialization process will be taken during 2007 to support the growth strategy. Four competence centers, headed by dedicated competence managers, will be established, to strengthen the cross-border development of four vertical customer segments. The centers will carry out in-depth studies of customer needs, develop concepts, source sub-supplier partnerships and transfer know-how and best practice between countries.

Increased efforts in the development of Human Resources will also be made during 2007. Securitas provides security solutions through people. Continually striving to improve and develop our employees is therefore of great importance. For example, additional resources will be put into training and recruitment and also into increased employee satisfaction. A higher employee retention rate will allow for continued development and increased quality of services and will thereby improve the cost structure.

A stronger customer focus and increased HR efforts will be the main ingredients in the business strategy for Security Services Europe in 2007. In combination they are expected to generate an organic sales growth above the market average and improved profitability.

Aviation

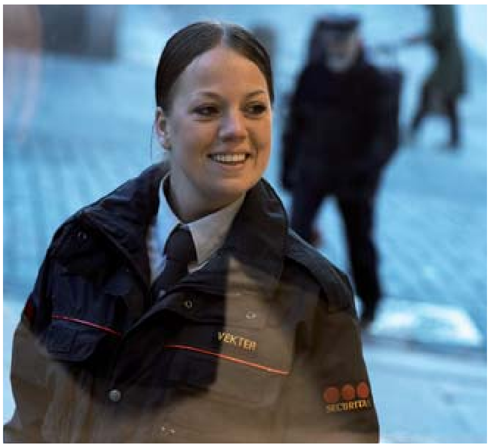
As an independent organization within Services Europe, Aviation operates in nine countries across Europe. Aviation provides specialized services for airports, authorities and airlines. The services range from security screening of hand and hold baggage to cargo security, document profiling and aircraft guarding and search.

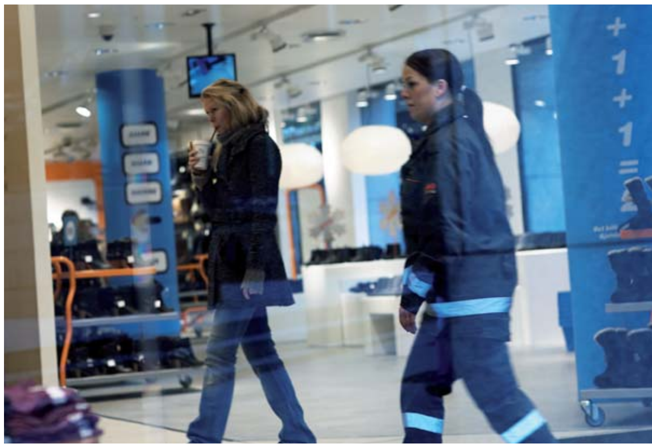
The organization was heavily burdened at the start of 2006 by some losses of contracts and the start-up costs of new contracts, but turned the business round and achieved good organic sales growth and improved margins during the last two quarters of 2006.

Among significant events of 2006 that reflect the specialized organization were the success in winning the Arlanda and Bromma Airports contract in Sweden, and a security-officer transfer between Germany and Norway.

The Arlanda and Bromma Airports contract (worth approximately MSEK 1,000 over five years) was won by a close partnership of Services Europe, Saab and the now independent Securitas Systems and will integrate manpower, access control, CCTV and flight planning. The contract will start in February 2007. It is a successful example of a customer choosing its provider based on the quality of the specialized combined solution and not the price per hour.

Another event that reflects the benefits of a specialized organization was the transfer of skilled and trained security officers from Germany to Norway during the summer of 2006.





Mobile offers flexible, cost-effective security solutions for small and midsize companies that do not need full-time guarding services.

Lene Hansen belongs to a team of Area Security Officers who carry out guarding services in central Oslo in Norway. Their customers include a branch of the Lindex clothing chain on Karl Johans Gate, Oslo's main pedestrian shopping street. Concepts for different customer segments, including retailing, were specially developed during the year with the aim of meeting the various customer groups' security needs even better.

As Oslo's international airport was in urgent need of trained security screening officers due to labor shortages on the Norwegian market, Securitas Aviation was able to send 60 specially trained security officers from Berlin. The response was very fast and produced a flexible and successful solution for the customer.

Mobile

The Mobile business unit provides mobile security services for small and medium-sized businesses. Services range from beat patrol, call-out services, and city patrol to key-holding services. The average contract value is around EUR 300 per month. The fundamental customer base consists of firms that cannot have or do not need a full-time security service.

Sales, services, concepts and organization differ greatly from the specialized guarding business. 2006 was the first year in which Mobile operated as a completely independent business unit, with operations and dedicated management in all of its 11 countries. The business unit has a total of 6,200 employees, spread among 34 regions and 274 branch offices.

In 2006 Mobile focused on the sales process and concept development. As the sales process for mobile services is fast and based on volume, Mobile started to build a dedicated sales organization, separate from operations. Sales specialists are now in place in all the Nordic countries and the objective is to have dedicated sales people in every country of operation.

Concept development for different customer segments such as hotels and retailers was implemented during the year. The process enabled the business unit to refine its services to these customer segments and to achieve a deeper understanding of its customers' needs, which can vary from country to country. These efforts were supported by the active recruitment of people with a background in specific customer segments.

Market and customers

The market for mobile services is highly fragmented and difficult to measure, as most companies providing mobile services offer them as an integrated part of their security operations and not as a specialized service in a separate organization. However, the market potential is huge, since large numbers of small and medium-sized businesses have needs for a cost-effective security presence. Call-out services offer another fast-growing business opportunity. Again, Securitas is the only security company that provides a dedicated call-out organization and service to its customers.

The customer base of approximately 75,000 customers ranges from small family enterprises in manufacturing, retail and administrative services to hotel chains, gas stations and city councils.

Alert Services

Alert Services is a provider of electronic alarm surveillance. Its core business is to provide independent alarm, security and safety monitoring services for both homes and businesses.

In these main market segments, the business unit works with independent installers and sales partners, and is focused on providing a flexible service concept that integrates technical alarm monitoring, verification processes and response solutions. Another fast-growing market segment for Alert Services is the Track-and-Trace service for vehicles and other mobile objects.

In 2005, Alert Services started focused operations in six countries across Europe, and it intends to expand into two more countries in 2007. During 2006, a stable and independent business was built, operating as a true third-party provider with good growth and good profitability. Working as a focused organization, the business unit managed to turn round a previously declining portfolio at the same time as improving profitability.

Track-and-Trace of stolen vehicles – based on new technology and collaboration with specialized partners – is a fast-growing segment at Alert Services. The business unit has long been the market leader in developing this service, which achieved growth of over 25 percent in 2006. At the high-technology alarm center in Brussels, operator Thomas Beeckman fields alarm calls from car transmitters as well as from private individuals and from companies in high-risk environments such as banks.

A strong part of the value chain for Alert Services is the sales process, in which the business unit always works with partners – either third-party installers or dedicated sales partners. During the year Alert Services has focused on establishing a much more sales-oriented organization, cooperating with these partners. It has also increased the number of sales partners in order to generate more organic sales growth.

Alert Services is particularly strong in the conceptualization and operation of surveillance and verification services, which it considers its core competence. With the aim of increasing both the quality of services and efficiency, the business unit has started investing in more efficient monitoring platforms while reducing the number of operational monitoring sites. Much effort has also been put into technological development, particularly in IP and broadband applications, Track-and-Trace and technology for reporting to partners and end-users.

Market and customers

Alert Services is the only third-party monitoring service provider that offers cross-border services in Europe, though smaller national competitors with a local footprint exist in almost every country, and larger competitors have integrated the monitoring business into their guarding operations. The business unit's market share in Sweden, Finland and the Benelux countries ranges between 16 and 25 percent, much higher than elsewhere in Europe.

Alert Services has two levels of customers to consider – its sales and installer partners, and their customers, the end-users. When an incident is monitored and detected by Alert Services, it is always the end-user who makes contact with the alarm center. Consequently, there are two customer relationship models. For the partners, the business unit works continuously with standardized packages and technology development. But for the end-user it is of vital importance that the staff of the alarm monitoring center have appropriate and continuous training and the technological skills to handle crisis response.

The market for Track-and-Trace services is relatively new and has grown proportionally faster. Alert Services has provided this service for years, mainly in the Benelux countries, and has been at the forefront of developing services for this segment. During 2006 growth accelerated to more than 25 percent, largely due to standardization in technology and to geographical expansion. Either direct or via partnerships (mainly with Services Europe), Alert Services offers an integrated service covering practically the whole of the European Union.

The business has the right skills in place and we are determined to make Loomis a world-leading cash handling company.

Håkan Ericsson
President, Loomis

Focus on operations and the listing process

"When I took over as President in September 2006, I did so with the understanding that I was going to create an independent cash handling operation in preparation for a stock market listing in 2007. During 2006 the company was positioned to be sold to a number of potential investors, but in August we decided to go back to our original plan, which called for a public listing of the company.

Among my first priorities were to organize operations under a single global name, to move the headquarters to Sweden from the USA, to establish a new management structure and to identify a clearer strategic direction for the company going forward. Since I started, I have had the opportunity to meet with key individuals from throughout our global organization. These encounters convinced me that we had the right people and the right skills in place and that, furthermore, there was a strong determination to further develop Loomis into a world-leading cash handling company.

Loomis – our new brand

In some of my initial meetings with colleagues I was struck by the pride they felt having been associated with both Securitas and our American operation, Loomis Fargo & Co. This made it seem all the more natural to combine both these strong brands into a new common identity. The resulting name became Loomis, dropping Fargo & Co, but with a graphic solution reminiscent of that used by Securitas, the European roots of our company. The name Loomis has 150 years of history behind it, with its origins in the gold rush in America. This common identity, which emerged in November, is a tangible sign that we are one company. The transition to the Loomis brand will have been completed on all markets by the end of the first quarter of 2007.

Managing the flow of cash in society

Our vision is to manage the flow of cash in society. We do this by offering retail establishments and banks products and services to handle the complete logistics surrounding cash handling – that is, secure solutions for the transport, storage, processing, replenishment and recycling of cash, including the distribution of cash vault solutions and so-called night boxes to the retail industry. By managing the total logistics of cash handling we are able to offer our customers economies-of-scale advantages and provide them with ready access to cash. We offer national banks and governments all the prerequisites necessary to run their commercial activities efficiently and with a minimum of cash in circulation. This is made possible partly by the size and diversification that our aggregate customer base represents, and partly by our wide-ranging, highly integrated offering.

The volume of cash in circulation is constantly on the rise at a time when banks and retail establishments are outsourcing more and more of their cash handling processes to outside suppliers. As the cash handling market expands and gains acceptance in the face of greater consolidation and competition, customers too are becoming increasingly professional and placing higher demands on these services. Loomis is well positioned to increase its level of efficiency and to widen its involvement in the cash distribution business. With our international network of more than 440 branch offices, we have the infrastructure and expertise necessary to succeed. The degree of outsourcing of the various stages of the cash handling process varies from country to country. On all of these markets we are actively promoting developments favoring new submarkets within cash handling.

Total solutions and leading market position

To achieve our vision we have identified a number of fundamental principles that define Loomis' strategic direction. We will offer secure, innovative, integrated solutions for cash logistics. And because economy of scale is an important competitive factor, it is also our objective that Loomis will be one of the two leading players on all geographic markets where we operate. This position has been achieved on all markets with the exception of Switzerland and Portugal, where we nevertheless enjoy good future growth potential. Our advantages of synergy arising from growth are understandably greatest on those markets where we are already active, but we also see tremendous opportunities ahead of us on completely new markets both in Europe and on other continents. We are also evaluating opportunities for consolidation that can arise in connection with the ongoing harmonization of regulations within the EU and its aspirations to form a common European market. Continued growth, organically or through acquisitions, will thus be an important ingredient in our strategy.

Goal-oriented management and a learning organization

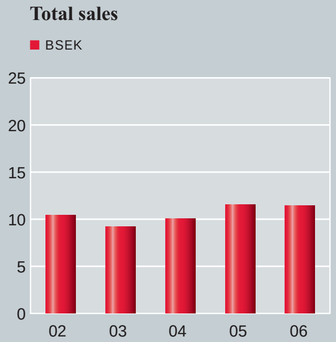
Loomis' business is very much local in nature and demands hands-on, goal-oriented management. Risk management permeates everything we do and we strive after operational superiority by developing processes for best practice where we learn from one another. In addition to the establishment of Group functions put in place at the end of the year, a new management structure has been established based on a previous model with five geographic line managers and three function managers each with overall company responsibility for their respective functional areas: Market/Sales, Operations, and Controlling/Accounting & Finance. The geographical areas are USA, Great Britain, the Nordic Region, Central Europe and Iberia.

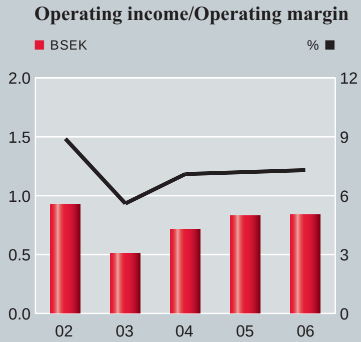
Developments in 2006

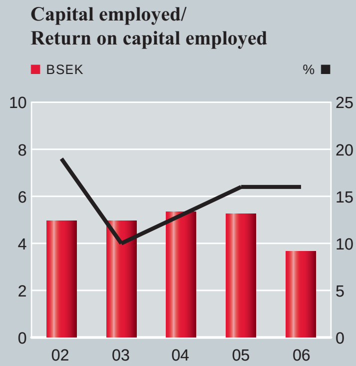
Demand continues to be good on Loomis' markets and the trend toward greater outsourcing of cash handling continues. But due in part to our preparations for going public, our focus on our core operations suffered in 2006. Operating income before amortization, which excludes items affecting comparability, rose to MSEK 838, which was in principle unchanged compared to the previous year, despite sales growth of around 5 percent. Operations in the USA showed good growth, but operating income was on a par with the previous year. In Central Europe, the integration of the Valiance operation went as planned. The Swedish and British markets were characterized by a high level of risk. On both these markets Loomis fell victim to a number of large robberies, the most noteworthy of these being at Tonbridge in England and Akalla in Sweden. Substantial investments to increase security have since been made, including the changeover to closed systems in Sweden where cash is always transported in containers with color impregnation which automatically destroys bills in the event of a robbery.

Priorities for 2007

In addition to the planned listing on the Stockholm Stock Exchange during the second half, our focus in 2007 will be on developing our product portfolio, re-profiling, focusing on individual customer and route profitability issues, quality control, and a constant improvement of the security of transports and reconciliations Acquisitions that support our core business will be evaluated and considered. Loomis has an exciting future ahead thanks to the planned separation from Securitas which will enable the company to focus its operations on specialized cash logistics, where it can offer its customers its full range of expertise under one name on all markets."







The year 2006 » **Loomis (Cash Handling Services) provides transport of cash, maintenance of ATMs and cash handling services. One important objective is to increase the share of maintenance and cash handling services in the division's total sales. At the end of 2006, the division instituted a name and brand change to Loomis, which will become the common brand for all operations in Europe and the USA.**

- Total sales amounted to MSEK 11,474 (11,581). Organic sales growth amounted to 5 percent (2).
- Operating income amounted to MSEK 838 (831). The operating margin was 7.3 percent (7.2).
- Return on total capital employed amounted to 16 percent (16).
- Provisions of in total MSEK –1,511 have been made for the British cash management operations and Welo in Germany, among others. For further information, see Financial overview on pages 39–40 and Note 4 on pages 80–81.
- Håkan Ericsson took over as President in September 2006. Calvin Murri, formerly regional manager of the Western Region in the USA, was appointed manager of the entire American operation in October 2006.
- Jacob Palmstierna will become Chairman of the separate Loomis Board in April 2007, in connection with Securitas' Annual General Meeting.
- The listing on the Stockholm Stock Exchange is planned for the second half of 2007.

Financial key ratios

MSEK	2006	2005[1]	2004[1]
Total sales	**11,474**	**11,581**	**10,082**
Organic sales growth, %	*5*	*2*	*5*
Operating income before amortization	**838**	**831**	**715**
Operating margin, %	*7.3*	*7.2*	*7.1*
Cash flow from operating activities	**715**	**906**	**497**
Cash flow from operating activities, %	*85*	*109*	*70*
Operating capital employed	**1,158**	**2,372**	**2,719**
Operating capital employed as % of sales[2]	*22*	*20*	*24*
Total capital employed	**3,674**	**5,251**	**5,339**
Return on capital employed, %[3]	*16*	*16*	*13*

[1] Adjusted for IAS 19 amendment.
[2] The calculation is based on operating capital employed adjusted for the balance sheet impact of items affecting comparability. The unadjusted key ratio is provided in Note 9.
[3] The calculation excludes the impact from items affecting comparability both on the statement of income and balance sheet. The unadjusted key ratio is provided in Note 9.



Business in France advanced strongly in 2006, partly because the French Post Office became a major customer.
The operations of Valiance, which were acquired in October 2004, have been integrated according to plan.

Description of operations

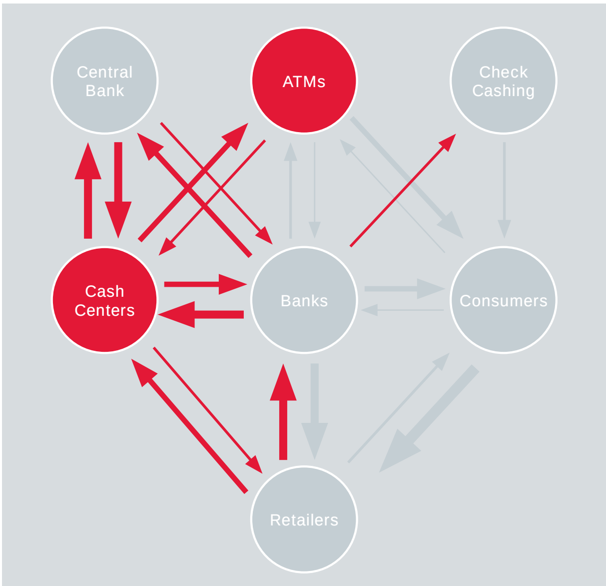
Loomis offers a complete range of integrated cash handling solutions and enjoys a strong market position in the USA and western Europe. Services are primarily targeted on central banks, commercial banks, retail chains and shops. Loomis provides customers with a secure and efficient service for cash handling. Loomis services give the customer a high-quality, cost-efficient solution that greatly reduces customer risks associated with handling cash.

Services are divided into three areas:
- Cash transport
- Cash handling
- Technical services

Loomis has more than 150 years of experience of cash transports and has successively widened its customer services to include total solutions for cash logistics. Cash transports remain the single largest source of income for Loomis, despite the fact that cash handling services are growing faster than cash transport services. Technical services are a relatively new business area for the company and are at present only available in a few countries where Loomis has elected to focus on this operation. We intend to expand our presence in this area in the future.

Loomis offers a complete range of services in the USA and Europe, although the products and service demands for these two regions differ. In Europe, cash transports account for 58 percent of income while cash handling accounts for 40 percent and technical services 2 percent. In the USA, cash transports account for 83 percent of sales and cash handling for 16 percent. Compared to its competition, Loomis offers the most balanced product mix.

Loomis is an important player in the flow of cash in society



The flow of cash in society originates from national central banks and passes via local banks or external cash centers. From there, cash flows in many directions, mainly through consumers who withdraw cash from ATMs and spend it on shopping – which in turn returns the cash to centers where it is either stored or reissued. At a number of stages along the way the cash must be counted, sorted, bound and transported. Through its innovative and comprehensive solutions, Loomis strives to bring greater efficiency to this cash cycle.

Risk management

For all companies operating in the field of cash handling, operational as well as financial risks are great. Loomis has developed a deep understanding of the risks its operations are exposed to. Knowledge of these risks forms the basis for the assessment as to which business risks are to be avoided, which ones can be tolerated and how such risks can be minimized. Managing risks on behalf of customers with a variety of special needs while protecting their personnel and property is what our services are all about. Training and expertise in risk management and having the right security equipment are vital components of the Loomis service. Security is the single most important factor in our success as a company.

Loomis makes sizable investments in risk management system on a continuous basis, but what is even more important is maintaining a strong risk management culture within the company. Our employees have a decisive role to play in monitoring and reporting on the risks the company decides to accept. Loomis' risk management strategy is based on three fundamental principles, which are easy to understand: No loss of life, Zero tolerance of losses, and Balance between risk and profit. This strategy is designed to identify our strengths, our weaknesses so that we can manage them better, and the opportunities and threats that require attention.

Loomis currently has some 150 people working with risk management at the Group or national level and applying general or specialist skills. The organization for risk management covers a number of areas, such as policies and processes for risk management; customer contract risks; recruiting and training; procurement of security equipment; insurance; control of security and cash flow; and studies and contacts with legislative bodies and law-enforcement agencies. They work both proactively and reactively on preventative measures, issues of a global nature and crisis management.

The day-to-day operational controls are run by separate functions for financial control, control of cash flow and operational risk management. In the final analysis, it is Loomis' top management that has the responsibility of seeing that the Group's risks are managed in a satisfactory manner. Beyond that, Loomis has a comprehensive insurance policy. During 2007, a special risk evaluation of cash processing will be carried out in connection with a review of internal control.

Market outlook

The global market for traditional cash management services is estimated to exceed BSEK 170, of which Europe is estimated to account for around BSEK 60 and North America for BSEK 45. Loomis enjoys a strong presence in western Europe and in the USA with more than 440 branch offices. Its market share in western Europe is estimated at 21 percent and in the USA at 19 percent. In Europe, the countries generating the largest income are Great Britain, France and Spain. The largest market shares are found in Demark and Sweden. Loomis' objective is to be one of the two largest players on each geographical market where the company operates. Portugal and Switzerland are the only markets where this objective has not yet been met.

Country	Sales MSEK	Sales MLOC	Market share, %
USA	3,919	535	19
Sweden	867	867	> 50
Norway	230	200	22
Denmark	127	103	> 50
Finland	166	18	32
Great Britain/Ireland	2,618	193	29
France	2,117	229	35
Switzerland	97	16	15
Austria	182	20	40
Spain	1,056	114	43
Portugal	103	11	18
Elimination of internal sales	–8		
Total	**11,474**		**19**

Customers

Loomis customers include central banks, commercial banks, retail chains and shops and ATM operators, as well as institutions in the public sector such as hospitals and municipalities. Penetration in different customer segments varies between geographical markets. Low penetration levels in the banking sector may be explained in some cases by strong internal competition from the banks, or in others by a central bank providing these services at subsidized prices. In summary, Loomis has a strong position in the banking sector primarily in Spain, Sweden, the USA and Great Britain, while Austria, Norway and Denmark are countries where Loomis enjoys the highest market share in the retail sector.

Major investments in security are made every year. In Sweden there has been a change to closed systems where all cash is transported in containers with ampoules of dye that destroy bills in the event of theft.

Market trends

The market for cash transports shows stable growth. A continuous and important development is that the volume of cash in circulation continues to grow, as does the use of credit cards. The notion that we are moving toward a so-called cashless society is supported neither by historical fact nor by any current prognosis. Statistics show that the volume of cash in circulation in Europe has increased by an average of around 7 percent annually since the introduction of the euro. In the USA, the volume of paper money has increased annually by an average of around 4 percent over the past decade. At the same time, cash machines or ATMs have become the most popular means by which consumers gain access to cash. On all of Loomis' markets, ATMs account for more than 50 percent of cash distribution to consumers. In Europe there are an estimated 300,000 ATMs currently in service, while in the USA the number is around 380,000.

There is a clear trend among banks and retail establishments toward increased outsourcing of cash handling. The extent of this development varies from country to country but has progressed furthest in the Nordic region. On markets where this trend is in the early stages, such as the USA, there is huge growth potential. To promote this trend towards increased outsourcing, Loomis and the rest of the industry must successfully demonstrate the value of outsourced cash handling for the customer. Experience shows that it takes time to win the first outsourcing contracts in an otherwise undeveloped market. But when the large customers have begun to realize the true cost of internal cash handling and choose to try outsourcing, the pace of this development gains momentum.

There are also considerable expansion opportunities on markets that have long relied on professional suppliers for cash handling. By offering total solutions for comprehensive cash handling logistics there are opportunities to play a greater role in handling cash flow services for society as a whole. This is particularly true in the retail industry where there are many opportunities to improve the security and efficiency of the cash handling process. Loomis' ambition is to integrate cash transports, cash handling and cash processing in such a way as to optimize society's overall cash flow while reducing customers' costs for cash handling and internal administration.

The market for cash transports, cash management and associated technical services is undergoing a maturing process characterized partly by increased professionalism on the part of the customer and partly by increased competition. Loomis' biggest competitors are G4S in Europe and Brinks in the USA. G4S has been more active in establishing itself on new markets. Compared with these two, Loomis has a more attractive product mix with a larger share of income coming from cash handling. In recent years, new players have established themselves on certain geographic markets offering niche products. In addition, in recent years, the industry has increasingly consolidated through acquisitions by industrial players and by direct investors.

Europe

Market

The market for outsourced cash handling services in those parts of Europe where Loomis is active is estimated to amount to some BSEK 23. In Europe Loomis has operations in Great Britain; Central Europe including France, Austria and Switzerland; the Nordic Region comprising Sweden, Norway, Denmark and Finland; and Iberia, comprising Spain and Portugal.

In large parts of Europe, banks have outsourced cash processing to a far greater extent than is the case in the USA. This development has been driven by Europe's central banks as a cost-saving measure and to encourage the private sector to take greater responsibility for cash handling. The countries that have come the furthest in this regard are Sweden, Spain and Norway. Great Britain and France are at the beginning of this process, while Denmark remains the country where the demand for these cash processing services is lowest, even though it is expected that outsourcing will eventually take hold there as well.

Competition has hardened with increased price pressures in cash transports in particular. Loomis meets different competitors in different European countries, the largest ones being G4S and Prosegur. In Austria, however, competition has decreased somewhat after Heros, a competitor, went bankrupt during the year.

Operation and offering

Loomis offers cash transports, cash handling and technical services on all the European markets where it operates. Our technical services operation is more extensive in Spain and Great Britain than in the other European countries.

Loomis has noted an increased demand for integrated cash management solutions within the retail sector and is continually developing products and services targeted to that customer segment. Another development is the increased demand for total solutions for ATMs, which Loomis is well equipped to offer.

The year in brief

Sales in Europe increased to MSEK 7,555 (7,228) and all regions experienced stable growth. Operations in Great Britain and Sweden were impacted during the year by a number of sensational robberies and thefts but, at the same time, the initiatives Loomis has taken to counter this negative trend have shown results. Loomis has also won a large account in France – the French Post Office.

USA

Market

The American market for outsourced cash handling services is estimated to be worth around BSEK 18. In addition, there is great sales potential for total solution offerings for cash handling within the retail sector for those companies not currently relying on such services. Loomis has widespread coverage in the USA, with operations in five regions: Western, South Central, South East, North East and Midwest. In 2006 we focused on a national coordination initiative to provide customers with an even higher level of service.

As the banking sector in the USA continues to consolidate, the interest in outsourcing of cash processing and safekeeping services increases. The so-called Check 21 legislation which aims to clear away obstacles preventing a reduction in check handling has begun to bear fruit. This is expected to speed developments in which banks will focus more on the costs of their internal cash handling activities, which in turn will lead to a greater interest in the outsourcing of cash handling.

The competitive picture has changed somewhat during recent years as a number of smaller, regional companies have merged with larger cash transporting companies. Higher fuel costs and price pressures have presented a considerable challenge to the whole industry.



The UK is the market where Loomis has the greatest share of technical services. Technical services comprise filling of ATMs, cash reconciliation, monitoring of filling and emptying requirements, quality-sorting of bills, technical servicing and breakdown services. Technical services are demand-driven and happen at varied times, which provides flexibility and greater security. For bank customers and other users the services mean that ATMs do not run out of bills and users are not inconvenienced by unnecessary failures.

Operation and offering

Starting out with cash transport services, Loomis has since developed a wide range of cash handling services for the American market. Cash handling services are targeted towards banks and the retail industry with the support of Loomis USA's extensive network of 90 cash centers with a capacity to store, process and handle cash deposits and to operate transports to the central bank – the Federal Reserve. Loomis has even taken over responsibility for four of the Federal Reserve's cash storage depots.

One of Loomis' solutions in the realm of cash handling is the Virtual Vault – a cash handling and reporting solution that makes it possible for banks to expand onto new markets without having to establish a physical presence. The Virtual Vault promotes greater integration between retailers and banks and makes the cash handling distribution network more efficient. Another service which has proved very successful in the USA is SafePoint. This is a service which enables retail establishments to safely store cash at or near their sales location. SafePoint eliminates the risk of theft and loss while giving retailers a good overview of their cash requirements.

The year in brief

Sales in the USA increased to MSEK 3,919 (3,820). The SafePoint concept contributed very positively to the increase in sales growth. Success in the retail sector broadens our customer base, making operations less vulnerable to market fluctuations. Growth in the banking segment was stable thanks in large part to the expansion of our Virtual Vault product.

Future outlook

2007 represents something of a transitional year, with the brand changeover, the split from Securitas and the listing on the Stockholm Stock Exchange central to the agenda. In this time of upheaval, it is vital that Loomis does not lose focus on its core activities, its rich legacy, its values and the business philosophy which forms the basis for the company's corporate culture. In parallel to the realization of our plans for the listing, Loomis will continue to develop and market its expertise in risk management and cash handling services.

At the end of 2006 a new management structure was adopted, which made the organization more transparent and market-oriented. In connection with that change, work began on improving the structure of the product portfolio and on developing a cross-national sales and analysis tool for monitoring profitability. This work will be prioritized going forward.

In Europe future growth seems likely to come from developing new customer solutions and expanding the service offering. In addition to increasing the efficiency and profitability of our operations, Loomis will focus on developing the concept of taking total responsibility, with a view to increased penetration of the retail trade segment. We will continue to evaluate the opportunities for consolidation that may arise from increased harmonization of EU rules in line with the objective of creating a common European market.

In the USA the focus will be on growth and increased efficiency, while the greater acceptance of cash handling services in general will attract more and more attention. The SafePoint solution is expected to play an important role in our ongoing expansion efforts towards the retail segment and will thus be a sales priority when approaching new customers.

Financial statements

The change to Loomis, the new brand name for cash handling operations in the USA and Europe, will be completed on all markets by the end of the first quarter of 2007.


LOOMIS
LOOMIS

Statement of income

MSEK	NOTE	2006	2005	2004
Continuing operations				
Sales		59,552.5	56,801.1	52,585.3
Sales, acquired business		970.5	1,399.5	818.8
Total sales	9, 10	**60,523.0**	**58,200.6**	**53,404.1**
Production expenses	11, 12, 13	–49,029.8	–46,781.8	–42,758.2
Gross income		**11,493.2**	**11,418.8**	**10,645.9**
Selling and administrative expenses	11, 12, 13	–7,907.0	–7,892.8	–7,373.7
Other operating income	10	4.9	–	–
Amortization of acquistion related intangible fixed assets	18	–93.3	–98.1	–85.4
Acquisition related restructuring costs		–0.4	–1.1	–23.0
Items affecting comparability	4, 11	–2,060.2	–150.6	–
Operating income		**1,437.2**	**3,276.2**	**3,163.8**
Financial income	14	449.1	303.7	180.1
Financial expense	14	–1,004.7	–750.7	–680.7
Share of income in associated companies	14, 21	1.2	11.8	–
Income before taxes		**882.8**	**2,841.0**	**2,663.2**
Taxes	15	–369.3	–683.0	–637.2
Net income for the year, continuing operations		**513.5**	**2,158.0**	**2,026.0**
Net income for the year, discontinued operations	38	338.5	555.7	503.1
Net income for the year, all operations		**852.0**	**2,713.7**	**2,529.1**
Whereof attributable to:				
Equity holders of the Parent Company		850.4	2,712.2	2,528.4
Minority interest		1.6	1.5	0.7
Average number of shares before dilution		365,058,897	365,058,897	365,058,897
Average number of shares after dilution		376,165,189	378,712,105	382,408,810
Earnings per share before dilution, continuing operations (SEK)		1.41	5.91	5.55
Earnings per share before dilution, discontinued operations (SEK)		0.92	1.52	1.38
Earnings per share before dilution, all operations (SEK)	3	**2.33**	**7.43**	**6.93**
Earnings per share after dilution, continuing operations (SEK)		1.41	5.84	5.47
Earnings per share after dilution, discontinued operations (SEK)		0.90	1.47	1.32
Earnings per share after dilution, all operations (SEK)	3	**2.31**	**7.31**	**6.79**
Earnings per share after dilution and before items affecting comparability, continuing operations (SEK)	3	5.97	6.24	5.47

Supplementary information

Securitas' financial model – consolidated statement of income

MSEK	2006	2005	2004
Continuing operations			
Sales	59,552.5	56,801.1	52,585.3
Sales, acquired business	970.5	1,399.5	818.8
Total sales	**60,523.0**	**58,200.6**	**53,404.1**
Organic sales growth, %	*6*	*4*	*3*
Production expenses	–49,029.8	–46,781.8	–42,758.2
Gross income	**11,493.2**	**11,418.8**	**10,645.9**
Gross margin, %	*19.0*	*19.6*	*19.9*
Expenses for branch offices	–3,991.1	–3,877.6	–3,735.3
Other selling and administrative expenses	–3,915.9	–4,015.2	–3,638.4
Total expenses	**–7,907.0**	**–7,892.8**	**–7,373.7**
Other operating income	4.9	–	–
Operating income before amortization	**3,591.1**	**3,526.0**	**3,272.2**
Operating margin, %	*5.9*	*6.1*	*6.1*
Amortization of acquisition related intangible fixed assets	–93.3	–98.1	–85.4
Acquisition related restructuring costs	–0.4	–1.1	–23.0
Items affecting comparability	–2,060.2	–150.6	–
Operating income after amortization	**1,437.2**	**3,276.2**	**3,163.8**
Financial income and expenses excluding revaluation of financial instruments	–519.8	–483.2	–500.6
Revaluation of financial instruments	–35.8	36.2	–
Share of income in associated companies	1.2	11.8	–
Income before taxes	**882.8**	**2,841.0**	**2,663.2**
Net margin, %	*1.5*	*4.9*	*5.0*
Taxes	–369.3	–683.0	–637.2
Net income for the year, continuing operations	**513.5**	**2,158.0**	**2,026.0**
Net income for the year, discontinued operations	338.5	555.7	503.1
Net income for the year, all operations	**852.0**	**2,713.7**	**2,529.1**

Securitas' financial model is described on page 24–27. Operating items. Net debt-related items. Goodwill, taxes and non-operating items. Items related to shareholders' equity.

Statement of cash flow

MSEK	NOTE	2006	2005	2004
Operations				
Operating income		1,437.2	3,276.2	3,163.8
Adjustment for effect on cash flow of items affecting comparability		1,930.9	170.1	–
Reversal of depreciation	18, 19, 20	1,571.2	1,607.8	1,355.7
Financial items received		697.5	246.1	218.0
Financial items paid		–1,213.6	–691.4	–720.2
Current taxes paid		–769.0	–796.9	–428.3
Change in accounts receivable		–702.6	–311.8	–424.6
Payments from provisions for restructuring		–	–3.2	–20.1
Change in other operating capital employed		210.5	399.9	215.2
Cash flow from operations, continuing operations		**3,162.1**	**3,896.8**	**3,359.5**
Cash flow from operations, discontinued operations	38	563.4	965.9	1,093.9
Cash flow from operations, all operations		**3,725.5**	**4,862.7**	**4,453.4**
Investing activities				
Investments in fixed assets		–1,511.8	–1,496.0	–1,408.5
Acquisition of subsidiaries	16	–360.8	–858.2	–642.9
Cash flow from investing activities, continuing operations		**–1,872.6**	**–2,354.2**	**–2,051.4**
Cash flow from investing activities, discontinued operations	38	–676.4	–1,060.6	–2,234.2
Cash flow from investing activities, all operations		**–2,549.0**	**–3,414.8**	**–4,285.6**
Financing activities				
Dividend paid to shareholders of the Parent Company		–1,277.7	–1,095.2	–730.1
Premature redemption of convertible debenture loans	30	–	–1,780.0	–
Redemption of bond loans	34	–3,240.1	–	–
Change in interest-bearing net debt excluding liquid assets		3,411.5	–438.3	–1,310.0
Cash flow from financing activities, continuing operations		**–1,106.3**	**–3,313.5**	**–2,040.1**
Cash flow from financing activities, discontinued operations	38	–1,138.0	2,120.9	544.8
Cash flow from financing activities, all operations		**–2,244.3**	**–1,192.6**	**–1,495.3**
Cash flow for the year		**–1,067.8**	**255.3**	**–1,327.5**
Liquid funds at beginning of year		3,470.8	3,120.4	4,475.7
Translation differences on liquid funds		–95.5	95.1	–27.8
Effect on liquid funds of discontinued operations	38	–639.5	–	–
Liquid funds at year-end	28	**1,668.0**	**3,470.8**	**3,120.4**

Supplementary information

Change in interest-bearing net debt in 2006

	Opening balance 2006	Cash Flow for the year, all operations	Change in loans[1], all operations	Revaluation of financial instruments, all operations	Translation differences, all operations	Effect of discontinued operations	Closing balance 2006
Liquid funds	3,470.8	–1,067.8	–	–	–95.5	–639.5	1,668.0
Other net debt	–15,415.6	–	966.6	–16.2	790.7	2,271.9	–11,402.6
Interest-bearing net debt	**–11,944.8**	**–1,067.8**	**966.6**	**–16.2**	**695.2**	**1,632.4**	**–9,734.6**

[1]Refers to the net effect of the redempton of bond loans, MSEK 3,240.1, change in other interest-bearing net debt excluding liquid funds, MSEK – 3,411.5, and the change of MSEK 1,138.0 in interest-bearing net debt excluding liquid funds of discontinued operations.

Supplementary information

Securitas' financial model – consolidated statement of cash flow

MSEK	2006	2005	2004
Continuing operations			
Operating income before amortization	**3,591.1**	**3,526.0**	**3,272.2**
Investments in fixed assets	–1,511.8	–1,496.0	–1,408.5
Reversal of depreciation	1,477.9	1,509.7	1,270.3
Net investments in fixed assets	**–33.9**	**13.7**	**–138.2**
Change in accounts receivable	–702.6	–311.8	–424.6
Change in other operating capital employed	210.5	399.9	215.2
Cash flow from operating activities	**3,065.1**	**3,627.8**	**2,924.6**
Cash flow from operating activities as % of operating income before amortization	*85*	*103*	*89*
Financial income and expenses paid	–516.1	–445.3	–502.2
Current taxes paid	–769.0	–796.9	–428.3
Free cash flow	**1,780.0**	**2,385.6**	**1,994.1**
Free cash flow as % of adjusted income	*75*	*105*	*96*
Acquisitions of subsidiaries	–360.8	–858.2	–642.9
Aquisition related restructuring costs paid	–0.4	–1.1	–23.0
Payments from provisions for restructuring	–	–3.2	–20.1
Cash flow for items affecting comparability	–129.3	19.5	–
Cash flow from financing activities	–1,106.3	–3,313.5	–2,040.1
Cash flow for the year, continuing operations	**183.2**	**–1,770.9**	**–732.0**
Cash flow for the year, discontinued operations	–1,251.0	2,026.2	–595.5
Cash flow for the year, all operations	**–1,067.8**	**255.3**	**–1,327.5**

Securitas' financial model is described on page 24–27. Operating items. Net debt-related items. Goodwill, taxes and non-operating items. Items related to shareholders' equity.

Balance sheet

MSEK	NOTE	2006	2005	2004
ASSETS				
Fixed assets				
Goodwill	17	14,031.6	17,792.4	15,301.9
Acquisition related intangible fixed assets	18	464.2	638.5	433.2
Other intangible fixed assets	19	172.7	313.3	268.6
Buildings and land	20	848.8	965.7	1,043.2
Machinery and equipment	20	3,897.7	4,975.8	4,776.8
Shares in associated companies	21	172.7	178.6	–
Deferred tax assets	15	2,083.0	1,706.3	1,471.2
Interest-bearing financial fixed assets	22	1,251.8	1,166.8	138.2
Other long-term receivables	23	381.3	429.3	411.7
Total fixed assets		**23,303.8**	**28,166.7**	**23,844.8**
Current assets				
Inventories	24	87.1	777.5	608.6
Accounts receivable	25	8,855.6	10,362.5	8,828.0
Current tax assets	15	234.9	307.6	266.9
Other current receivables	26	1,323.1	2,527.3	2,181.3
Other interest-bearing current assets	27	247.3	668.5	–
Liquid funds	28	1,668.0	3,470.8	3,120.4
Total current assets		**12,416.0**	**18,114.2**	**15,005.2**
TOTAL ASSETS		**35,719.8**	**46,280.9**	**38,850.0**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital		365.1	365.1	365.1
Other capital contributed		7,362.6	7,362.6	7,362.6
Other reserves		–252.1	739.9	–665.9
Retained earnings		2,127.1	6,103.8	4,687.7
Shareholders' equity attributable to equity holders of the Parent Company		**9,602.7**	**14,571.4**	**11,749.5**
Minority interests		**0.4**	**1.5**	**16.6**
Total Shareholders' equity	29	**9,603.1**	**14,572.9**	**11,766.1**
Long-term liabilities				
Long-term convertible debenture loans	30, 31	–	2,388.4	3,940.6
Other long-term loan liabilities	31	4,906.9	5,246.8	6,201.2
Other long-term liabilities	31	368.9	99.1	90.8
Provisions for pensions and similar commitments	32	1,055.9	1,191.1	942.8
Deferred tax liability	15, 33	300.5	387.9	467.6
Other provisions	33	2,179.7	870.8	790.0
Total long-term liabilities		**8,811.9**	**10,184.1**	**12,433.0**
Current liabilities				
Short-term convertible debenture loans	30, 34	2,300.0	–	–
Other short-term loan liabilities	34	5,694.8	9,615.7	3,749.9
Accounts payable		1,153.1	1,560.8	1,411.4
Current tax liabilities	15	374.7	622.7	818.4
Other current liabilities	35	7,782.2	9,724.7	8,671.2
Total current liabilities		**17,304.8**	**21,523.9**	**14,650.9**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**35,719.8**	**46,280.9**	**38,850.0**

Supplementary information

Securitas' financial model – consolidated capital employed and financing[1]

MSEK	2006	2005	2004
Operating capital employed, all operations			
Other intangible fixed assets	172.7	313.3	268.6
Buildings and land	848.8	965.7	1,043.2
Machinery and equipment	3,897.7	4,975.8	4,776.8
Deferred tax assets	2,083.0	1,706.3	1,471.2
Other long-term receivables	381.3	429.3	411.7
Inventories	87.1	777.5	608.6
Accounts receivable	8,855.6	10,362.5	8,828.0
Current tax assets	234.9	307.6	266.9
Other current receivables	1,323.1	2,527.3	2,181.3
Total assets, all operations	**17,884.2**	**22,365.3**	**19,856.3**
Other long-term liabilities	368.9	99.1	90.8
Provisions for pensions and similar commitments	1,055.9	1,191.1	942.8
Deferred tax liability	300.5	387.9	467.6
Other provisions	2,179.7	870.8	790.0
Accounts payable	1,153.1	1,560.8	1,411.4
Current tax liabilities	374.7	622.7	818.4
Other current liabilities	7,782.2	9,724.7	8,671.2
Total liabilities, all operations	**13,215.0**	**14,457.1**	**13,192.2**
Total operating capital employed, all operations	**4,669.2**	**7,908.2**	**6,664.1**
Of which total operating capital employed, continuing operations	***4,669.2***	***5,923.7***	***5,265.4***
Of which total operating capital employed, discontinued operations	***–***	***1,984.5***	***1,398.7***
Goodwill, all operations	14,031.6	17,792.4	15,301.9
Of which goodwill, continuing operations	*14,031.6*	*15,317.6*	*13,352.5*
Of which goodwill, discontinued operations	*–*	*2,474.8*	*1,949.4*
Acquisition related intangible fixed assets, all operations	464.2	638.5	433.2
Of which acquisition related intangible fixed assets, continuing operations	*464.2*	*359.3*	*212.3*
Of which acquisition related intangible fixed assets, discontinued operations	*–*	*279.2*	*220.9*
Shares in associated companies, all operations	172.7	178.6	–
Of which shares in associated companies, continuing operations	*172.7*	*178.6*	*–*
Of which shares in associated companies, discontinued operations	*–*	*–*	*–*
Total capital employed, all operations	**19,337.7**	**26,517.7**	**22,399.2**
Of which total capital employed, continuing operations	***19,337.7***	***21,779.2***	***18,830.2***
Of which total capital employed, discontinued operations	***–***	***4,738.5***	***3,569.0***
Operating capital employed as % of sales, continuing operations	*8*	*10*	*10*
Return on capital employed, continuing operations, %	*8*	*16*	*17*

Net debt, all operations			
Interest-bearing financial fixed assets	1,251.8	1,166.8	138.2
Other interest-bearing current assets	247.3	668.5	–
Liquid funds	1,668.0	3,470.8	3,120.4
Total interest-bearing assets, all operations	**3,167.1**	**5,306.1**	**3,258.6**
Long-term convertible debenture loans	–	2,388.4	3,940.6
Other long-term loan liabilities	4,906.9	5,246.8	6,201.2
Short-term convertible debenture loans	2,300.0	–	–
Other short-term loan liabilities	5,694.8	9,615.7	3,749.9
Total interest-bearing assets, all operations	**12,901.7**	**17,250.9**	**13,891.7**
Total net debt, all operations	**9,734.6**	**11,944.8**	**10,633.1**
Net debt equity ratio, multiple	*1.01*	*0.82*	*0.90*
Shareholders' equity, all operations			
Share capital	365.1	365.1	365.1
Other capital contributed	7,362.6	7,362.6	7,362.6
Other reserves	–252.1	739.9	–665.9
Retained earnings	2,127.1	6,103.8	4,687.7
Minority interests	0.4	1.5	16.6
Total shareholders' equity, all operations	**9,603.1**	**14,572.9**	**11,766.1**
Total financing, all operations	**19,337.7**	**26,517.7**	**22,399.2**

[1] In accordance with IFRS 5, the comparative figures for the consolidated balance sheet have not been adjusted. The comparative figures thus include Securitas Systems and Securitas Direct. In Securitas's financial model – the Group's capital employed and financing, total operating capital employed, goodwill, acquisition related intangible fixed assets, shares in associated companies and total capital employed have, however, been divided into continuing operations and discontinued operations. This split has been made to allow for comparisons also for the balance sheet and to serve as a basis for calculating operating capital employed as a percentage of sales and the return on capital employed for continuing operations.

Securitas' financial model is described on page 24–27. Operating items. Net debt-related items. Goodwill, taxes and non-operating items. Items related to shareholders' equity.

Statement of recognized income and expense[1]

MSEK	2006 Attributable to equity holders of the Parent Company	2006 Minority interests	2006 Total	2005 Attributable to equity holders of the Parent Company	2005 Minority interests	2005 Total	2004 Attributable to equity holders of the Parent Company	2004 Minority interests	2004 Total
Net income/expense recognized directly in equity									
Actuarial gains and losses net of tax, all operations[2]	–8.6	–	–8.6	–198.2	–	–198.2	–77.4	–	–77.4
Cash flow hedges net of tax, all operations	14.1	–	14.1	11.2	–	11.2	–	–	–
Net investments hedges, all operations	354.5	–	354.5	–544.6	–	–544.6	163.8	–	163.8
Translation differences, all operations	–1,288.8	–1.3	–1,290.1	1,939.2	1.3	1,940.5	–829.7	0.3	–829.4
Net income/expense recognized directly in equity	**–928.8**	**–1.3**	**–930.1**	**1,207.6**	**1.3**	**1,208.9**	**–743.3**	**0.3**	**–743.0**
Net income for the year, all operations[2]	850.4	1.6	852.0	2,712.2	1.5	2,713.7	2,528.4	0.7	2,529.1
Total income/expense for the year	**–78.4**	**0.3**	**–78.1**	**3,919.8**	**2.8**	**3,922.6**	**1,785.1**	**1.0**	**1,786.1**

[1]For further information, refer to Note 29.
[2]For further information regarding the change of accounting principle (IAS19) refer to Note 2.

NOTE 1 GENERAL CORPORATE INFORMATION

Operations

Securitas AB (the Parent Company) and its subsidiaries (together the Securitas Group) offers security solutions, which after the dividend of Securitas Direct AB and Securitas Systems AB on September 29, 2006, includes security services and cash handling services. The Group has about 215,000 employees and operates in more than 30 countries mainly in Europe and North America.

Information regarding Securitas AB

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

Securitas AB
Lindhagensplan 70
SE-102 28 Stockholm

Securitas AB has been listed on the Stockholm Stock Exchange since 1991 and is included on the Large Cap list.

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 of Securitas AB and also approved for publication on February 15, 2007.

The statements of income and balance sheets for the Parent Company and the Group included in the Annual Report and the Consolidated Financial Statements are subject to adoption by the Annual General Meeting on April 17, 2007.

NOTE 2 ACCOUNTING PRINCIPLES

Basis of preparation

Securitas' consolidated financial statements are from January 1, 2005 prepared in accordance with International Financial Reporting Standards (formerly IAS) as endorsed by the European Union (EU), The Swedish Financial Accounting Standards Council standard RR 30:06 Complementary Accounting Rules for Groups and the Swedish Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the historical cost convention method with the exception of available-for-sale financial assets and financial assets or financial liabilities at fair value through profit or loss (including derivatives).

Estimates and judgements

The preparation of financial reports requires the Board of Directors and Group Management to make estimates and judgements. Estimates and judgements will impact both the statement of income and the balance sheet as well as disclosures such as contingent liabilities. Actual results may differ from these judgements under different assumptions or conditions. For further information regarding estimates and judgements refer to Note 4.

Adoption and impact of new and revised IFRS for 2006

The Group has adopted the amendment to IAS 19 Employee Benefits as of January 1, 2006. This amendment has, as of January 1, 2006 changed the Group's principle for recognizing gains and losses resulting from changes in actuarial assumptions, plan experience and developments of the investment performance differing from that assumed. According to the principles that were in effect for 2004 and 2005, for post-employment benefits, these had been spread evenly in the statement of income over the future working lives for the employees covered by the plan to the extent that accumulated gains and losses on the balance sheet date fell outside the so called corridor at the beginning of the period. The changed accounting principle means that these gains and losses are immediately recognized in equity via the statement of recognized income and expense. The impact from the change in accounting principle amounts to:

MSEK	2005	2004
Net income for the year	1.1	0.6
Retained earnings	–198.2	–77.4

The impact corresponds to the estimated impact that was disclosed in the Annual Report for 2005. The impact was then stated before tax.

Introduction and effect of new and revised IFRS

When the consolidated financial statements as of December 31, 2006 were being prepared, a number of standards and interpretations had been published but had not yet come into effect. The following is a preliminary assessment of the effect that the introduction of these standards and interpretations will have on Securitas's financial statements:

IAS 1 supplement – Presentation of financial statements: Capital disclosures
This supplement comes into effect on January 1, 2007. At present, this supplement will require more supplementary information to be provided, including definitions of capital, capital structure and policies for capital management.

IFRS 7 Financial Instruments: Disclosures
This standard comes into effect on January, 1 2007. For Securitas AB this standard could mean that further supplementary disclosures will have to be provided.

IFRS 8 Operating segments[1]
This standard will come into effect on January, 1 2009. It will apply to financial years beginning on or after this date. The standard deals with the breakdown of the company's operations into different segments. According to the standard, the company shall base this on its internal reporting structure and decide the segments to be reported on in accordance with this structure. Securitas is currently investigating whether the segment breakdown will be affected by the introduction of IFRS 8.

IFRIC 7 Application of the IAS 29 inflationary adjustment method Financial reporting in Hyperinflationary Economies
IFRIC 7 came into effect on March 1, 2006 and will apply to financial years beginning after March 1, 2006. The Group does not currently have operations in any countries where the adoption of financial reporting in hyperinflationary economies is likely.

IFRIC 8 Scope of IFRS 2
Came into effect on May 1, 2006 and applies to financial years beginning after May 1, 2006. According to IFRIC 8 the rules in IFRS 2 relate to goods and services received in exchange for a vendor's capital instruments even if such goods and services, wholly or partly, cannot be specifically identified. This interpretation does not apply to the Group since this type of transaction does not occur.

IFRIC 9 Reassessment of Embedded Derivatives
Came into effect on June 1, 2006 and applies to financial years beginning after June 1, 2006. This interpretation does not apply to the Group since this type of transaction does not occur.

IFRIC 10 Interim Financial Reporting and Impairment[1]
Came into effect on January 1, 2006 and applies to financial years beginning after that date. According to the interpretation the reversal of impairment losses recognised in an earlier reporting period is not permitted in a later interim or full-year report. Although the Group will apply IFRIC 10 with effect from January 1, 2007, it is not expected to have any impact on the consolidated financial statements.

IFRIC 11 IFRS 2 Group and Treasury Share Transactions[1]
Will come into effect on January 1, 2008 and will apply to financial years beginning after that date. The Group will apply IFRIC 11 as of January 1, 2008 but the interpretation is not expected to have any impact on the consolidated financial statements.

IFRIC 12 Service concession arrangements[1]
Comes into effect on January 1, 2008 and will apply to financial years beginning after that date. This interpretation does not apply to the Group since this type of transaction does not occur.

Scope of the Consolidated financial statements (IFRS 3)

The consolidated financial statements relate to the Parent Company Securitas AB and all subsidiaries. Subsidiaries are all companies where the Group has the right to govern the financial and operational policies in order to achieve economic benefits, in a way that normally follows a shareholding of more than one half of the voting rights.

Purchase method of accounting (IFRS 3)

The purchase method of accounting is used to account for the acquisitions of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. 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.

The consolidated financial statements include companies acquired with effect from the date of the acquisition. Companies divested are excluded with effect from the divestment date.

Pricing of deliveries among Group companies is based on normal business principles. Inter-company transactions, balances and unrealized gains between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

[1]Refers to IAS 39 in its current version as adopted by the European Union.

Minority interests (IFRS 3)
The Group has adopted the principle of treating transactions with minority interests as transactions with parties outside the Group. Disposals of minority interests result in gains and losses for the Group and are recognized via the statement of income. Acquisitions of minority interests give rise to goodwill that is determined as the difference between the purchase price paid and the acquired share of the book value of the subsidiaries' net assets.

Investments in associates (IAS 28)
The equity method is used to account for shareholdings that are neither subsidiaries nor joint ventures, but where Securitas can exert a significant influence, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights. The income share of associated companies is included in the consolidated statement of income under income before taxes and consists of the share in the associated company's income after tax. In the consolidated balance sheet, shareholdings in associated companies are stated at acquisition value, adjusted for dividends and the share of income after the acquisition date. Any goodwill or other adjustments that reflect the difference between the purchase price and the share of equity in the acquired company at the time of acquisition are also included in the book value in the consolidated balance sheet. Negative goodwill are immediately reversed via the statement of income.

Joint ventures (IAS 31)
The proportional method is applied to joint ventures in which there is a shared controlling interest. According to this method, all statement of income and balance sheet items are stated in the consolidated statement of income, the consolidated statement of cash flow and the consolidated balance sheet in proportion to ownership.

Translation of foreign subsidiaries (IAS 21)
The functional currency of each Group company is normally determined by the primary economic environment in which the company operates, that is the currency in which the company primarily generates and expends cash. 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 the Swedish krona (SEK).

The financial statements of each foreign subsidiary are translated according to the following method. Each month's statement of income is translated using the exchange rate prevailing on the last day of the month, which 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 equity and thus do not affect 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 equity. 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 the 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 at the closing rate.

Revenue recognition (IAS 11 and IAS 18)
The Group's revenue, after the dividend of Securitas Systems and Direct, is generated from various types of security services and cash handling services as well as from some remaining revenue arising from the sale of alarm products. Revenue from services is recognized in the period in which it is earned. 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 thus, income are recognized in the period in which the work was undertaken. 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 Securitas Direct AB and Securitas Systems AB 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 and Securitas Systems AB.

Interest income and borrowing costs are recognized in the statement of income in the period to which they are attributable.

Segment Reporting (IAS 14)
The Group's operations, after the dividend of Securitas Systems and Direct, are divided into three divisions that provide the operational structure for internal controls, follow-ups and reporting. For both internal and external reporting, each division represent a primary segment. The split of Security Services into Security Services North America and Security Services Europe reflects both the internal operational structure as well as the differences between the risks and rates of return within the two segments. The secondary segments are the three main geographical areas in which the Group is active: Nordic region, Europe excluding Nordic Region and North America. In addition to this the operations outside these regions are included in Rest of world. The geographical breakdown represents various levels of market development in terms of wages, employee turnover, product mix, market growth and profitability. The total sales for each geographical segment are based on the location of the sales. The location of the sales corresponds in all material aspects to the location of the customers.

IAS 14 stipulates that costs in any particular segment (division) shall not include general administrative expenses, expenses for head offices and other central expenses. These expenses are accounted under the heading Other. Moreover, the assets and liabilities of each segment include only those items that have been utilized/arisen in ongoing operations. Other balance sheet items, primarily current tax, deferred tax, and provisions for taxes, are accounted for separately under the Other heading.

Accounting for Government Grants and Disclosure of Government Assistance (IAS 20)
Securitas as well as other employers is eligible for a variety of grants having to do with 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.

Taxes (IAS 12)
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 shareholders' equity if the relevant underlying transaction or event is posted directly to shareholders' equity 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, or if it relates to exchange rate differences in the translation of the balance sheets of foreign subsidiaries that are posted to shareholders' equity.

Provisions are allocated for estimated taxes on dividends from subsidiaries to the 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 reverse in the foreseeable future.

Non-current assets held for sale and discontinued operations (IFRS 5)
The Group applies IFRS 5 Non-current Assets Held for sale and Discontinued Operations, which sets out requirements for the classification, measurement and presentation of non-current assets held for sale and discontinued operations.

A discontinued operation is a component of an entity (Group) that represents a major line of business or geographical area of operations. According to IFRS 5 a non-current asset (or disposal group) classified as held for sale shall be measured at the lower of its carrying amount and fair value less cost to sell, if the carrying amount will be recovered through a sales transaction rather than through its continuous use in the operations. Assets held for sale are not subject to depreciation or amortization from the date of recognition as assets held for sale up until the disposal has been completed. The net income (after tax) generated by assets held for sale and discontinued operations is included on a separate line, Net income for the year, discontinued operations. As a consequence of that all items from the statement of income are included as a net on the line Net income for the year, discontinued operations, the related notes have been adjusted to exclude discontinued operations.

An Extraordinary General Meeting in Securitas held on September 25, 2006, resolved in accordance with the Board of Directors' proposal on a dividend to the effect that all shares in the wholly-owned subsidiaries Securitas Direct AB (Direct) and Securitas Systems AB (Securitas Systems) would be distributed to the shareholders. The dividend date was September 29, 2006 and from that date Direct and Securitas Systems are no longer part of the Securitas Group. These operations, which in the Securitas Group previously comprised the two primary segments Direct and Securitas Systems, consequently qualify as discontinued operations according to IFRS 5 and are treated according to this standard. Further information on the application of IFRS 5 regarding Direct and Securitas Systems is provided in Note 38.

Statement of cash flow (IAS 7)
The statement of cash flow has been prepared in accordance with the indirect method. Liquid funds include Cash and bank deposits and Short-term investments with a maximum duration of 90 days at the time of initial recognition.

Foreign currency receivables and liabilities (IAS 21)
When preparing the financial statements of individual companies, foreign currency-denominated receivables and liabilities are translated using the exchange rates prevailing at each balance sheet date.

Goodwill and other acquisition related intangible fixed assets (IFRS 3, IAS 36 and IAS 38)
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary/operations at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Other acquisition related intangible fixed assets arising from acquisitions can include various types of intangible fixed assets such as marketing-related, customer-related, contract-related and technology-based. Other acquisition related intangible fixed assets 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. Amortization is calculated using the linear method to allocate the cost of assets over their estimated useful lives. Securitas' acquisition related intangible fixed 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 are based on the churn rate of the acquired portfolio and are normally between 3 and 20 years corresponding to a yearly amortization of between 5 percent and 33.3 percent.

A deferred tax liability is calculated at the local tax rate on the difference between the book value and tax value of the intangible asset. The deferred tax liability is reversed over the same period as the intangible asset, which means that it neutralizes the impact of the amortization of the intangible asset on the full tax rate percentage on the income after tax. The initial recognition of this deferred tax liability increases the amount of goodwill.

Goodwill and other acquisition related intangible fixed assets are allocated to cash-generating units (CGU) at a level that is consistent with the level at which Securitas monitors performance, that is per country in a division (segment). This allocation is also the basis for the yearly impairment testing.

The amortization of acquisition related intangible fixed assets is shown on the line Amortization of acquisition related intangible fixed assets in the statement of income.

Acquisition related restructuring costs
Acquisition related restructuring costs are costs that are either recognized on a cash basis, that is in the period when the corresponding payment is made, or costs that are recognized as provisions for restructuring in accordance with IAS 37. The costs that have been recognized in the statement of income for 2006, 2005 and 2004 are all costs recognized on a cash basis and thus no provisions are recognized.

Items affecting comparability
This item includes events and transactions with significant effects, which are relevant for understanding the 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.
- Material litigations and insurance claims.
- Material variances within the cash processing operations of Securitas Cash Management Ltd.
- Other material income and expense items of a non-recurring nature.

Provisions, impairment losses, bad debt losses or other material non-recurring items that are classified as items affecting comparability in a period are accounted for consistently in future periods by treating any reversal of provisions, impairment losses, bad debt losses or other non-recurring items as items affecting comparability.

Other intangible fixed assets (IAS 36 and IAS 38)
Other intangible fixed assets are recognized if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and that the cost of the asset can be measured reliably. Other intangible fixed assets have a definite useful life. These assets are recognized at cost and subsequently carried at cost less accumulated amortization and any accumulated impairment losses.

Linear depreciation is used for all asset classes, as follows:

Software licences	12.5–33.3 percent
Other intangible fixed assets	20–33.3 percent

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

Tangible fixed assets (IAS 16 and IAS 36)
Tangible fixed assets are recognized at cost and subsequently carried at cost less accumulated depreciation according to plan and any accumulated impairment losses. Depreciation according to plan is based on historical acquisition values and the useful life of the asset.

Linear depreciation is used for all asset classes, as follows:

Machinery and equipment	10–25 percent
Buildings and land improvements	1.5–4 percent
Land	0 percent

Impairment (IAS 36)
Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 necessitates that a number of assumptions and estimates are made. 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-rate used to discount future cash flows. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU).

Previously recognized impairment losses, with the exception of impairment losses related to goodwill, are reversed only if a change has occurred regarding the assumptions that formed the basis for determining the recoverable value when the impairment loss was recognized. If this is the case a reversal of the impairment loss is carried out in order to increase the book value of the impaired asset to its recoverable value. A reversal of a previous impairment loss is only recognized to the extent that the new book value does not exceed what should have been the book value (after depreciation and amortization) if the impairment loss had not been recognized in the first place. Impairment losses related to goodwill are never reversed.

Leasing contracts (IAS 17)
When a leasing contract means that the Group, as the lessee, essentially receives the economic benefits and bears the economic risk associated with the leased asset – termed finance leases – the asset is accounted as a fixed asset in the consolidated balance sheet. The net present value of the corresponding obligation to pay leasing fees in the future is accounted as a liability. In the consolidated statement of income, leasing payments are divided between depreciation and interest. The Group has no significant finance leases where it is the lessor.

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

Accounts receivable
Accounts receivable are accounted 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 accounted under Other current liabilities.

Inventories (IAS 2)
Inventories are valued at the lower of cost and net realizable value. Cost is determined according to the first-in, first-out principle. The cost of finished goods and work in progress comprises of material, direct labour and other direct costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The necessary deductions for obsolescence are made.

Financial instruments: recognition and measurement (IAS 39[1]) – adopted from January 1, 2005
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The definition of financial instruments thus includes equity instruments of another entity but also for example contractual rights to receive cash such as accounts receivable.

Financial instruments are recorded initially at fair value with the subsequent measurement depending on the designation of the instrument.

[1]Refers to IAS 39 in its current version as adopted by the European Union.

The Group designates its financial instruments in the following categories:

- Financial assets or financial liabilities at fair value through profit or loss (including derivatives not designated as hedging instruments),
- Loans and receivables,
- Held-to-maturity investments,
- Available-for-sale financial assets,
- Financial liabilities designated for hedging,
- Other financial liabilities and
- Derivatives designated for hedging.

The designation depends on the purpose for which the financial instrument is acquired. Management determines the designation of its financial instruments at initial recognition and re-evaluates this designation at each reporting date.

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 categorised as held for trading unless they qualify for hedge accounting. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. Financial liabilities at fair value are trading securities with negative fair value; normally derivative liabilities unless they qualify 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. They are included in current assets, except for maturities later than 12 months after the balance sheet date.

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.

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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Financial liabilities designated for hedging

Financial liabilities designated for hedging are liabilities that are hedged instruments in a hedge relationship qualifying for hedge accounting. The hedging instrument is normally a derivative included in the category derivatives designated for hedging. They are included in non-current liabilities except for maturities later than 12 months from the balance sheet date.

Other financial liabilities

Other financial liabilities are any financial liabilities that are not included under financial liabilities designated for hedging. They are included in current liabilities except for maturities later than 12 months from the balance sheet date.

Derivatives designated for hedging

Derivatives designated for hedging are instruments designated as hedging instruments and qualifying for hedge accounting. The Group normally only enters into derivative contracts when they qualify for hedge accounting.

Most of the Group's current assets are loans and receivables (including accounts receivable and most other current receivables). Financial assets or financial liabilities at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets are normally categories in which the Group has no or very limited positions in. Financial liabilities designated for hedging includes both long-term and short-term loans designated as hedged instruments and hedged effectively via derivatives designated for hedging. 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 financial liabilities designated for hedging.

Recognition and subsequent measurement

Purchases and sales of financial instruments are recognised on trade-date – the date on which the Group commits to purchase or sell the instrument.

Financial instruments are initially recognized at fair value plus transaction costs for all financial assets or financial liabilities not carried at fair value through profit or loss.

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 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. Realised and unrealised 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 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 for hedging are subsequently carried at amortized cost. Financial liabilities designated for hedging that qualify for fair value hedge accounting are subsequently carried at fair value. Changes in the fair value are included 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 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 and the gain or loss from re-measuring the hedging instrument at fair value are recognized in the hedging reserve in equity with a reversal from the hedging reserve to the statement of income in the period of 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 equity.

Actual cash flows that arise from derivative instruments are recognized as interest income and/or interest expense in the period to which they relate. Changes in fair value for both the hedged instrument 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 separation of the result into interest and revaluation effects increases the ability to compare the effects with the effects under Swedish GAAP as well as separating unrealized changes in fair value from the actual cash flows that form the basis for recognition of both interest income and interest 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 analysis, 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.

Financial instruments recognition and measurement – to December 31, 2004

Financial instruments: disclosure and presentation

IAS 32 Financial instruments: disclosure and presentation stipulates the balance sheet classification of financial instruments and the disclosures to facilitate understanding of how financial instruments influence income, financial position and cash flow. The recommendation does not stipulate when financial instruments should be recognized or de-recognized from the balance sheet, nor does it indicate how such financial instruments should be valued.

Short-term investments

Short-term investments are accounted according to the lower of cost or market principle if they pertain to transferable securities, and at acquisition value for bank deposits.

Convertible debenture loans

Convertible debenture loans are compound financial instruments whose financial liability (the loan) and the shareholders' equity-related instrument (the issued put) should be accounted separately at the time of issue. Because the convertible debenture loan 2002/2007 series 1–4 was issued at market interest, the related shareholders' equity-related instrument constituted an insignificant portion of the issue proceeds, whereupon the convertible debenture loan was classified as a financial liability in its entirety.

Bond loans issued

Bond loans issued are accounted at amortized cost, which means the present value of future payments calculated by the effective historical rate of interest at the time of issue.

Commercial paper issued

Commercial paper has been issued as part of a short-term Swedish commercial paper program and accounted under Other short-term loan liabilities at the original settlement value. Accrued interest is accounted under Accrued interest expenses using a linear valuation method. Due to the short tenor of issued commercial paper, the difference between accrued interest estimated linearly and by discounting is immaterial.

Derivatives

Loan receivables and loan liabilities hedged through forward currency contracts are valued at the spot rate on the day the hedge was entered into. Forward premiums and discounts, that is the difference between the forward rate and the spot rate, are accounted as interest.

Interest rate derivatives are used for hedging purposes only and accounted through the deferral of unrealized gains and losses, known as deferral hedge accounting. As a result, the Group's gains or losses from interest rate derivatives comprise only interest income and interest expenses based on actual cash flows from interest rate derivatives. Option premiums paid are expensed over the term of the hedged position and are accounted as interest expenses.

Employee Benefits (IAS 19)

The Group operates or participates in a number of defined benefit and defined contribution pension and other long-term employee benefit plans. Other plans primarily relates to healthcare benefits. A defined contribution plan is a pension 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 pension plans are defined benefit plans.

Calculations for the defined benefit plans that exist within Securitas are carried out by independent actuaries. Costs for defined benefit plans are estimated using the so-called Projected Unit Credit method in a way that distributes the cost over the employee's working life. Obligations are valued at the present value of the expected future cash flows using a discount interest rate corresponding to the interest rate on high quality corporate bonds or government bonds with remaining term that is approximately the same as the obligations. Further information regarding the determination of the discount rate is provided in Note 32 Provisions for pensions and similar commitments. Plan assets are measured at fair value. The expected return on plan assets is determined as a weighted average of the expected long-term return for each of the asset categories in each plan. The return on equity related instruments is based on a risk premium that is added to a risk free return based on the yield of government bonds. The return on bonds is determined based on the yield of government and corporate bonds in accordance with each plan's holding of these instruments.

The Group has adopted the amendment to IAS 19 Employee Benefits as of January 1, 2006 regarding the principle for recognizing gains and losses resulting from changes in actuarial assumptions, plan experience and investment performance differing from that assumed. These actuarial gains and losses are for all defined benefit plans relating to post-employment benefits recognized in the period which they occur. Recognition is done via the statement of recognized income and expense on the line Actuarial gains and losses net of tax. This change constitutes a change in accounting principle. As the actuarial gains and losses were set to nil in conjunction with the adoption of IAS 19 on January 1, 2004 and as the accumulated actuarial gains and losses relate to both 2004 and 2005, the impact from the change in accounting principle is recognized on the line Actuarial gains and losses net of tax for both 2004 and 2005 rather than as an adjustment of the opening balance for 2004. Actuarial gains and losses relating to defined benefit plans for other long-term employee benefits are recognized immediately via the consolidated statement of 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. Costs related to defined benefit plans, including the interest element, are accounted for in operating income. Provisions for pensions and similar commitments are not included in net debt.

Share-based payments (IFRS 2)

IFRS 2 requires that the fair value of the equity settled schemes should be accounted for as an expense in the statement of income with the corresponding entry accounted for as equity. The expense should be accrued for on a linear basis over the vesting period. For cash settled schemes IFRS 2 also requires that the fair value of the scheme should be accounted for as an expense in the statement of income on a linear basis over the vesting period, but with the corresponding entry recognized as a liability rather than as equity. Furthermore if the incentive scheme lapses without settlement this will result in a reversal of the accrued cost for cash settled schemes only. For equity settled schemes no reversal will occur since no adjustment to the net assets is required.

Securitas has no equity settled or cash settled schemes that would fall within the scope of this standard.

Provisions (IAS 37)

Provisions are recognized when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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.

Transition to International Financial Reporting Standards in 2005 (IFRS/IAS)

Securitas has adopted International Financial Reporting Standards (formerly IAS) as endorsed by the European Union (EU) from January 1, 2005.

The first complete financial statements that were published according to IFRS were the Annual Report for 2005.

For further information regarding the transition to IFRS/IAS refer to Note 37 in the Annual Report for 2005.

NOTE 3 DEFINITIONS, CALCULATION OF KEY RATIOS AND EXCHANGE RATES

DEFINITIONS

STATEMENT OF INCOME
ACCORDING TO SECURITAS FINANCIAL MODEL

Production expenses[1]
Guard wages and related costs, the cost of equipment used by the guard 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 of acquisition related intangible fixed assets and acquisition related restructuring costs and items affecting comparability but including amortization and depreciation of other intangible fixed 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 of acquisition related intangible fixed assets, acquisition related restructuring costs, items affecting comparability and including amortization and depreciation of other intangible fixed assets, buildings and land and machinery and equipment.

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

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

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 fixed assets (excluding acquisitions 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 acquisitions of subsidiaries, restructuring costs paid, payments from provisions for restructuring, cash flow from items affecting comparability, dividends, share issues and change in interest-bearing net debt excluding liquid assets.

BALANCE SHEET ACCORDING TO SECURITAS FINANCIAL MODEL

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

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

Net debt
Interest-bearing fixed and current assets less long-term and short-term convertible debenture loans, and long-term and short-term interest-bearing loan liabilities.

Adjusted shareholders' equity
Equity adjusted for outstanding convertible debenture loans.

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

CALCULATION OF KEY RATIOS

Organic sales growth, actual 2006: 6%
Total sales for the year adjusted for acquisitions/divestitures and changes in exchange rates as a percentage of the previous year's total sales adjusted for divestitures.
Calculation 2006: (60,523.0–970.5+912.0)/(58,200.6–909.0)–1 = 6%

Operating margin, actual 2006: 5.9%
Operating income before amortization as a percentage of total sales.
Calculation 2006: 3,591.1/60,523.0 = 5.9%

Earnings per share before dilution, all operations, actual 2006: 2.33 SEK
Net income for the year less the net income attributable to the minority, in relation to the average number of shares before dilution.
Calculation 2006: ((852.0–1.6)/365,058,897) x1,000,000 = 2.33 SEK

Earnings per share after dilution, all operations, actual 2006: 2.31 SEK
Net income for the year less the net income attributable to the minority and adjusted for interest on convertible debenture loans after tax, in relation to the average number of shares after dilution.
Calculation 2006: ((852.0–1.6+53.3)/376,165,189) x1,000,000 = 2.40.
In accordance with paragraph 41 of IAS 33 earnings per share after dilution has been limited to SEK 2.31. Average number of shares after dilution has been calculated as follows based on the recalculation of the convertible debenture loans, following the dividend of Securitas Systems AB and Securitas Direct AB, of 4,599,154 shares as of September 29, 2006:
(375,015,400 x 9/12)+(379,614,554 x 3/12) = 376,165,189

Earnings per share after dilution and before items affecting comparability, continuing operations, actual 2006: 5.97
Net income for the year from continuing operations before items affecting comparability (after tax) and less the net income attributable to the minority and adjusted for interest on convertible debenture loans after tax, in relation to the average number of shares after dilution.
Calculation 2006: ((513.5+2,060.2–382.0–0.3+53.3)/376,165,189) x 1,000,000 = 5.97

Cash flow from operating activities as % of operating income before amortization, actual 2006: 85%
Cash flow from operating activities as a percentage of operating income before amortization.
Calculation 2006: 3,065.1/3,591.1 = 85%

Free cash flow as % of adjusted income, actual 2006: 75%
Free cash flow as a percentage of adjusted income.
Calculation 2006: 1,780.0/(3,591.1–519.8–690.7) = 75%

Free cash flow in relation to net debt, actual 2006: 0.18
Free cash flow in relation to closing balance net debt.
Calculation 2006: 1,780.0/9,734.6 = 0.18

Operating capital employed as % of total sales, continuing operations, actual 2006: 8%
Operating capital employed as a percentage of total sales adjusted for full-year sales of acquisitions.
Calculation 2006: 4,669.2/(60,523.0+205.1) = 8%

Return on capital employed, continuing operations, actual 2006: 8%
Operating income before amortization as a percentage of the closing balance of capital employed excluding shares in associated companies.
Calculation 2006: (3,591.1–2,060.2)/(19,337.7–172.7) = 8%

Net debt equity ratio, actual 2006: 1.01
Net debt in relation to shareholders' equity.
Calculation 2006: 9,734.6/9,603.1 = 1.01

Interest coverage ratio, actual 2006: 4.4
Operating income before amortization plus interest income in relation to interest expense.
Calculation 2006: (3,591.1+446.2)/917.0 = 4.4

Return on equity, actual 2006: 6%
Net income for the year adjusted for interest on convertible debenture loans after taxes as a percentage of average adjusted shareholders' equity weighted for new issues.
Calculation 2006: (852.0+53.0)/((9,603.1+2,300.0+14,572.9+2,388.4)/2) = 6%

Equity ratio, actual 2006: 27%
Shareholders' equity as a percentage of total assets.
Calculation 2006: 9,603.1/35,719.8 = 27%

Exchange rates used in the Consolidated financial statements 2004–2006

Country	Currency		Weighted average 2006	End-rate December 2006	Weighted average 2005	End-rate December 2005	Weighted average 2004	End-rate December 2004
Norway	NOK	100	115.43	109.77	116.32	117.71	109.03	108.80
Denmark	DKK	100	124.18	121.22	124.87	125.82	122.51	121.15
Great Britain	GBP	1	13.57	13.45	13.62	13.70	13.41	12.71
Switzerland	CHF	100	586.74	562.21	600.86	603.75	590.54	582.70
Hungary	HUF	100	3.50	3.59	3.74	3.71	3.64	3.67
Poland	PLN	1	2.37	2.36	2.31	2.44	2.03	2.21
Estonia	EEK	1	0.59	0.58	0.59	0.60	0.58	0.58
Czech Republic	CZK	1	0.33	0.33	0.31	0.32	0.29	0.30
Turkey	TRY	1	4.77	4.85	–	–	–	–
USA	USD	1	7.32	6.87	7.55	7.96	7.32	6.61
Canada	CAD	1	6.45	5.91	6.25	6.82	5.64	5.46
Mexico	MXN	1	0.67	0.63	0.69	0.75	0.65	0.59
Argentina	ARS	1	2.37	2.24	2.60	2.60	2.46	2.27
	EUR	1	9.26	9.04	9.31	9.38	9.11	9.01

NOTE 4 CRITICAL ESTIMATES AND JUDGEMENTS AND ITEMS AFFECTING COMPARABILITY

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

Valuation of identifiable assets and liabilities in connection with the acquisition of subsidiaries/operations

The valuation of identifiable assets and liabilities in connection with the acquisition of subsidiaries or operations as part of the purchase price allocation 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. 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 such as litigation related items. All balance sheet items are thus subject to estimates and judgements. Further information is provided in Note 16.

Impairment testing of goodwill and other acquisition related intangible fixed assets

In connection with the impairment testing of goodwill and other acquisition related intangible fixed assets, the book value is compared with 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 with the value in use. The calculation of the value in use is based on assumptions and judgements. 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 14,031.6, and Acquisition related intangible fixed assets, which amounts to MSEK 462.2, are subject to critical estimates and judgements. A sensitivity analysis regarding the organic sales growth, the operating margin and the WACC is provided in Note 16.

Actuarial calculations regarding employee benefits such as pensions and medical benefits

Employee benefits are normally an area where estimates and judgements are not critical. However 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, the expected return on plan assets, 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 7.0 and which is stated under Other long-term receivables, and the balance sheet item Provisions for pensions and similar commitments, which amounts to MSEK 1,055.9, are subject to critical estimates and judgements. The Group's opinion is that the most important assumptions are the discount rate, the inflation rate and the expected life span. A sensitivity analysis regarding these three variables is provided in Note 32 Provisions for pensions and similar commitments.

Actuarial calculations regarding claims reserves

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 including property claims arising from the cash handling operations 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. 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. All in all, this means that the balance sheet items Short-term liability insurance-related claims reserves, which amounts to MSEK 819.0 and is included in Other current liabilities (Note 35) and Liability insurance-related claims reserves, which amounts to MSEK 595.7 and is included in Other provisions (Note 33), are subject to critical estimates and judgements.

The impact on the Group's financial position of ongoing litigation 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. For further information refer to Note 37. Companies within the Group are involved in a number of other legal proceedings arising out of the ordinary course of their businesses. Further information is provided in Note 37.

Items affecting comparability

The items affecting comparability that are described below constitute the most material individual transactions that demand that the management make judgements that can be deemed reasonable under the prevailing circumstances taking into consideration the information that is available on the balance sheet date.

The items that involve the largest elements of judgements are:
- Globe/Federal Aviation Administration – subject to trial during 2007.
- Brazil – the fulfillment of the bank guarantee has not yet been called for by the counterpart.
- Premises in Germany – impairment losses and provisions are dependent on the conditions on the real estate market for the ability to sublet premises and at what market price this can be done.
- Welo – insurance claim related to the ongoing insolvency proceedings regarding Heros.
- Heros – an insolvency proceeding is ongoing and includes the examination of all relevant prior transactions of the insolvent companies, including the German cash handling companies that Securitas sold to the Heros Group.
- Securitas Cash Management Ltd (SCM) – the amount of the provision is based on the ongoing investigation into the variances in the cash centres and this investigation has not been finalized as per the balance sheet date.

Items affecting comparability amounted to MSEK –2,060.2 (–150.6) for the full year 2006.

Further information regarding the items that are included under items affecting comparability is provided below.

Esabe

In January 1992, Securitas acquired Esabe, Spain's then second-largest company in the guard services and cash-in-transit segments. Shortly following such acquisition, the seller in such transaction filed for bankruptcy under Spanish law. As a consequence of such bankruptcy filing, Securitas has been involved in multiple litigations with the bankruptcy estate in respect of claims by the estate relating to the validity of the acquisition transaction and certain accounts claimed to be due to the estate. During 2006, final rulings in these litigations were made by the Spanish Supreme Court. Following these final rulings, Securitas entered into settlement negotiations with representatives of the estate and a final settlement has been agreed with the estate resolving all of the outstanding claims. A provision has been recognized in the amount of the payment to be made to the estate under the settlement agreement.

Globe/Federal Aviation Administration

Prior to the Aviation and Transportation Security Act (Aviation Security Act), which was passed in November 2001, the air carriers were responsible under federal law for providing pre-board screening of passengers. In most cases, the air carriers contracted with private security companies for these services. Under the Aviation Security Act, pre-board screening services were federalized in two steps. The first step consisted of a transition period where the Federal Aviation Administration (FAA) became the party responsible for pre-board screening and contracted with private security companies for these services (the FAA's responsibilities were later transitioned to the Transportation Security Administration (TSA)). The second step, which occurred in November 2002, consisted of the TSA directly providing these services by federal government employees. Globe had been requested to provide pre-board screening services during the initial transition period and, following extended negotiations, Globe entered into an agreement with the FAA in February 2002 to provide such services during the transition period. Based on the performance of Globe during this transition period, in April 2002 Globe contracted with the FAA/TSA to service additional airports. During the transition period, the FAA/TSA compensated Globe based on the governing contract and the invoices submitted.

After the services had been substantially completed, the TSA indicated that it wished to renegotiate the pricing under the contract and stopped making payments under the contract. Following unsuccessful negotiations attempting to resolve the amounts in dispute, Globe commenced formal legal proceedings during 2004 to recover the amounts due under the contract.
The trial in this matter is currently scheduled for February 2007. Management has determined that an additional bad debt provision should be recognized in the amount of the net account receivable which remains uncollected.

Brazil
In connection with the efforts of Securitas to expand its activities in South America, Securitas entered into an agreement during 2005 with respect to the possible acquisition of a security guard company in Brazil. In order to support this company while required governmental approvals were obtained, Securitas provided a bank guarantee for the benefit of the subject company. The governmental approvals took much longer 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 following the receipt of the government approval. The government approval confirms the ability of foreign companies such as Securitas to enter the Brazilian security market. In view of the decision not to complete the subject transaction, a provision in the amount of the bank guarantee and for other expenses incurred has been recognized based on management's best estimate as of December 31, 2006.

Premises in Germany
After the divestiture of the German cash handling operations and also as a result of the subsequent bankruptcy of the Heros Group of companies, Securitas has certain exposures in relation to properties in Germany. The Group has provided for onerous rent contracts and has also tested buildings for impairment. As a result provisions for onerous rent contracts and impairment losses have been recognized. The provisions and impairment losses have been allocated between Security Services and Loomis based on the previous utilization of these properties.

Welo
During 2001 Securitas in Germany in response to customer requests took on cash booking responsibilities (referred to as Welo – Werte logistik) in addition to the cash in transit activities which it had historically provided in Germany. In connection with the performance of these Welo activities during the time of the euro introduction in Germany, a loss developed with a major customer. The amount of the loss was advanced by Securitas Germany to the customer in accordance with the relevant contract in two payments (one paid in 2003 and the other paid during 2004) and the equivalent has been claimed against the relevant insurance policies.

The German cash handling operations were divested in November 2005 to the German Heros Group. However, the economic interest in the Welo claim was retained by Securitas as part of that transaction. The company holding the legal Welo claim was sold to Heros in this transaction. In February 2006 the Heros Group of companies filed for insolvency under German law, including the company which is the nominal plaintiff in the Welo claim. Against this background Securitas decided during the second quarter 2006 to provide for the full Welo claim. The insurance claim will continue to be pursued as planned.

Heros
The German Cash Handling operations were divested in November 2005 to the German Heros Group. In February 2006 the Heros Group of companies filed for insolvency under German law. In connection with the foregoing, the insolvency trustee is examining all relevant prior transactions of the insolvent companies, including the German cash handling companies which Securitas sold to the Heros Group. Management has determined that a provision should be recognized in respect of the Heros insolvency.

As mentioned above under Security Services, Securitas also has certain exposures in relation to properties in Germany. The Group has provided for onerous rent contracts and has also tested buildings for impairment. As a result provisions for onerous rent contracts and impairment losses have been recognized. The provisions and impairment losses have been allocated between Security Services and Loomis based on the previous utilization of these properties.

Securitas Cash Management Ltd (SCM)
A detailed account of the developments in SCM has been presented in Securitas interim reports since the third quarter 2005, in the Securitas Annual Report for 2005 and onward.

SCM is a company jointly owned by Loomis (75 percent) and HSBC and Barclays (12.5 percent respectively). SCM was created when the two banks in 2001 decided to outsource their handling of physical cash (notes and coins) in UK. SCM took over 28 cash centers spread over the UK from the two banks and Loomis. SCM also took over all employees and the existing work procedures and reconciliation methodology.

During 2002–2004 the 28 cash centers were reduced to 11, new work streams and methods were developed and implemented and the efficiency of the operations was improved. One of the important enhancements was the introduction of an IT system, designed to replace the predominantly manual based systems, to keep fully automated track of all cash received, processed, stored and distributed by the cash center operations.

As a result of these actions, SCM provides a high-quality service to the banks and achieves a good operating profit.

When cash is received by the centers and cash is distributed out from the centers, corresponding entries are registered on bank accounts relating to SCM, the banks and the clients of the banks. Certain of these procedures were manual at the time SCM took over the outsourcing contract, and some still are manual today. There are approximately 10 million transactions through all the cash centers each year. Depending of the type of transaction, entries are made either by local bank branches, centralized bank functions and/or by SCM. A new process, jointly developed by the banks and SCM, to fully automate these entries and reconcile all entries so as to reduce and then eliminate the possibility of mistakes, is under implementation.

Over the last two years, a fully automated reconciliation system has been developed and is in the course of being implemented across all cash centers in order to identify and correct manual booking errors. This provides a robust system for timely reconciliation of entries and investigation of any errors made by either the banks or SCM. The continuous development of IT systems will provide management with information so as to address errors or problems in a timely manner.

Following the consolidation of cash centers and the establishment of new work procedures were introduced, variances between the bank accounts and the automated system in SCM were identified. In April 2005 a dedicated team to investigate the variances was established by SCM. The investigation was complicated by the difficulty to obtain electronically based information from the banks and the large volume of manual records. Independent outside consultants were engaged in October 2005 to assist in the establishment of improved IT and management systems and to assist in the investigation of the variances.

As a result of the continuing investigation by SCM and the external independent investigators into the variances, the amount of the variance has been estimated to be MGBP 61 as of December 31, 2006. A provision equal to the estimated variance has now been deemed justified.

Management has taken steps to strengthen the control systems in place as well as strengthening the management team for Loomis and SCM. The investigation into the variance is continuing and SCM is working closely with the banks to address the causes of the problem. It is not possible, until the results of the investigation are known, to evaluate in a meaningful way the rights and obligations of SCM in respect of third parties or the ability of SCM to claim any part of the variance through insurance.

According to the Swedish listing agreement, Securitas has informed the Stockholm Stock Exchange about the SCM situation and in accordance with normal procedures the Stock Exchange will initiate a review.

Other
Costs relating to the listing project and the relocation of the Securitas head office to Stockholm have been treated as items affecting comparability. These costs amount to MSEK 216 for the full year 2006.

Divestiture of German cash handling operations in 2005
The capital loss of MSEK 150.6 has been treated as an item affecting comparability in the comparatives for the full year 2005.

NOTE 5 EVENTS AFTER THE BALANCE SHEET DATE

Approval of the Annual Report and Consolidated Financial Statements for 2006
This Annual Report including the Consolidated Financial Statements was signed by the Board of Directors of Securitas AB on February 15, 2007.

NOTE 6 FINANCIAL RISK MANAGEMENT

Financial risk factors
The Group's business activities expose it to financial risks, such as interest rate risk, financing risk, credit/counterparty risk and foreign currency risks as detailed in sections 1 to 4 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.

Subsidiaries/Divisions
Treasury operations in the subsidiaries and divisions concentrate on improving cash flow by focusing on profitability in the business operations, reduction of capital tied-up in accounts receivable and inventories, and in the most efficient way handle both investments and local cash management.

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 euro cash-pooling structure for countries in the eurozone and an overall cash-pooling structure in US dollars for subsidiaries in the USA, in which local liquidity surpluses are invested or from which local liquidity deficits are financed. 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 the the financial risk management in a single location, in GTC in Dublin, 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 also 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 written principles for overall risk management, as well as written 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 three 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.

1. Interest rate risk
Interest rate risk is the risk that the Group's net income will be affected by changes in market interest rates. The Group has raised funds in mainly USD and EUR with both fixed and floating interest rates. Detailed information on long term borrowings is provided in Note 31. The Group uses financial instruments such as interest rate swaps and cross currency swaps to convert the interest rate profile of this debt. Since income is tied to customer contracts with an annual price review and this impact usually follows each country's economic development and inflation rate, interest rate risks are most effectively minimized through short interest rate periods. Strong cash flows from operations reduce the Group's dependency on external financing and thereby also minimize interest rate risk. Other external financing requirements may arise from time to time in connection with acquisitions. The interest rate exposure on this acquisition financing is managed on a case by case basis. Information on the Group's debt profile is provided below together with information on interest rate fixings, see tables 1A and 1B.

The target for the interest cover ratio is that it should be at least 6.0 and the free cash flow to net debt ratio should always exceed 0.20. The Group's interest coverage ratio, a measure of its ability to pay interest costs, was 4.4 as of December 31, 2006 (5.5). Free cash flow to net debt was 0.18 (0.20).

Table 1A
December 2006 The Group's total interest-bearing liabilities and assets

Currency	MSEK	Duration (days)	Current book cost (incl. credit margin)	Interest rates, +1%	Interest rates, –1%
USD liabilities	–5,695	288	5.69	6.32	4.91
EUR liabilities	–5,581	261	3.27	4.03	2.91
GBP liabilities	–837	25	5.50	6.50	4.50
SEK liabilities	–5,811	18	3.46	4.46	2.46
Liabilities in other currencies	–349	26	4.02	5.02	3.02
Total liabilities	**–18,273**	**176**	**4.20**	**5.01**	**3.46**
USD assets	1,668	28	5.53	6.53	4.53
EUR assets	1,820	6	3.92	4.92	2.92
GBP assets	317	7	5.28	6.28	4.28
SEK assets	4,578	17	3.33	4.33	2.33
Assets in other currencies	155	12	3.85	4.85	2.85
Total assets	**8,538**	**16**	**3.97**	**4.97**	**2.97**
Total	**–9,735**	**–**	**4.40**	**4.94**	**3.82**

Table 1B
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 for these derivatives does not normally exceed four years. Group policy allows for the use of both options-based and fixed-rate products.

Table 1B

	Dec 31, 2006			Dec 31, 2007			Dec 31, 2008			
	Amount		Rate[1]	Amount		Rate[1]	Amount		Rate[1]	Final
Currency	MSEK	MLOC	%	MSEK	MLOC	%	MSEK	MLOC	%	maturity
USD	687	100	4.13	1,031	150	5.45	1,031	150	5.45	Feb 2009
EUR	2,422	268	2.92	1,229	136	3.49	750	83	3.97	Feb 2009
Total	**3,109**			**2,260**			**1,781**			

[1]Average rate including credit margin.

Table 2

MSEK	EUR	USD	GBP	Other currencies	Total Foreign currencies	SEK	Total Group
Capital employed	8,465	9,283	1,184	446	19,378	–40	19,338
Net debt	3,762	4,027	520	193	8,502	1,233	9,735
Minority interests	–	–	–	–	–	–	–
Net exposure	4,703	5,256	664	253	10,876	–1,273	9,603
Net debt to equity ratio	*0.80*	*0.77*	*0.78*	*0.76*	*0.78*	*–0.97*	*1.01*

2. Foreign currency risks

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, 2006 was MSEK 19,378. 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 unfavourable 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.

Table 2 at the bottom of page 82 shows how the Group's capital employed is distributed by currency, and its financing.

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. Group internal currency flows between holding companies and subsidiaries in respect of dividends are normally hedged to SEK immediately the amount is agreed between the internal parties.

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.

3. Financing 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 five percent of consolidated annual sales. As of December 31, 2006 the short-term liquidity reserve corresponded to 17 percent 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, 2006 long-term financing corresponded to 112 percent of the Group's capital employed. Long-term financing of the Group should be well balanced among different sources. The aim is that long-term committed loan facilities and long-term bond loans should have an average maturity of more than three years. As per December 31, 2006 the average maturity was two years and two months. The deviation from policy is mainly explained by the refinancing of existing facilities being slightly delayed as a consequence of the project of listing Securitas Systems and Direct. The long-term facilities will be refinanced in 2007.

Table 3 shows the maturity structure of the Group's committed loan facilities as of December 31, 2006.

Table 3. Maturity structure of issued bonds and committed loan facilities[1]

Maturity	<1 yr.	<2 yrs.	<3 yrs.	<4 yrs.	<5 yrs.	Total
Amount, MSEK	7,048	4,519	–	–	7,558	19,125
Unutilized	4,748	–	–	–	3,840	8,588

[1] Including the securitization back up line.

Long-term committed loan facilities consist of a MUSD 1,100 Multi Currency Revolving Credit Facility that was arranged in June 2005 with a syndicate of international banks and that matures in June 2011. Drawings under this facility are priced at the relevant prevailing market interest rate for the term selected.

Securitas also has a Euro Medium Term Note Program with a maximum limit of MEUR 1,500 under which public and private funding can be raised on international capital markets. As of December 31, 2006 there was one outstanding bond loan: a MEUR 500 Eurobond maturing in March 2008. This loan carries a coupon of 6.125 percent and the entire issue proceeds were swapped into floating rate funding using cross currency and interest rate swaps with matching maturity dates. The loan is listed on the Luxembourg Stock Exchange.

In 2006 Securitas arranged three bilateral committed credit facilities, each for MSEK 1,000 and having durations of 12 months, with three banks.

Within the framework of its employee incentive program established in May 2002, Securitas issued four convertible debenture loans totaling MEUR 443.5 and maturing in May 2007. The debentures can only be converted upon maturity. The interest cost is based on 90 percent of the 3-month EURIBOR, with the interest rate reset every quarter. The loans were issued to a special purpose company in Luxembourg, Securitas Employee Convertible 2002 Holding S.A., in which employees have subscribed for shares. The Luxembourg company has also raised a long-term syndicated bank loan of MEUR 400 from a syndicate of international banks. The loan matures in May 2007. In June 2005 this facility was voluntarily part prepaid and reduced to MEUR 254.5. The convertible debenture loans were classified as short-term borrowing as of December 2006.

Securitas has a securitization agreement in the USA to sell on a continuous basis undivided interests in certain eligible accounts receivable, to a maximum amount of MUSD 250. Securitas has a committed credit facility of MUSD 250 available solely as a back up for this securitization program. The agreement and the related credit facility expire June 17, 2007 and are renewable annually thereafter.

Drawings and renewals under the facility are priced based on the prevailing 60 day market interest rate.

In January 2002, Securitas established a short-term Swedish commercial paper program in the amount of MSEK 5,000. The objective was to obtain access to short-term financing at competitive prices. Pricing is based on the prevailing market rates at time of issuance.

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.

4. Credit/Counterparty risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of services are made to customers with an appropriate credit record. The Group has policies in place that limit the amount of credit exposure to any one financial institution. Investments of liquid funds may only be made in government paper or with financial institutions with a high credit rating. As of December 31, 2006 the weighted average credit rating of these institutions was short-term A1/P1. The largest total weighted exposure for all instrument types to any one institution was MSEK 1,349. Derivative contracts are only entered into with financial institutions with a credit rating of at least A1/P1, and with whom Securitas has an established customer relationship.

Rating

In order to access international debt capital markets in an effective manner, Securitas has obtained long-term credit ratings from both Standard & Poor's and Moody's. The rating from Standard & Poor's is BBB+ and that from Moody's is Baa2. Both ratings are with "Stable Outlook". The Swedish short-term rating is K-1 from Standard and Poor's.

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 clean prices, that is the fair values stated excluding accrued interest.

–Debt: fair values 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.

Revaluation of financial instruments 2006 och 2005

MSEK	2006	2005
Recognized in the statement of income		
Financial income	–	36.2
Financial expenses	–35.8	–
Deferred tax	10.0	–10.1
Impact on net income for the year	**–25.8**	**26.1**
Recognized via statement of recognized income and expense		
Changes in hedging reserve before tax	19.6	15.6
Deferred tax	–5.5	–4.4
Changes in hedging reserve after tax	**14.1**	**11.2**
Total revaluation before tax	**–16.2**	**51.8**
Total revaluation after tax/impact on equity above	**–11.7**	**37.3**

NOTE 7 TRANSACTIONS WITH RELATED PARTIES

Joint ventures

The Securitas Group includes only one company, Securitas Direct S.A. (Switzerland), in which its share of the voting rights is 50 percent. Due to the negligible impact of this company on the Group's earnings and financial position, it is not reported separately in the consolidated statement of income or balance sheet. The company is included under Other in the Group's segment reporting. Total sales amounted to MSEK 44 (43 and 42), operating income before amortization to MSEK 4 (6 and 5), operating fixed assets to MSEK 8 (9 and 8), accounts receivable to MSEK 4 (5 and 6), other assets to MSEK 6 (6 and 5), other liabilities to MSEK 7 (7 and 6), goodwill to MSEK 7 (9 and 9) and acquisition related intangible fixed assets to MSEK – (1 and 1).

Other

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 affiliated parties, refer to Note 40 and Note 43.

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. Separate fees are paid for committee work. Neither the President and CEO nor the employee representatives receive directors' fees. The Annual General Meeting on April 17, 2007 will decide on guidelines for remuneration to the board of directors and senior management regarding 2007.

The compensation paid to the President and CEO and other members of Group Management consist of a base salary, variable compensation and pension.

The variable compensation varies between zero and the maximum amount as follows. For the President and CEO the variable compensation is maximized at 100 percent of his base salary. For the other members of Group Management, the bonus is maximized at 60–100 percent of their base salaries. The variable compensation is based on performance relative to earnings improvement (and in certain cases other key ratios) for the individual responsibility level (Group or Division). The total cost of fixed and variable compensation is decided each year to an amount that includes all compensation costs for the Company, including social security costs. The total cost concept allows the President and CEO and other members of Group Management to allocate part of their fixed and variable compensation to other benefits, for example pension benefits.

The total compensation in some cases further includes long-term incentive programs.

Planning and decision making process

The Board's remuneration committee deals with all the above issues 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 Melker Schörling (chairman) and Berthold Lindqvist. The committee held two meetings during 2006.

Board of Directors

For the 2006 financial year, the Chairman Melker Schörling received a director's and committee work fee of MSEK 1.0. The other Directors received an aggregate director's and committee work fee of MSEK 3.65. The Board of Directors is not entitled to any other compensation except for travel and lodging expenses.

President and Chief Executive Officer

During the 2006 financial year, Thomas Berglund received a salary equivalent to MSEK 11.7, and a variable compensation of MSEK 5.7 regarding the listing on the Stock Exchange of the three subsidiaries Securitas Systems AB, Securitas Direct AB and Loomis AB, whereof MSEK 1.9 will be paid out in 2007 when Loomis AB is listed.

The President and CEO has no pension benefits from the Company and the Company pays no pension insurance for the President and CEO. The retirement age for the President and CEO is 65 years. Thomas Berglund will resign as President and CEO as from March 5, 2007 and a severance payment of MSEK 22.8 will be paid out, equivalent to 24 months' salary. The severance pay is provided for in 2006.

Other members of Group Management

The other members of Group Management are, as from the distribution of Securitas Systems and Securitas Direct on September 29, 2006; Håkan Winberg (Executive Vice President and CFO), Santiago Galaz, Tore K. Nilsen (Divisional Presidents), Morten Rønning (responsible for the business line Mobile), Bill Barthelemy (COO Security Services North America) and Brad van Hazel (Regional President Security Services North America). During the financial year 2006 their aggregated fixed salaries amounted to MSEK 23.5 and other salary benefits to MSEK 2.2. The compensation included for Rønning, Barthelemy and van Hazel refer to the period as from September 29, when they entered as members of the Group Management. The aggregate variable compensation for 2006 performance amounted to MSEK 11.0, whereof MSEK 8.7 will be paid out in 2007.

These six members of the Group Management have individual pension plans. The retirement age varies from country and pension plan, it is 65–67 years for three members and for three members employed in the USA no retirement age is set.

Under the total cost concept, as described under Principles above, each member can allocate part of his remuneration to a defined contribution pension premium. All members 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 can vary but are limited to amounts deductible for tax purposes by the Company. During 2006 the pension costs for these members of the Group Management amounted to MSEK 2.7. No pension benefits are conditioned by future employment.

Two members have a Norwegian defined benefit pension plan, but can also allocate part of their remuneration to a defined contribution premium.

The Norwegian defined benefit plan guarantees a lifetime pension from age 67. The pension compensation corresponds to a certain percentage of the final salary, the maximum pensionable income is MSEK 0.8 per employee. This pension benefit is funded through annual premiums paid by the Company during the term of employment, and the pension cost for 2006 was net MSEK 0.1. The provision for defined benefit plans was net MSEK 1.1 as per December 31, 2006.

If the employment is terminated by the Company these members of Group Management are entitled to compensation equivalent to 12 months salary as from the date of termination and in relevant cases the portion of the variable and the long-term bonus programs. The Executive Vice President and CFO, Håkan

Remuneration during the year

Group Management remuneration related to 2006:

MSEK	Base Salary/Fee	Other benefits	Variable compensation	Long-term incentive[2]	Pension	Severance	Total remuneration
Melker Schörling, Chairman of the Board[1]	1.0	–	–	–	–	–	1.0
Gustaf Douglas, deputy Chairman[1]	0.7	–	–	–	–	–	0.7
Carl Douglas	0.4	–	–	–	–	–	0.4
Sofia Schörling Högberg	0.4	–	–	–	–	–	0.4
Marie Ehrling	0.4	–	–	–	–	–	0.4
Annika Falkengren	0.4	–	–	–	–	–	0.4
Stuart E. Graham	0.4	–	–	–	–	–	0.4
Berthold Lindqvist[1]	0.5	–	–	–	–	–	0.5
Fredrik Palmstierna	0.4	–	–	–	–	–	0.4
Subtotal Board of Directors	**4.6**	**–**	**–**	**–**	**–**	**–**	**4.6**
President and CEO	11.7	0.0	5.7	–	–	22.8	40.2
Other members of Group Management (6 persons)[3]	23.5	2.2	11.0	9.4	2.8	13.5	62.4
Subtotal President and CEO and Group Management	**35.2**	**2.2**	**16.7**	**9.4**	**2.8**	**36.3**	**102.6**
Total	**39.8**	**2.2**	**16.7**	**9.4**	**2.8**	**36.3**	**107.2**

Above information refers to full year remuneration for the Group Management. Other benefits include customary expatriate benefits.
The Board of Directors and the President and CEO have no pension benefits.

[1] Including remuneration for committee work.
[2] Refer to the cost for 2006, please find further reference below under section incentive programs.
[3] The compensation for three members that entered the Group Management on September 29, 2006, applies from this date.

Winberg, will leave Securitas during second half of 2007 and a severance payment of MSEK 13.5 will be paid out, equivalent to 24 months' salary, The severance pay is provided for in 2006.

Compensation to one member of the Group Management, who resigned August 1, 2006, amounted to MSEK 5.3 in salary and MSEK 15.0 in severance pay equivalent to 24 months salary. The cost for 2006 has been reduced by a released provision of MSEK 7.8 for a long-term incentive program.

Incentive programs

Long-term incentive

There is currently no long term incentive program in place for the President and CEO.

For five other members of the Group Management long-term incentive plans exist in which the maximum compensation is limited to two to three years' base salary. The compensation is based on the earnings development and other key ratios in the divisions for which the members are responsible. The long-term bonus plans includes financial years 2005 to 2006 and 2007 respectively. Any payment will be received in 2007 or 2008–2009 respectively. The 2006 provision for long-term bonus plans amounted to MSEK 9.4. The accumulated provision for these plans amounts to MSEK 13.8 as per December 31, 2006.

Convertible debenture loans

Securitas AB introduced in 2002 a global incentive program with a duration of five years, which was offered to almost all employees of the Securitas Group. In 2005 all members of the Group Management except one have accepted the offer made to all members of the program, approved by the AGM, to sell their investment prematurely for market value.

Group Management's holdings through acquisitions on the stock market or through acquisitions through convertible debenture loans are detailed in the table below.

Group Management's holdings of Securitas B-shares and shares in the incentive program[1]

	B-shares		Incentive program[2]	
	2006	2005	2006	2005
Thomas Berglund[3]	500,000	500,000	–	–
Håkan Winberg	745,000	745,000	–	–
Santiago Galaz	50,000	175,000	–	–
Tore K. Nilsen	153,811	153,811	–	–
Morten Rønning[4]	89,998	–	–	–
Bill Barthelemy[4]	17,000	–	–	–
Brad van Hazel[2, 4]	0	–	46,618	–

[1] Information refers to shareholdings as of December 31, 2006 and 2005.

[2] Refers to the corresponding number of Series B-shares after full conversion of the convertible debenture loan 2002/2007 Series 1–4 based on holdings of shares in Securitas Employee Convertible 2002 Holding S.A. Other members of the Group Management accepted in 2005 an offer to sell their investment prematurely for market value.

[3] In 2004 Thomas Berglund acquired 500,000 B-shares on the stock market and has made a commitment not to dispose of these shares earlier than 18 months after termination of his employment.

[4] Rønning, Barthelemy and van Hazel have been members of the Group Management since September 29, 2006, which is why an earlier holding is not stated.

NOTE 9 SEGMENT REPORTING

The Group's operations, after the dividend of Securitas Systems and Direct, are divided into three divisions that provide the operational structure for internal controls, follow-ups and reporting. For both internal and external reporting, each division represents a primary segment. The split of Security Services into Security Services North America and Security Services Europe reflects both the internal operational structure as well as the differences between the risks and rates of return within the two segments. The secondary segments are the three main geographical areas in which the Group is active: Nordic region, Europe excluding Nordic region and North America. In addition to this the operations outside these regions are included in Rest of world.

All segments apply the accounting principles explained in Note 2. The segment reporting follows the format of the 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 divisional level in the Financial overview under Acquisitions and Divestments.

Security Services North America

Security Services North America offers specialized guarding services in three countries in North America – the USA, Canada and Mexico. The division is split into one organization for National and Global contracts, ten geographical guarding regions and three speciality regions in the USA, plus Canada, Mexico and Pinkerton Consulting & Investigations. The three speciality regions in the USA are concerned with the Automotive industry, Government organizations, and the Energy industry. Altogether, there are 108 geographical areas and 744 branch offices. The change of name from Security Services USA to Security Services North America does not involve any change in respect of what operations the segment includes. In organizational terms, Canada and Mexico were taken over from Security Services Europe in 2005, which was also explained in the Annual Report for 2005.

Security Services Europe

Security Services Europe is organized into three business units. Services Europe offers specialized guarding services to medium-sized and large companies in 18 countries. Aviation forms part of this business, but it is organized separately in nine countries. Mobile offers mobile services for small and medium-sized customers, and operates separately in eleven countries. Alert Services offers electronic alarm monitoring for homes and businesses, with separate organizations in six countries.

Loomis

Loomis offers secure and efficient cash distribution, cash processing and cash recovery solutions for financial institutions, retailers and other commercial companies through an international network with 440 branch offices in ten European countries and the USA. The change of name from Cash Handling Services to Loomis did not involve any change in the operations that are included in this segment.

Other

Other consists of general administrative costs, head office costs, and other costs that arise at Group level and relate to the Group as a whole. The Group's joint venture Securitas Direct S.A. (Switzerland) is also included under Other.

Secondary segments

The geographical division represents various levels of market development in terms of wages, employee turnover, product mix, market growth and profitability. The geographical breakdown of sales is based on the location of sales offices, and corresponds in all material aspects to the geographical location of the customers. Adjustments have been made in respect of secondary segments in that the USA has been replaced by North America (the USA, Canada and Mexico). Adjustments have also been made in respect of discontinued operations (Securitas Systems and Direct).

CONT. NOTE 9 SEGMENT REPORTING

January – December 2006

MSEK	Security Services North America	Security Services Europe	Other	Total Security Services	Loomis	Discontinued operations	Eliminations	Group
Income								
Sales, external	21,736	27,272	44	49,052	11,471	–	–	60,523
Sales, intra-group	–	33	–	33	3	–	–36	–
Total sales	**21,736**	**27,305**	**44**	**49,085**	**11,474**	**–**	**–36**	**60,523**
Organic sales growth, %	*5*	*7*	*–*	*6*	*5*	*–*	*–*	*6*
Operating income before amortization	**1,088**	**1,937**	**–272**	**2,753**	**838**	**–**	**–**	**3,591**
Operating margin, %	*5.0*	*7.1*	*–*	*5.6*	*7.3*	*–*	*–*	*5.9*
Amortization of acquisition related intangible fixed assets	–25	–54	–1	–80	–13	–	–	–93
Acquisition related restructuring costs	–	–1	–	–1	–	–	–	–1
Items affecting comparability	–69	–264	–216	–549	–1,511	–	–	–2,060
Operating income after amortization	**994**	**1,618**	**–489**	**2,123**	**–686**	**–**	**–**	**1,437**
Financial income and expense	–	–	–	–	–	–	–	–555
Share of income in associated companies	–	–	–	–	–	–	–	1
Income before taxes	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**883**
Taxes	–	–	–	–	–	–	–	–370
Net income for the year, continuing operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**513**
Net income for the year, discontinued operations	–	–	–	–	–	339	–	339
Net income for the year, all operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**852**
Operating cash flow								
Operating income before amortization	1,088	1,937	–272	2,753	838	–	–	3,591
Investments in fixed assets	–138	–557	28	–667	–845	–	–	–1,512
Reversal of depreciation	156	589	31	776	702	–	–	1,478
Change in operating capital employed	–229	–216	–67	–512	20	–	–	–492
Cash flow from operating activities	**877**	**1,753**	**–280**	**2,350**	**715**	**–**	**–**	**3,065**
Cash flow from operating activities, %	*81*	*91*	*103*	*85*	*85*	*–*	*–*	*85*
Capital employed and financing								
Operating fixed assets	551	1,879	115	2,545	2,756	–	–1	5,300
Accounts receivable	2,951	4,592	4	7,547	1,315	–	–6	8,856
Other assets	328	705	2,683	3,716	344	–	–332	3,728
Other liabilities	2,667	5,960	1,670	10,297	3,257	–	–339	13,215
Total operating capital employed	**1,163**	**1,216**	**1,132**	**3,511**	**1,158**	**–**	**–**	**4,669**
Goodwill	5,891	5,631	8	11,530	2,502	–	–	14,032
Acquistion related intangible fixed assets	62	388	0	450	14	–	–	464
Shares in associated companies	–	–	173	173	–	–	–	173
Capital employed, discontinued operations	–	–	–	–	–	–	–	–
Total capital employed	**7,116**	**7,235**	**1,313**	**15,664**	**3,674**	**–**	**–**	**19,338**
Operating capital employed as % of sales	*5*	*4*	*–*	*7*	*10*	*–*	*–*	*8*
Return on capital employed, %	*14*	*23*	*–*	*14*	*Neg*	*–*	*–*	*8*
Net debt	–	–	–	–	–	–	–	9,735
Equity	–	–	–	–	–	–	–	9,603
Total financing	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**19,338**
Net debt equity ratio/multiple	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*1.01*

Secondary segments and geographical information

	Total sales		Assets		Investments in fixed assets	
MSEK	2006	2005	2006	2005	2006	2005
Nordic region	7,207	6,831	7,963	10,833	–428	–475
Europe excluding Nordic region	27,279	25,753	14,063	19,807	–741	–664
North America	25,655	25,439	13,532	15,561	–335	–353
Rest of world	382	178	162	80	–8	–4
Group	**60,523**	**58,201**	**35,720**	**46,281**	**–1,512**	**–1,496**

January – December 2005

MSEK	Security Services North America	Security Services Europe	Other	Total Security Services	Loomis	Discontinued operations	Eliminations	Group
Income								
Sales, external	21,616	24,972	43	46,631	11,570	–	–	58,201
Sales, intra-group	–	24	–	24	11	–	–35	–
Total sales	**21,616**	**24,996**	**43**	**46,655**	**11,581**	**–**	**–35**	**58,201**
Organic sales growth, %	*4*	*5*	*–*	*4*	*2*	*–*	*–*	*4*
Operating income before amortization	**1,080**	**1,874**	**–259**	**2,695**	**831**	**–**	**–**	**3,526**
Operating margin, %	*5.0*	*7.5*	*–*	*5.8*	*7.2*	*–*	*–*	*6.1*
Amortization of acquisition related intangible fixed assets	–33	–40	–	–73	–25	–	–	–98
Acquisition related restructuring costs	–	–1	–	–1	–	–	–	–1
Items affecting comparability	–	–	–	–	–151	–	–	–151
Operating income after amortization	**1,047**	**1,833**	**–259**	**2,621**	**655**	**–**	**–**	**3,276**
Financial income and expense	–	–	–	–	–	–	–	–447
Share of income in associated companies	–	–	–	–	–	–	–	12
Income before taxes	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,841**
Taxes	–	–	–	–	–	–	–	–683
Net income for the year, continuing operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,158**
Net income for the year, discontinued operations	–	–	–	–	–	556	–	556
Net income for the year, all operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,714**
Operating cash flow								
Operating income before amortization	1,080	1,874	–259	2,695	831	–	–	3,526
Investments in fixed assets	–177	–606	–39	–822	–674	–	–	–1,496
Reversal of depreciation	161	584	32	777	733	–	–	1,510
Change in operating capital employed	–77	64	85	72	16	–	–	88
Cash flow from operating activities	**987**	**1,916**	**–181**	**2,722**	**906**	**–**	**–**	**3,628**
Cash flow from operating activities, %	*91*	*102*	*70*	*101*	*109*	*–*	*–*	*103*
Capital employed and financing								
Operating fixed assets	627	2,106	112	2,845	2,843	–	–154	5,534
Accounts receivable	3,463	4,229	5	7,697	1,330	–	–18	9,009
Other assets	214	588	2,614	3,416	832	–	–39	4,209
Other liabilities	3,181	5,635	1,586	10,402	2,633	–	–206	12,829
Total operating capital employed	**1,123**	**1,288**	**1,145**	**3,556**	**2,372**	**–**	**–5**	**5,923**
Goodwill	6,873	5,587	9	12,469	2,848	–	–	15,317
Acquistion related intangible fixed assets	38	290	1	329	31	–	–	360
Shares in associated companies	–	–	179	179	–	–	–	179
Capital employed, discontinued operations	–	–	–	–	–	4,739	–	4,739
Total capital employed	**8,034**	**7,165**	**1,334**	**16,533**	**5,251**	**4,739**	**–5**	**26,518**
Operating capital employed as % of sales	*5*	*5*	*–*	*8*	*20*	*–*	*–*	*10*
Return on capital employed, %	*13*	*26*	*–*	*16*	*13*	*–*	*–*	*16*
Net debt	–	–	–	–	–	–	–	11,945
Equity	–	–	–	–	–	–	–	14,573
Total financing	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**26,518**
Net debt equity ratio/multiple	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*0.82*

NOTE 10 ALLOCATION OF REVENUE

Sales

The Group's revenue is generated from a range of guarding services and cash handling services. The sale of alarm products is limited in extent following the dividend of Securitas Systems and Direct. The breakdown of sales by division is provided in Note 9, Segment reporting.

Other operating income

As of September 29, 2006 Other operating income consists in its entirety of trade mark fees from Securitas Direct AB and Securitas Systems AB.

Financial income and expenses

Interest income and borrowing costs are accounted in the statement of income in the period to which they are attributable. Financial income and expenses are specified in Note 14.

NOTE 11 OPERATING EXPENSES

Income statement classified according to type of cost in summary

MSEK	2006	2005	2004
Total sales	**60,523.0**	**58,200.6**	**53,404.1**
Salaries (Note 12)	–37,487.1	–36,054.7	–30,326.0
Social benefits (Note 12)	–9,755.8	–8,624.8	–7,608.4
Depreciation and amortization (Notes 13, 18, 19 and 20)	–1,571.2	–1,632.2	–1,365.7
Impairment losses (Notes 17, 19 and 20)	–77.8	–	–
Bad debt losses (Note 25)	–142.0	–74.0	–65.9
Other operating expenses	–10,051.9	–8,538.7	–10,874.3
Total operating expenses	**–59,085.8**	**–54,924.4**	**–50,240.3**
Operating income	**1,437.2**	**3,276.2**	**3,163.8**

Items affecting comparability[1]

MSEK	2006	2005	2004
Capital losses	–	–150.6	–
Impairment and bad debt losses[2]	–550.0	–	–
Provisions[3]	–1,246.1	–	–
Other items	–264.1	–	–
Total items affecting comparability	**–2,060.2**	**–150.6**	**–**

[1] Whereof Security Services North America MSEK –69.0, Security Services Europe MSEK –264.5, Loomis MSEK –1,511.1 (–150.6) and Other (Group related) MSEK –215.6. Whereof production expenses MSEK –893.4, selling and administrative expenses MSEK –1,125.6 and impairment loss of goodwill MSEK –41.2.
[2] Including other items as well as fixed assets and accounts receivable.
[3] Whereof MSEK –824.5 (MGBP –61.3) relates to a provision in respect of Securitas Cash Management Ltd (SCM). See Note 4 for further details.

Audit fees and reimbursements

MSEK	2006	2005	2004
PricewaterhouseCoopers			
– audit assignments	40.6	38.0	35.1
– other assignments[1]	54.6	44.6	61.8
Total PricewaterhouseCoopers	**95.2**	**82.6**	**96.9**
Other auditors			
– audit assignments	4.0	4.6	5.7
Total	**99.2**	**87.2**	**102.6**

[1] Fees for other assignments performed by PricewaterhouseCoopers include fees for audit related advisory services relating to accounting including IFRS, IT, tax, acquisitions, divestments and matters relating to the Group's internal bank.

Operating leasing contracts and rental contracts

Fees paid during the year for operating leases for buildings, vehicles and machinery and equipment amounted to MSEK 850.6 (813.1 and 764.5). The nominal value of contractual future leasing fees is distributed as follows:

MSEK	2006	2005	2004
Maturity < 1 year	716.1	712.5	673.2
Maturity 1–5 years	1,687.6	1,789.2	1,754.5
Maturity > 5 years	1,267.8	1,401.9	1,653.1

Exchange rate differences, net[1]

MSEK	2006	2005	2004
Exchange rate differences included in Operating income amounted to:	–0.5	0.4	–0.2

[1] Exchange rate differences included in net financial items are stated in Note 14.

NOTE 12 PERSONNEL

Average number of yearly employees; distribution between women and men

	Women			Men			Total		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Nordic region	3,716	3,736	3,334	9,982	9,686	9,198	13,698	13,422	12,532
Europe excluding Nordic region	18,882	16,474	15,379	70,662	64,797	62,046	89,544	81,271	77,425
North America	26,999	26,233	26,417	78,420	84,092	80,443	105,419	110,325	106,860
Rest of world	442	312	187	6,276	3,604	2,175	6,718	3,916	2,362
Total	**50,039**	**46,755**	**45,317**	**165,340**	**162,179**	**153,862**	**215,379**	**208,934**	**199,179**

In 2006, the number of Board members and Presidents was 147 (139), of whom 16 (13) were women.

Staff costs for boards of directors and presidents

	2006			2005			2004			Of which bonuses		
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)	2006	2005	2004
Nordic region	30.2	11.0	(3.8)	26.4	8.5	(2.6)	154.8	18.0	(3.9)	2.5	4.5	6.3
Europe excl. Nordic region	118.6	30.6	(8.3)	85.9	17.8	(3.8)	89.5	17.8	(3.2)	28.9	19.7	26.1
North America	74.3	15.7	(9.5)	99.0	18.5	(9.6)	51.6	13.0	(7.6)	25.6	36.3	9.5
Rest of world	3.2	–	(–)	1.7	0.1	(–)	3.5	0.2	(0.1)	0.6	–	0.3
Total	**226.3**	**57.3**	**(21.6)**	**213.0**	**44.9**	**(16.0)**	**299.4**	**49.0**	**(14.8)**	**57.6**	**60.5**	**42.2**

Staff costs for other employees

	2006			2005			2004		
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)
Nordic region	3,796.9	1,271.4	(196.5)	3,648.9	972.7	(208.2)	3,245.0	942.9	(183.2)
Europe excl. Nordic region	15,051.7	5,480.3	(262.8)	13,151.9	4,526.9	(220.2)	11,623.5	4,102.5	(165.8)
North America	18,134.7	2,911.9	(16.3)	18,894.6	3,054.5	(–2.4)	15,077.9	2,503.9	(4.1)
Rest of world	277.5	34.9	(0.9)	146.3	25.8	(1.5)	80.2	10.1	(1.2)
Total	**37,260.8**	**9,698.5**	**(476.5)**	**35,841.7**	**8,579.9**	**(427.5)**	**30,026.6**	**7,559.4**	**(354.3)**

Total staff costs: boards of directors, presidents and other employees

	2006			2005			2004		
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)
Nordic region	3,827.1	1,282.4	(200.3)	3,675.3	981.2	(210.8)	3,399.8	960.9	(187.1)
Europe excl. Nordic region	15,170.3	5,510.9	(271.1)	13,237.8	4,544.7	(224.0)	11,713.0	4,120.3	(169.0)
North America	18,209.0	2,927.6	(25.8)	18,993.6	3,073.0	(7.2)	15,129.5	2,516.9	(11.7)
Rest of world	280.7	34.9	(0.9)	148.0	25.9	(1.5)	83.7	10.3	(1.3)
Total	**37,487.1**	**9,755.8**	**(498.1)**	**36,054.7**	**8,624.8**	**(443.5)**	**30,326.0**	**7,608.4**	**(369.1)**

A complete specification of the average number of yearly employees and salary costs by country is provided in the annual report submitted to the Swedish Patent and Registration Office. Further information regarding the Group's pensions and other long-term employee benefits is provided in Note 32.

NOTE 13 DEPRECIATION AND AMORTIZATION

MSEK	2006	2005	2004
Software licences	50.6	53.4	36.6
Other intangible fixed assets	8.0	6.6	14.5
Buildings	36.6	41.7	38.4
Machinery and equipment	1,382.7	1,408.0	1,180.8
Total depreciation and amortization	**1,477.9**	**1,509.7**	**1,270.3**

Depreciation and amortization for the year is distributed in the statement of income as below:

MSEK	2006	2005	2004
Production expenses	1,104.6	1,096.2	838.4
Selling and administrative expenses	373.3	413.5	431.9
Total depreciation and amortization	**1,477.9**	**1,509.7**	**1,270.3**

The breakdown of the year's depreciation of intangible fixed assets in the statement of income is as follows: MSEK 8.3 production expenses and MSEK 50.3 selling and administrative expenses.

NOTE 14 NET FINANCIAL ITEMS

MSEK	2006	2005	2004
Interest income	446.2	264.8	180.1
Exchange rate differences, net[1]	2.9	2.7	–
Revaluation of financial instruments (IAS 39)	–	36.2	–
Financial income	**449.1**	**303.7**	**180.1**

MSEK	2006	2005	2004
Interest expenses	–917.0	–705.4	–628.0
Exchange rate differences, net[1]	–	–	–0.5
Revaluation of financial instruments (IAS 39)	–35.8	–	–
Other items, net	–51.9	–45.3	–52.2
Financial expenses	**–1,004.7**	**–750.7**	**–680.7**
Share of income in associated companies	**1.2**	**11.8**	**–**
Finance net	**–554.4**	**–435.2**	**–500.6**
Of which revaluations estimated with the use of valuation methods	–35.8	36.2	–

[1] Exchange rate differences included in operating income are reported in Note 11.

NOTE 15 TAXES

Statement of income
Tax expense

MSEK	2006	%	2005	%	2004	%
Tax on income before taxes						
– current taxes	–690.7	–78.2	–777.5	–27.3	–684.5	–25.7
– deferred taxes	321.4	36.4	94.5	3.3	47.3	–1.7
Total tax expense	**–369.3**	**–41.8**	**–683.0**	**–24.0**	**–637.2**	**–24.0**

The Swedish corporate tax rate was 28 percent in 2006 and 2005. The total tax rate on income before taxes was 41.8 percent (24.0 and 24.0).
The tax rates for 2005 and 2004 are adjusted for the dividend of Systems and Direct and amounted to 25.9 percent and 25.3 percent respectively prior to adjustment.

Difference between statutory Swedish tax rate and actual tax expense for the Group

MSEK	2006	%	2005	%	2004	%
Tax based on Swedish tax rate	–247	–28.0	–795	–28.0	–746	–28.0
Difference between tax rate in Sweden and weighted tax rates for foreign subsidiaries	189	21.4	142	5.0	77	2.9
Tax related to previous years	20	2.3	–14	–0.5	15	0.5
Capital gains taxation from Group internal restructuring	–47	–5.3	–	–	–	–
Non-deductible non-recurring items	–232	–26.3	–	–	–	–
Other non-deductible/ tax exempt, net	–52	–5.9	–16	–0.5	17	0.6
Actual tax charge	**–369**	**–41.8**	**–683**	**–24.0**	**–637**	**–24.0**

Provisions have been made for taxes from anticipated dividends coming from the subsidiaries to the Parent Company next year. Tax costs that may arise from dividends out of the remaining distributable earnings have not been provided for.

Balance sheet
Deferred tax assets and deferred tax liabilities were attributable to:

Deferred tax assets	2006	2005	2004
Pension provisions and staff-related liabilities	551.5	656.0	471.0
Liability insurance-related claims reserves	18.6	51.1	41.7
Tax loss carryforwards	976.3	665.3	406.3
Tax-deductible goodwill	232.1	243.9	246.2
Machinery and equipment	29.4	7.9	30.6
Other temporary differences	433.7	303.7	275.4
Total deferred tax assets	**2,241.6**	**1,927.9**	**1,471.2**
Net accounting [1]	**–158.6**	**–221.6**	**–**
Total deferred assets according to balance sheet	**2,083.0**	**1,706.3**	**1,471.2**

Deferred tax liabilities	2006	2005	2004
Pension provisions and staff-related liabilities	23.3	7.3	17.2
Acquisition related intangible fixed assets	140.4	103.4	66.1
Machinery and equipment	123.4	204.4	112.2
Other temporary differences	172.0	294.4	272.1
Total deferred tax liabilities	**459.1**	**609.5**	**467.6**
Net accounting [1]	**–158.6**	**–221.6**	**–**
Total deferred tax liabilities according to balance sheet	**300.5**	**387.9**	**467.6**
Deferred tax assets/liabilities, net	**1,782.5**	**1,318.4**	**1,003.6**

Current tax assets/liabilities	2006	2005	2004
Current tax assets	234.9	307.6	266.9
Current tax liabilities	374.7	622.7	818.4
Current tax assets/liabilities, net	**–139.8**	**–315.1**	**–551.5**

Changes in deferred taxes between 2005 and 2006 are mainly explained by items recognized in the statement of income and exchange rate differences, plus valued tax losses in France, UK and the spin-off of Systems and Direct Divisions. Changes in deferred taxes between 2004 and 2005 are mainly explained by items recognized in the statement of income and exchange rate differences. There are no unrecognized temporary differences related to subsidiaries, associated companies or joint ventures. Long-term items except deferred taxes are reported in Note 33.
[1] Deferred tax assets and liabilities are since 2005 reported in the balance sheet partly on a net basis after considering the set-off possibilities.

Tax loss carryforwards
Subsidiaries in Sweden and primarily in Germany, France and UK had tax loss carryforwards of MSEK 3,422 (2,466 and 1,579) at December 31, 2006. These tax loss carryforwards expire as follows:

Tax loss carryforwards	
Unlimited duration	3,422
Total tax loss carryforwards	**3,422**

Deferred tax assets related to tax losses are accounted for when it is probable that they can be utilised by future profits. As of December 31, 2006, tax loss carry forwards amounted to MSEK 3,026 (2,050 and 1,164) and deferred tax assets related to the tax losses amounted to MSEK 976 (665 and 406). Tax losses can be used to reduce future taxable income. Their future utilization does not mean a lower tax charge for the Group.

Deferred tax effects on items posted directly to shareholders' equity
Deferred tax effects on items posted directly to shareholders' equity amount to MSEK –120 (213 and 69).

NOTE 16 ACQUISITION AND DIVESTMENT OF SUBSIDIARIES AND IMPAIRMENT TESTING

Acquisition and divestment of subsidiaries

Acquisition calculations are subject to final adjustment up to one year after the date of acquisition.

MSEK	Purchase price[1]	Acquired net debt	Enterprise value[2]	Goodwill[3]	Acquisition related intangible fixed assets	Operating capital employed	Total capital employed
Renful, Germany	–20.5	–	–20.5	–16.6	–2.3	–1.6	–20.5
St. Germain, Canada	–10.8	–	–10.8	–	–10.8	–	–10.8
Black Star, Spain[4]	–	–23.4	–23.4	–29.9	–	6.5	–23.4
DAK Güvenlik, Turkey	–17.8	–1.1	–18.9	–73.9	–18.8	73.8	–18.9
PSI, Spain	–133.4	–42.8	–176.2	–142.8	–76.9	43.5	–176.2
Emerald Security Inc., Canada	–24.3	–1.2	–25.5	–16.4	–4.8	–4.3	–25.5
Safeguard, USA	–45.2	–2.8	–48.0	–	–35.1	–12.9	–48.0
KARE, Turkey	–	6.4	6.4	–23.7	–13.6	43.7	6.4
Other acquisitions and adjustments[5]	–43.5	–0.4	–43.9	50.3	–39.8	–54.4	–43.9
Total acquisitions and divestments, continuing operations	**–295.5**	**–65.3**	**–360.8**	**–253.0**	**–202.1**	**94.3**	**–360.8**
Liquid funds according to acquisition analyses	30.5	–	–	–	–	–	–
Total effect on Group's liquid funds, continuing operations	**–265.0**	**–**	**–**	**–**	**–**	**–**	**–**
Premier, USA	–34.0	–	–34.0	–27.7	–2.7	–3.6	–34.0
Other acquisitions	–5.2	–	–5.2	–1.7	–	–3.5	–5.2
Total acquisitions, discontinued operations	**–39.2**	**–**	**–39.2**	**–29.4**	**–2.7**	**–7.1**	**–39.2**

[1] Price paid to seller.
[2] Purchase price plus acquired net debt.
[3] Total increase in consolidated goodwill.
[4] Final adjustment to acquisition analysis.
[5] Contro Veranstaltungsdienste GmH, Security Services Germany, Hassemans (contract portfolio), Security Services Sweden, Home Alert Valvarius (contract portfolio), R&G (contract portfolio) and Hummel (contract portfolio), Security Services Netherlands, Errem SA (contract portfolio), Security Services Switzerland, A.R.B.U.S (contract portfolio) and Patrol (contract portfolio), Security Services Germany, Kristianstad Hundbevakning (contract portfolio), Nässjö/Eksjö Bevakning (contract portfolio) and Polar Bevakning (contract portfolio), Security Services Sweden, Avantage Sécurité Sarl and AD Sécurité (contract Portfolio), Security Services France, Waterfront/Defense (contract portfolio), Security Services UK, adjustment of goodwill for Burns, Security Services USA.

In the statement of cash flow the line Acquisition of subsidiaries amounts to MSEK –360.8. The item consists of:

MSEK	
Purchase price according to the table above	–295.5
Assumed net debt according to the table above	–65.3
Total acquisitions of subsidiaries according to the statement of cash flow	**–360.8**

Acquisitions

Renful, Germany

Security Services Europe has acquired Renful Flugverkehr Services GmbH in Germany. The company is a specialized aviation security company with operations at airports in Frankfurt, Munich and Stuttgart and had forecast annual sales of MEUR 5 (MSEK 47) at the time of aquisition and 300 employees. The acquisition strengthens Securitas' position in aviation security and gives access to more training capacity in this area. The total enterprise value of the acquisition, which has been consolidated since February 1, 2006, amounts to MEUR 2.2 (MSEK 21). Goodwill, which amount to MEUR 1.8 (MSEK 17), is mainly attributable to human resources and specialist expertise in airport security.

Acquisition of the business in Renful.
Summary Balance Sheet as of acquisition date February 1, 2006.

MSEK	Book value of acquisition balance	Fair value, adjustment and purchase price alloc.	Fair value acquisition balance
Operating fixed assets	0.3	–	0.3
Accounts receivable	11.4	–	11.4
Other assets	4.7	–	4.7
Other liabilities	–14.8	–	–14.8
Total operating capital employed	**1.6**	**–**	**1.6**
Goodwill from the acquisition	–	16.6	16.6
Other acquisition related intangible fixed assets	–	2.3	2.3
Total capital employed	**1.6**	**18.9**	**20.5**
Net debt	–	–	–
Total acquired net assets	**1.6**	**18.9**	**20.5**
Purchase price[1]	–	–	–20.5
Liquid funds in accordance with acquisition analysis	–	–	–
Total impact on the Group's liquid funds	**–**	**–**	**–20.5**

[1]Whereof acquisition costs of MSEK 1.4.
All the shares in Renful were acquired.
The acquisition has contributed to Total sales with MSEK 61.7 and to Net income for the year with MSEK 2.4.
The acquisition would, if it had been consolidated from January 1, 2006, have contributed to Total sales with MSEK 66.9 and to Net income for the year with MSEK 2.6.

Sécurité St. Germain, Canada

The Canadian operations within Security Services North America have acquired the contract portfolio and related assets of Sécurité St. Germain, Quebec, Canada. At the time of acquisition, the company had forecast annual sales of MCAD 14 (MSEK 93) and 500 employees. It has a strong position in mobile services, which will be used as a platform to expand the concept in the Canadian marketplace. The total enterprise value of the acquisition amounts to MCAD 1.8 (MSEK 11). It was consolidated into Securitas with effect from March 1, 2006.

Acquisition of the business in Sécurité St. Germain.
Summary Balance Sheet as of acquisition date March 1, 2006.

MSEK	Book value of acquisition balance	Fair value, adjustment and purchase price alloc.	Fair value acquisition balance
Operating fixed assets	–	–	–
Accounts receivable	–	–	–
Other assets	–	–	–
Other liabilities	–	–	–
Total operating capital employed	**–**	**–**	**–**
Goodwill from the acquisition	–	–	–
Other acquisition related intangible fixed assets	–	10.8	10.8
Total capital employed	**–**	**10.8**	**10.8**
Net debt	–	–	–
Total acquired net assets	**–**	**10.8**	**10.8**
Purchase price[1]	–	–	–10.8
Liquid funds in accordance with acquisition analysis	–	–	–
Total impact on the Group's liquid funds	**–**	**–**	**–10.8**

[1]Whereof acquisition costs of MSEK 0.1.
The acquisition of Sécurité St. Germain comprised the contract portfolio.
The acquisition has contributed to Total sales with MSEK 42.6 and to Net income for the year with MSEK 2.9.
The acquisition would, if it had been consolidated from January 1, 2006, have contributed to Total sales with MSEK 51.1 and to Net income for the year with MSEK 3.5.

Emerald Security, Canada

The Canadian operations within Security Services North America have acquired Emerald Security Inc. in Toronto, Canada. At the time of acquisition the company had forecast annual sales of MCAD 8 (MSEK 52) and 350 employees. It is the largest supplier of mobile services in the Toronto area and the acquisition will make Securitas the leading mobile supplier in Toronto area and establish a platform for future mobile services growth. The total enterprise value of the acquisition amounts to MCAD 3.9 MCAD (MSEK 25). The company was consolidated into Securitas with effect from August 1, 2006. Goodwill, which amounts to MCAD 2.8 (MSEK 16), is mainly attributable to synergies in the customer portfolio.

Acquisition of the business in Emerald Security.
Summary Balance Sheet as of acquisition date August 1, 2006.

MSEK	Book value of acquisition balance	Fair value, adjustment and purchase price alloc.	Fair value acquisition balance
Operating fixed assets	0.5	–	0.5
Accounts receivable	7.0	–	7.0
Other assets	0.9	–	0.9
Other liabilities	–4.1	–	–4.1
Total operating capital employed	**4.3**	**–**	**4.3**
Goodwill from the acquisition	0.4	16.0	16.4
Other acquisition related intangible fixed assets	–	4.8	4.8
Total capital employed	**4.7**	**20.8**	**25.5**
Net debt	–1.2	–	–1.2
Total acquired net assets	**3.5**	**20.8**	**24.3**
Purchase price[1]	–	–	–24.3
Liquid funds in accordance with acquisition analysis	–	–	0.2
Total impact on the Group's liquid funds	**–**	**–**	**–24.1**

[1]Whereof acquisition costs of MSEK 0.7.
All the shares in Emerald Security were acquired.
The acquisition has contributed to Total sales with MSEK 17.8 and to Net income for the year with MSEK 1.1.
The acquisition would, if it had been consolidated from January 1, 2006, have contributed to Total sales with MSEK 53.4 and to Net income for the year with MSEK 3.3.

DAK Güvenlik, Turkey

Security Services Europe entered the Turkish security services market by acquiring 51 percent of the shares in DAK Güvenlik. The purchase price of 51 percent of the shares is MTRY 4.0 (MSEK 18). Securitas has an option to buy the remaining 49 percent of the shares and the purchase price will be based on the company's financial performance until the year 2009.

DAK Güvenlik is one of the leading security services companies in Turkey with nationwide coverage and activities mainly within permanent guarding services for large customers. At the time of acquisition, the company had forecast annual sales of MTRY 33 (MSEK 160) and 3,000 employees. The total enterprise value of the acquisition amounts to MTRY 4.2 (MSEK 19). The company was consolidated into Securitas with effect from April 1, 2006. Goodwill amounts to MTRY 15.3 (MSEK 74) and is mainly attributable to human resources and the company's geographical coverage.

Acquisition of the business in DAK Güvenlik.
Summary Balance Sheet as of acquisition date April 1, 2006.

MSEK	Book value of acquisition balance	Fair value, adjustment and purchase price alloc.	Fair value acquisition balance
Operating fixed assets	1.3	–	1.3
Accounts receivable	16.8	–	16.8
Other assets	0.6	–	0.6
Other liabilities	–21.1	–71.4	–92.5
Total operating capital employed	**–2.4**	**–71.4**	**–73.8**
Goodwill from the acquisition	–	73.9	73.9
Other acquisition related intangible fixed assets	–	18.8	18.8
Total capital employed	**–2.4**	**21.3**	**18.9**
Net debt	–1.1	–	–1.1
Total acquired net assets	**–3.5**	**21.3**	**17.8**
Purchase price[1]	–	–	–17.8
Liquid funds in accordance with acquisition analysis	–	–	17.5
Total impact on the Group's liquid funds	**–**	**–**	**–0.3**

[1]Whereof acquisition costs of MSEK 1.8.
Securitas acquired 51 percent of the shares in DAK Güvenlik.
The acquisition has contributed to Total sales with MSEK 133.2 and to Net income for the year with MSEK 1.8.
The acquisition would, if it had been consolidated from January 1, 2006, have contributed to Total sales with MSEK 158.0 and to Net income for the year with MSEK –0.9.

KARE, Turkey

Security Services Europe has acquired 100 percent of KARE in Turkey, through DAK Güvenlik. At the time of acquisition, the company, which has 900 employees, had forecast annual sales of MTRY 15 (MSEK 72) in guarding. The acquisition will strengthen Securitas's presence in Istanbul and Ankara. The enterprise value is estimated at MTRY 8.5 (MSEK 42), which will be partly based on the company's financial performance during 2007. The acquisition is being consolidated into Securitas with effect from December 31, 2006. The first part of the purchase price was paid in January 2007. Consequently, only the acquired net debt (cash) impacted the period ending December 31, 2006.

Turkey has a fast growing economy with real GDP growth well above 5 percent in 2005. The Turkish market for security services, which is estimated to be worth MSEK 3,200, is expected to grow by 6–7 percent annually. The market is very fragmented and the straightforward security services are for the most part outsourced to private security companies. However, there is a trend on the market towards more advanced security solutions, driven by the growing use of outsourcing and new laws regulating the licensing of companies, security officers and training requirements, which came into full effect as of January 2006. Goodwill, which amounts to MTRY 4.9 (MSEK 24), is mainly attributable to synergies in the customer portfolio.

Acquisition of the business in KARE.
Summary Balance Sheet as of acquisition date December 31, 2006.

MSEK	Book value of acquisition balance	Fair value, adjustment and purchase price alloc.	Fair value acquisition balance
Operating fixed assets	–	–	–
Accounts receivable	–	–	–
Other assets	7.3	–	7.3
Other liabilities	–7.3	–43.7	–51.0
Total operating capital employed	**–**	**–43.7**	**–43.7**
Goodwill from the acquisition	–	23.7	23.7
Other acquisition related intangible fixed assets	–	13.6	13.6
Total capital employed	**–**	**–6.4**	**–6.4**
Net debt	6.4	–	6.4
Total acquired net assets	**6.4**	**–6.4**	**–**
Purchase price[1]	–	–	–
Liquid funds in accordance with acquisition analysis	–	–	6.4
Total impact on the Group's liquid funds	**–**	**–**	**6.4**

[1]Whereof acquisition costs: –.
All the shares in KARE were acquired.
The acquisition contributed neither to Total sales nor to Net income for the year.
The aquisition would, if it had been consolidated from January 1, 2006 have contributed to Total sales with MSEK 60.4 and to Net income for the year with MSEK 7.2.

PSI (Paneuropea de Seguridad Integral), Spain

Security Services Europe has acquired PSI (Paneuropea de Seguridad Integral) in Spain, which provides security services in major Spanish cities. The acquisition of PSI will strengthen Securitas' position as a nationwide provider of security services throughout Spain.

In 2006, PSI had sales of MEUR 37 (MSEK 342), and approximately 1,600 employees. The enterprise value of the acquisition is estimated at MEUR 27 (MSEK 250). 60 percent of the purchase price has been paid. The remaining 40 percent will be paid over two years. PSI has been consolidated into Securitas with effect from June 1, 2006.

Goodwill, which amounts to MEUR 15.3 (MSEK 143), is mainly attributable to synergies in the customer portfolio.

Acquisition of the business in PSI.
Summary Balance Sheet as of acquisition date June 1, 2006.

MSEK	Book value of acquisition balance	Fair value, adjustment and purchase price alloc.	Fair value acquisition balance
Operating fixed assets	6.0	–0.8	5.2
Accounts receivable	87.8	–	87.8
Other assets	4.0	–	4.0
Other liabilities	–17.3	–123.2	–140.5
Total operating capital employed	**80.5**	**–124.0**	**–43.5**
Goodwill from the acquisition	–	142.8	142.8
Other acquisition related intangible fixed assets	–	76.9	76.9
Total capital employed	**80.5**	**95.7**	**176.2**
Net debt	–42.8	–	–42.8
Total acquired net assets	**37.7**	**95.7**	**133.4**
Purchase price[1]	–	–	–133.4
Liquid funds in accordance with acquisition analysis	–	–	1.1
Total impact on the Group's liquid funds	**–**	**–**	**–132.3**

[1]Whereof acquisition costs of MSEK 1.4.
All the shares in PSI were acquired.
The acquisition has contributed to Total sales with MSEK 194.3 and to Net income for the year with MSEK 4.8.
The acquisition would, if it had been consolidated from January 1, 2006, have contributed to Total sales with MSEK 341.5 and to Net income for the year with MSEK 20.7.

Safeguard, USA

The American operations within Security Services North America have acquired Safeguard, Hawaii, which has annual sales of MUSD 14 (MSEK 102) and 500 employees. The company is specialized in high-rise security and has a position of market leadership in and around Honolulu in this market segment. The enterprise value of the acquisition amouns to MUSD 6.7 (MSEK 48). Safeguard has been consolidated into Securitas with effect from November 1, 2006.

Acquisition of the business in Safeguard.
Summary Balance Sheet as of acquisition date November 1, 2006.

MSEK	Book value of acquisition balance	Fair value, adjustment and purchase price alloc.	Fair value acquisition balance
Operating fixed assets	0.5	–	0.5
Accounts receivable	11.7	–	11.7
Other assets	1.4	–	1.4
Other liabilities	–5.5	4.8	–0.7
Total operating capital employed	**8.1**	**4.8**	**12.9**
Goodwill from the acquisition	–	–	–
Other acquisition related intangible fixed assets	–	35.1	35.1
Total capital employed	**8.1**	**39.9**	**48.0**
Net debt	–2.8	–	–2.8
Total acquired net assets	**5.3**	**39.9**	**45.2**
Purchase price[1]	–	–	–45.2
Liquid funds in accordance with acquisition analysis	–	–	4.8
Total impact on the Group's liquid funds	**–**	**–**	**–40.4**

[1]Whereof acquisition costs of MSEK 1.7.
All the shares in Safeguard were acquired.
The acquisition has contributed to Total sales with MSEK 13.1 and to Net income for the year with MSEK 0.3.
The acquisition would, if it had been consolidated from January 1, 2006, have contributed to Total sales with MSEK 102.5 and to Net income for the year with MSEK 2.3.

Aseco and Proguard, Uruguay

Securitas has entered the security market in Uruguay through the acquisition of Aseco and Proguard. Aseco, which is mainly active in guarding services and has 550 employees, and Proguard, which is primarily involved in alarm systems consisting of 2,200 monitored alarms, have aggregate annual sales of MUYU 77 (MSEK 23). The enterprise value of the acquisitions amounts to MUYU 36 (MSEK 11). They were consolidated into Securitas on January 1, 2007.

The security services market in Uruguay is estimated at MSEK 250; it is growing at a rate of 7 percent annually.

Other acquisitions and adjustments.

Summary Balance Sheet.

MSEK	Book value of acquisition balance	Fair value, adjustment and purchase price alloc.	Fair value acquisition balance
Operating fixed assets	0.4	–	0.4
Accounts receivable	3.0	–	3.0
Other assets	0.1	54.8	54.9
Other liabilities	–3.5	–0.4	–3.9
Total operating capital employed	**–**	**54.4**	**54.4**
Goodwill from the acquisition	–	–50.3	–50.3
Other acquisition related intangible fixed assets	–	39.8	39.8
Total capital employed	**–**	**43.9**	**43.9**
Net debt	–0.4	–	–0.4
Total acquired net assets	**–0.4**	**43.9**	**43.5**
Purchase price[1]	–	–	–43.5
Liquid funds in accordance with acquisition analysis	–	–	0.5
Total impact on the Group's liquid funds	**–**	**–**	**–43.0**

[1] Whereof a adjustment of MSEK –54.7 in the goodwill arising on the acquisition of Burns, and an increase of MSEK 4.4 in goodwill on other acquisitions.

Impairment testing

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU), that is, per country in a division.

Goodwill is distributed, according to this allocation, summarized per segment according as follows:

MSEK	2006	2005	2004
Security Services North America	5,890.6	6,872.7	5,831.1
Security Services Europe	5,631.0	5,587.2	4,961.7
Securitas Systems	–	2,424.0	1,936.5
Direct	–	50.8	12.9
Loomis	2,502.4	2,848.4	2,550.7
Other	7.6	9.3	9.0
Total goodwill	**14,031.6**	**17,792.4**	**15,301.9**

Goodwill is tested on an annual basis for possible impairment. An impairment loss is recognized for 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 cash flows have been based on financial plans that have been established by Group Management and that have been approved by the Board of Directors and that normally cover a period of five years.

Cash flows beyond this point have been extrapolated using an estimated growth rate. This growth rate, which is two percent for Security Services, is estimated to be compatible with the underlying growth rates in those countries in which the Group operates. A long-term growth rate of two percent for Security Services is at present regarded as being a cautious estimate in view of this business area's historical organic growth rate and the also taking into consideration external estimates of the future; Freedonia for example, estimates that the market for Security Services in Europe will grow at an average rate of some six percent per annum during the period 2010 to 2015. The corresponding figure for the North America market is around five percent.

In the case of Loomis the estimated long-term growth rate has been determined to be two and a half percent as this business is expected to be capable in the long-term of benefiting from the trend towards more outsourcing in the cash handling sector. This long-term growth rate is also considered to be a cautious figure. Freedonia's assessment is that the market can be expected to grow at an average rate of six percent per annum between 2010 and 2015.

The estimate for the value in use is based on assumptions and estimates. The most significant assumptions relate to the organic sales growth rate, 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 the future cash flows.

The assumptions and estimates that have formed the base for the impairment testing are shown in summary and by segment according to the following:

	Estimated growth rate beyond forecasted period, %	WACC, %
Security Services North America	2.0	8.6–11.8
Security Services Europe	2.0	7.2–20.5
Loomis	2.5	7.2–9.1

The impairment testing of all Cash Generating Units took place during the third quarter 2006 when the business plans for 2007 were being prepared.

The result of the impairment testing for goodwill showed that there is no impairment for goodwill. Consequently no impairment losses have been recognized regarding goodwill, except MSEK 41 in respect of SCM, the UK cash handling business where variances are currently being investigated.

Sensitivity analyses have been made of the estimates of value in use in connection with impairment testing. A general reduction of one percentage point in the organic sales growth rate during the forecasting period would result in an impairment loss of MSEK 51 in Security Services Europe. No impairment loss would arise in Loomis.

A general reduction of 0.5 percentage point in the operating margin would result in an impairment loss of MSEK 45 in Security Services Europe. A corresponding reduction in the operating margin in Loomis would result in an impairment loss of MSEK 6.

A general increase of 0.5 percentage points in the WACC would result in an impairment loss of MSEK 97 in Security Services Europe and MSEK 5 in Loomis.

NOTE 17 GOODWILL

MSEK	2006	2005	2004
Opening balance	17,792.4	15,301.9	14,660.2
Capital expenditures, continuing operations	253.0	630.6	1,621.5
Capital expenditures, discontinued operations	29.4	–	–
Divestitures	–	–105.2	–12.4
Impairment losses[1]	–41.2	–	–
Discontinued operations	–2,513.5	–	–
Translation difference	–1,488.5	1,965.1	–967.4
Total Goodwill	**14,031.6**	**17,792.4**	**15,301.9**

[1] Further information is provided in Note 16 under impairment testing.

NOTE 18 ACQUISITION RELATED INTANGIBLE FIXED ASSETS[1]

MSEK	2006	2005	2004
Opening balance	850.6	529.8	307.6
Capital expenditures, continuing operations	202.1	285.0	244.2
Capital expenditures, discontinued operations	2.7	–	–
Divestitures	–	–48.5	–
Discontinued operations	–334.0	–	–
Translation difference	–33.6	84.3	–22.0
Closing accumulated balance	**687.8**	**850.6**	**529.8**
Opening amortization	–212.1	–96.6	–
Divestitures	–	22.5	–
Amortization for the year, continuing operations	–93.3	–98.1	–85.4
Amortization for the year, discontinued operations	–18.4	–24.4	–14.2
Discontinued operations	70.4	–	–
Translation difference	29.8	–15.5	3.0
Closing accumulated amortization	**–223.6**	**–212.1**	**–96.6**
Closing residual value	**464.2**	**638.5**	**433.2**

[1] The balance consists mainly of contract portfolios and related customer relations.

NOTE 19 OTHER INTANGIBLE FIXED ASSETS

	Software licences			Other items		
MSEK	2006	2005	2004	2006	2005	2004
Opening balance	490.2	359.1	–	168.1	128.6	318.2
Acquisitions/divestitures	1.1	1.4	43.3	3.1	2.7	10.5
Capital expenditures	51.6	82.9	54.8	29.6	26.0	30.7
Sales/disposals	–8.7	–20.9	–7.6	–3.2	–13.5	–19.1
Reclassification	0.5	–	268.6	–3.2	–	–203.4
Discontinued operations	–166.8	–	–	–95.5	–	–
Translation difference	73.2	67.7	–	–20.6	24.3	–8.3
Closing accumulated balance	**441.1**	**490.2**	**359.1**	**78.3**	**168.1**	**128.6**
Opening amortization	–250.7	–160.5	–	–94.3	–58.6	–123.5
Acquisitions/divestitures	–0.8	–0.8	–33.5	–0.7	–2.1	–4.2
Sales/disposals	8.2	26.9	7.6	2.3	–3.9	18.6
Reclassification	–	–	–82.0	3.1	–	63.2
Amortization for the year, continuing operations	–50.6	–53.4	–36.6	–8.0	–6.6	–14.5
Amortization for the year, discontinued operations	–16.9	–20.2	–16.0	–8.7	–7.4	–5.9
Discontinued operations	97.7	–	–	43.6	–	–
Translation difference	–78.7	–42.7	–	18.4	–15.7	7.7
Closing accumulated amortization	**–291.8**	**–250.7**	**–160.5**	**–44.3**	**–94.3**	**–58.6**
Opening impairment losses	–	–	–	–	–	–
Impairment losses	–10.6	–	–	–	–	–
Closing accumulated impairment losses	**–10.6**	**–**	**–**	**–**	**–**	**–**
Closing residual value	**138.7**	**239.5**	**198.6**	**34.0**	**73.8**	**70.0**

NOTE 20 TANGIBLE FIXED ASSETS

	Buildings and land[1, 3]			Machinery and equipment[2, 3]		
MSEK	2006	2005	2004	2006	2005	2004
Opening balance	1,360.3	1,394.1	1,324.1	12,543.9	11,067.8	8,837.3
Acquisitions/divestitures	6.9	–114.6	76.8	23.4	–437.5	1,152.0
Capital expenditures	21.8	32.3	104.1	2,277.8	1,888.4	1,878.9
Sales/disposals	–21.7	–12.9	–37.1	–1,086.9	–767.4	–535.0
Reclassification	–14.1	–27.7	–51.9	88.0	27.7	–88.8
Discontinued operations	–31.2	–	–	–3,273.3	–	–
Translation difference	–38.5	89.1	–21.9	615.2	764.9	–176.6
Closing accumulated balance	**1,283.5**	**1,360.3**	**1,394.1**	**11,188.1**	**12,543.9**	**11,067.8**
Opening depreciation	–394.6	–350.9	–335.4	–7,568.1	–6,291.0	–4,757.0
Acquisitions/divestitures	–0.2	27.7	–24.5	–14.7	350.1	–636.8
Sales/disposals	1.1	–3.4	26.0	772.1	596.6	392.8
Reclassification	–2.8	–0.4	15.0	–71.5	0.4	79.3
Depreciation for the year, continuing operations	–36.6	–41.7	–38.4	–1,382.7	–1,408.0	–1,180.8
Depreciation for the year, discontinued operations	–1.6	–2.4	–2.3	–360.1	–380.1	–318.5
Discontinued operations	10.8	–	–	1,780.3	–	–
Translation difference	11.1	–23.5	8.7	–441.6	–436.1	130.0
Closing accumulated depreciation	**–412.8**	**–394.6**	**–350.9**	**–7,286.3**	**–7,568.1**	**–6,291.0**
Opening impairment losses	–	–	–	–	–	–
Impairment losses	–21.9	–	–	–4.1	–	–
Closing accumulated impairment losses	**–21.9**	**–**	**–**	**–4.1**	**–**	**–**
Closing residual value	**848.8**	**965.7**	**1,043.2**	**3,897.7**	**4,975.8**	**4,776.8**
Tax assessment value of properties in Sweden	–	–	–	–	–	–

[1] The closing residual value of land included in Buildings and land above was MSEK 112.3 (123.8 and 126.1).
[2] Machinery and equipment comprises vehicles, equipment, security equipment (including alarm systems) and IT and telecom equipment.
[3] Of which closing residual value under finance leases in 2006 for Buildings and land was MSEK 106.8 MSEK (122.2 and 122.1) and for Machinery and equipment was MSEK 332.6 (343.5 and 376.4).

NOTE 21 SHARES IN ASSOCIATED COMPANIES

The holding stated in 2006 and 2005 refers to Securitas Employee Convertible 2002 Holding S.A., which is registered in Luxembourg. The share of equity is 43.1 percent. The share of voting rights is 42.4 percent.

MSEK	2006	2005	2004
Opening balance	178.6	–	–
Purchase price	–	163.8	–
Reversal of negative goodwill	–	11.3	–
Share of income in associated company	1.2	0.5	–
Translation differences	–7.1	3.0	–
Closing balance	**172.7**	**178.6**	**–**

The book value corresponds to the Group's share of the associated company's equity.

NOTE 22 INTEREST-BEARING FINANCIAL FIXED ASSETS

MSEK	2006	2005	2004
Derivatives with positive fair value, long-term[1]	1,141.2	1,117.2	–
Other items	110.6	49.6	138.2
Total interest-bearing financial fixed assets	**1,251.8**	**1,166.8**	**138.2**

[1] Further information regarding financial instruments is provided in Note 6.

NOTE 23 OTHER LONG-TERM RECEIVABLES

MSEK	2006	2005	2004
Pension balances, defined benefit plans[1]	7.0	–	48.3
Pension balances, defined contribution plans[2]	54.0	41.0	–
Other long-term receivables	320.3	388.3	363.4
Total other long-term receivables	**381.3**	**429.3**	**411.7**

[1] Pension balances refer to assets related to pensions and other long-term employee benefit plans. Further information is provided in Note 32.
[2] Refers to assets relating to a insured pension plans excluding social benefits.

NOTE 24 INVENTORIES

MSEK	2006	2005	2004
Material and consumables	18.0	496.5	413.2
Work in progress	40.5	257.4	177.7
Advance payments to suppliers	28.6	23.6	17.7
Total inventories	**87.1**	**777.5**	**608.6**

NOTE 25 ACCOUNTS RECEIVABLE

MSEK	2006	2005	2004
Account receivable before deduction of provisions for bad debt losses	9,152.6	10,790.4	9,245.3
Provisions for bad debt losses[1]	–297.0	–427.9	–417.3
Total accounts receivable	**8,855.6**	**10,362.5**	**8,828.0**

[1] The bad debt losses for the year amounted to MSEK 142.0 (74.0 and 65.9).
Bad debt losses for the year includes bad debt losses in respect of Globe/Federal Aviation Administration stated under items affecting comparability.

NOTE 26 OTHER CURRENT RECEIVABLES

MSEK	2006	2005	2004
Prepaid expenses and accrued income	652.7	1,150.5	860.0
Accrued interest income and prepaid financial expenses	279.7	528.1	506.6
Insurance-related receivables[1]	70.9	450.6	600.2
Other items	319.8	398.1	214.5
Total other current receivables	**1,323.1**	**2,527.3**	**2,181.3**

[1] Insurance-related receivables in 2005 includes MSEK 375.4 (366.4) relating to the WELO project in Cash Handling Services Germany. The receivable has in connection with the disposal been taken over by another company within Loomis. This receivable was written down in 2006. Further information is provided in Note 4 under items affecting comparability.

NOTE 27 OTHER INTEREST-BEARING CURRENT ASSETS

MSEK	2006	2005	2004
Derivatives with positive fair value, short-term [1]	247.3	668.5	–
Total other interest-bearing current assets	**247.3**	**668.5**	**–**

[1] Further information on financial instruments is provided in Note 6.

NOTE 28 LIQUID FUNDS[1]

MSEK	2006	2005	2004
Short-term investments[2]	974.9	2,115.5	2,192.1
Cash and bank deposits[3]	693.1	1,355.3	928.3
Total liquid funds	**1,668.0**	**3,470.8**	**3,120.4**

[1] Liquid funds include Short-term investments with a maximum duration of 90 days and Cash and bank deposits.
[2] Short-term investments refers to fixed interest rate bank deposits.
[3] The net position in Group country cash-pool accounts is reported as Cash and bank deposit where netting reflects the legal structure of the arrangement.

NOTE 29 CHANGES IN SHAREHOLDERS´ EQUITY

MSEK	Shareholders' equity attributable to equity holders of the Parent Company						Minority interests	Total
	Share capital	Other capital contributed	Hedging reserve	Translation reserve	Retained earnings	Total		
Opening balance 2004 in accordance to IFRS	**365.1**	**7,362.6**	**–**	**–**	**2,966.8**	**10,694.5**	**15.6**	**10,710.1**
Actuarial gains and losses net of tax	–	–	–	–	–77.4	–77.4	–	–77.4
Net investment hedges	–	–	–	163.8	–	163.8	–	163.8
Translation differences	–	–	–	–829.7	–	–829.7	0.3	–829.4
Net income/expense recognized directly in equity	–	**–**	**–**	**–665.9**	**–77.4**	**–743.3**	**0.3**	**–743.0**
Net income for the year	–	–	–	–	2,528.4	2,528.4	0.7	2,529.1
Total change excluding transactions with equity holders	–	**–**	**–**	**–665.9**	**2,451.0**	**1,785.1**	**1.0**	**1,786.1**
Dividend paid to shareholders of the Parent Company	–	–	–	–	–730.1	–730.1	–	–730.1
Opening balance 2005	**365.1**	**7,362.6**	**–**	**–665.9**	**4,687.7**	**11,749.5**	**16.6**	**11,766.1**
Effect of change in accounting principle IAS 39	–	–	–	–	–2.7	–2.7	–	–2.7
Opening balance 2005 adjusted in accordance with new principle	**365.1**	**7,362.6**	**–**	**–665.9**	**4,685.0**	**11,746.8**	**16.6**	**11,763.4**
Actuarial gains and losses net of tax	–	–	–	–	–198.2	–198.2	–	–198.2
Cash flow hedges net of tax	–	–	15.6	–	–	15.6	–	15.6
Tax relating to cash flow hedges	–	–	–4.4	–	–	–4.4	–	–4.4
Net investments hedges	–	–	–	–544.6	–	–544.6	–	–544.6
Translation differences	–	–	–	1,939.2	–	1,939.2	1.3	1,940.5
Net income/expense recognized directly in equity	**–**	**–**	**11.2**	**1,394.6**	**–198.2**	**1,207.6**	**1.3**	**1,208.9**
Net income for the year	–	–	–	–	2,712.2	2,712.2	1.5	2,713.7
Total change excluding transactions with equity holders	**–**	**–**	**11.2**	**1,394.6**	**2,514.0**	**3,919.8**	**2.8**	**3,922.6**
Acquisition of minority interests	–	–	–	–	–	–	–17.9	–17.9
Dividend paid to shareholders of the Parent Company	–	–	–	–	–1,095.2	–1,095.2	–	–1,095.2
Opening balance 2006	**365.1**	**7,362.6**	**11.2**	**728.7**	**6,103.8**	**14,571.4**	**1.5**	**14,572.9**
Actuarial gains and losses net of tax	–	–	–	–	–8.6	–8.6	–	–8.6
Cash flow hedges net of tax	–	–	19.6	–	–	19.6	–	19.6
Tax relating to cash flow hedges	–	–	–5.5	–	–	–5.5	–	–5.5
Net investment hedges	–	–	–	354.5	–	354.5	–	354.5
Translation differences	–	–	–	–1,288.8	–	–1,288.8	–1.3	–1,290.1
Net income/expense recognized directly in equity	**–**	**–**	**14.1**	**–934.3**	**–8.6**	**–928.8**	**–1.3**	**–930.1**
Net income for the year	–	–	–	–	850.4	850.4	1.6	852.0
Total change excluding transactions with equity holders	**–**	**–**	**14.1**	**–934.3**	**841.8**	**–78.4**	**0.3**	**–78.1**
Dividend paid to shareholders of the Parent Company	–	–	–	–	–1,277.7	–1,277.7	–	–1,277.7
Dividend of net assets in Direct and Systems	–	–	–	–71.8	–3,540.8	–3,612.6	–1.4	–3,614.0
Closing balance 2006	**365.1**	**7,362.6**	**25.3**	**–277.4**	**2,127.1**	**9,602.7**	**0.4**	**9,603.1**

Number of shares outstanding December 31, 2006		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, 2005. The maximum number of shares after full dilution by conversion of convertible debenture loan is 17,142,600 Series A shares and 362,471,954 Series B shares, in total 379,614,554 shares. Each Series A share carried ten votes and each Series B share one vote.

Dividend

The Board of Directors and the President propose a dividend to the shareholders of the Parent Company of SEK 3.10 per share, or a total of MSEK 1,131.7. The dividend to the shareholders for the previous year 2005, which was paid out in 2006, was SEK 3.50 per share, or a total of MSEK 1,277.7. The dividend to the shareholders for 2004, which was paid in 2005, was SEK 3.00 per share, or a total of MSEK 1,095.2.

Presentation of Shareholders' Equity

According to IAS 1 a company should as a minimum present issued capital and other reserves in balance sheet. Securitas AB has chosen to specify Shareholders' equity into further components in accordance with the table below;

Share capital
Other capital contributed
Other reserves
Retained earnings

The Share capital shows the registered share capital of the Parent Company. There were no changes in the share capital in 2006.

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. Other capital contributed amounts to MSEK 7,362.6 as of December 31, 2006 (7,362.6 and 7,362.6).

Other reserves shows certain income and expense items that according to certain standards should be recognized directly in equity. In the case of Securitas, the item consists of translation differences attributable to the translation of foreign subsidiaries according to IAS 21, and of the hedging reserve of cash flow hedges.

Retained earnings corresponds to the accumulated profits earned and losses incurred in total for the Group.

NOTE 30 CONVERTIBLE DEBENTURE LOANS

Loan 2002/2007 Series 1–4

The loan was issued within the framework of Securitas's employee incentive program on May 2, 2002 to Securitas Employee Convertible 2002 Holding S.A., a special-purpose, Luxembourg-based company in which employees have subscribed for shares. The loan matures on May 2, 2007 and conversions may be requested no earlier than 90 days before and no later than 14 days before the loan's maturity. The loans carry a floating interest rate equivalent to 90 percent of 3-month EURIBOR plus 0.49 percentage points. Interest expense on the loan was charged against net income for the year in the amount of MSEK 73.6 (77.9 and 94.6).

The reference price for Securitas share, defined as the average closing price during the period April 24–30, 2002 was set at SEK 186.90. The EUR–SEK exchange rate was fixed at SEK 9.23. This produces a conversion rate of EUR 20.30 (0 percent premium) on the first convertible loan. The second, third and fourth series will have conversion rates of EUR 24.30 (20 percent premium), EUR 28.40 (40 percent premium) and EUR 32.40 (60 percent premium) respectively.

In 2005 Securitas repurchased and redeemed part of the convertible debenture loans. The redemption value amounted to EUR 47,245,625 for each of the four series, in total EUR 189,982,000. The total amount outstanding thereafter is EUR 254,497,500.

In accordance with the terms and conditions of the four convertible debenture loans issued by Securitas AB under Securitas Employee Convertible 2002, the conversion price of the convertible debenture loans have been recalculated as a result of the dividend of Securitas Systems AB and Securitas Direct AB in 2006.

The recalculation is based on the value of the shares in Securitas AB, Securitas Systems AB and Securitas Direct AB, which was determined during the period September 29 until November 2, 2006. The recalculation factor has been fixed at 0.684555, which means that the value of the shares in Securitas AB corresponds to approximately 68.5 percent of the sum of the values of one share in each of Securitas AB, Securitas Systems AB and Securitas Direct AB.

The loan amounts and conversion rates are as follows

	Outstanding Amount, EUR	Conversion rate (EUR) Original	New	No. of new B shares
Loan 2002/2007 series 1	63,624,375	20.30	13.90	4,577,293
Loan 2002/2007 series 2	63,624,375	24.30	16.60	3,832,794
Loan 2002/2007 series 3	63,624,375	28.40	19.40	3,279,607
Loan 2002/2007 series 4	63,624,375	32.40	22.20	2,865,963
Total	**254,497,500**			**14,555,657**

Number of shares outstanding		365,058,897
Number of shares after dilution		379,614,554

A full conversion of all four convertibles would result in a total of 14,555,657 new B-shares in Securitas AB being issued, which corresponds to a dilution of 3.99 percent of the capital and 2.88 percent of the votes.

NOTE 31 LONG-TERM LIABILITIES EXCLUDING PROVISIONS[1]

MSEK	2006	2005	2004
Convertible debenture loan EUR, 2002/2007, Series 1–4[2, 3]	–	2,388.4	3,940.6
Total convertible debenture loans	**–**	**2,388.4**	**3,940.6**
EMTN Nom MEUR 350, 2000/2006, 6.125 %[2, 3, 4]	–	–	2,407.8
EMTN Nom MEUR 500, 2001/2008, 6.125 %[2, 3]	4,575.6	4,895.7	3,259.3
Finance leases	298.0	292.5	467.8
Other long-term loans[3]	33.3	29.5	66.3
Derivatives with negative fair value, long-term	–	29.1	–
Total other long-term loan liabilities	**4,906.9**	**5,246.8**	**6,201.2**
Pensions balances, defined contribution plans[5]	54.0	41.0	–
Other long-term liabilities	314.9	58.1	90.8
Total other long-term liabilities	**368.9**	**99.1**	**90.8**
Total long-term liabilities	**5,275.8**	**7,734.3**	**10,232.6**

[1] For further information regarding financial instruments, refer to Note 6.
[2] Bond loans (Euro Medium Term Notes – EMTN) and the convertible debenture loan are issued by the Parent Company. Interest on bond loans refers to the coupon rate of interest for the entire loan period. Convertible debenture loan EUR, 2002/2007, serie 1–4 falls due on May 2, 2007 and is reported in 2006 under Short-term loan liabilities.
[3] The Group uses derivatives to hedge interest rate and foreign currency risks. In the table above, currency refers to the currency in which the loans are issued. The book value for 2004 is when applicable shown adjusted for currency hedges.
[4] The maturity date of Bond loan EMTN Nom MEUR 350, 2000/2006 is January 12, 2006 and is included under Short-term loan liabilities as per December 31, 2005.
[5] Refers to liability for insured pension plan excluding social costs.

Long-term liabilities fall due for payment as follows

MSEK	2006	2005	2004
Maturity < 5 years	5,245.5	7,675.5	10,223.9
Maturity > 5 years	30.3	58.8	8.7
Total long-term liabilities	**5,275.8**	**7,734.3**	**10,232.6**

NOTE 32 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

The Group operates or participates in a number of defined benefit and defined contribution pension and other long-term employee post benefit plans throughout the world. These plans are structured in accordance with local rules and practices. The overall cost of these plans for the Group is provided in Note 12.

USA

The majority of the Group's U.S. employees are eligible to join their respective employer's defined contribution retirement arrangements under which the employer matches employee contributions up to certain limits, although take-up rates are low. The Group's U.S. operations also operate two defined benefit pension plans which are closed to new entrants and future benefit accruals. One of these plans is funded with assets held separately from those of the employer. The Group's plan for health care was for the most part terminated during 2006 and 2005. The effect of this termination amounts to MSEK 20.6 (89.9) and is included in the line Settlements/curtailments/terminations in the table Pension costs below.

UK

Two funded defined benefit plans are operated in the UK with assets held separately from those of the employer. Both provide benefits linked to members' service and final salary. In addition, the operations in the UK participate in various defined contribution arrangements.

Sweden

Blue-collar workers are covered by the SAF-LO collective pension plan, an industry-wide multi-employer defined contribution arrangement. White-collar workers are covered by the industry-wide ITP plan, which is a defined benefit plan based on a collective agreement and operated on a multi-employer basis. According to a statement (URA 42) issued by the Swedish Emerging Issues Task Force 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 continuing operations during 2006 amounts to MSEK 20.1 (24.6 and 18.1). The surplus in Alecta can be allocated to the insured employer and/or the insured employees. Alecta's level of consolidation was 143.1 percent (128.5 and 128.0) as of December 31, 2006. The level of consolidation is calculated as the fair value of Alecta's plan assets in percent of the obligations calculated according to Alecta's actuarial assumptions. This calculation is not in line with IAS 19.

Norway

The majority of employees participate in a group pension plan, which is a funded defined benefit arrangement with assets held under a separate insurance policy. In addition, the group participates in two unfunded arrangements; one provides early retirement bridging benefits for employees, the other provides individual pension promises as agreed with the company.

Other countries

There are also defined benefit arrangements in other countries than those mentioned above. The countries with material plans are France and Germany.

Sensitivity analysis

A reduction of the discount rate by 0.1 percentage points would increase the provision for pensions and similar commitments by approximately MSEK 27. An increase of the inflation rate by 0.1 percentage points would increase the provisions for pensions and similar commitments by approximately MSEK 8. An increase of the average expected life span by 1 year would increase the provisions for pensions and similar commitments by approximately MSEK 37. Changes in the discount rate, the inflation rate and the average expected life span are accounted for as actuarial gains and losses whereby the change with the exception of the impact on other long-term employee benefits would be recognized via the statement of recognized income and expense and thus would not burden the net income for the year.

Allocation of plan assets

The fair value of the plan assets amounted to MSEK 2,514.7 (2,572.1 and 2,054.5) as of December 31, 2006. As of December 31, 2006 equity investments accounted for 56 percent (61 and 60), interest bearing assets for 37 percent (30 and 32) and other assets for 7 percent (9 and 8) of the plan assets.

Accumulated actuarial losses

Accumulated actuarial losses recognized via the statement of recognized income and expense as of December 31, 2006 amounted to MSEK –284.2, whereof MSEK –8.6 relates to 2006, MSEK –198.2 relates to 2005 and MSEK –77.4 relates to 2004.

Pension cost

MSEK	2006 Continuing operations	2006 Discontinued operations	2006 All operations	2005 Continuing operations	2005 Discontinued operations	2005 All operations	2004 Continuing operations	2004 Discontinued operations	2004 All operations
Current service cost	110.9	5.8	116.7	96.2	7.7	103.9	89.0	7.6	96.6
Interest cost	166.6	3.0	169.6	177.7	3.9	181.6	148.5	3.7	152.2
Expected return on assets	–159.4	–2.6	–162.0	–165.7	–3.5	–169.2	–139.1	–3.2	–142.3
Recognized actuarial gain/loss[1]	–2.1	–	–2.1	–	–	–	–	–	–
Recognized past service cost	–0.9	–	–0.9	0.1	–	0.1	–2.6	–0.3	–2.9
Settlements/curtailments/terminations	–27.3	–	–27.3	–96.0	–1.4	–97.4	–47.3	–5.4	–52.7
Total pension cost	**87.8**	**6.2**	**94.0**	**12.3**	**6.7**	**19.0**	**48.5**	**2.4**	**50.9**

[1]Relates to other long-term employee benefits.

This table shows the total cost for defined benefit plans. The settlements/curtailments during 2006 are mainly explained by a curtailment gain resulting from the continuing reduction of a health care plan in the USA as well as minor curtailments in the Netherlands and Austria. During 2005 settlements/curtailments were mainly explained by the reduction of a health care plan in the USA and the changed status to the TEL-plan in Finland. During 2004 the settlements/curtailments mainly related to the changed status of the TEL-plan in Finland. Included above are pension costs for non-material defined benefit plans for continuing operations of MSEK 0.6 (0.0 and 0.0). The cost for defined contribution plans for continuing operations was MSEK 410.3 (431.2 and 320.6). The actual return on plan assets for all operations for 2006 was MSEK 213.0 (253.6 and 180.5).

Movements in provision for pensions and similar commitments, net

MSEK	2006 Obligations	2006 Plan assets	2006 Net	2005 Obligations	2005 Plan assets	2005 Net	2004 Obligations	2004 Plan assets	2004 Net
Opening balance	**3,763.2**	**–2,572.1**	**1,191.1**	**2,949.0**	**–2,054.5**	**894.5**	**2,791.5**	**–1,999.2**	**792.3**
Current service cost	116.7	–	116.7	103.9	–	103.9	96.6	–	96.6
Interest cost	169.6	–	169.6	181.6	–	181.6	152.2	–	152.2
Expected return on assets	–	–162.0	–162.0	–	–169.2	–169.2	–	–142.3	–142.3
Recognized actuarial gain/loss[1]	–2.1	–	–2.1	–	–	–	–	–	–
Recognized past service cost	–0.9	–	–0.9	0.1	–	0.1	–2.9	–	–2.9
Settlements/curtailments/terminations	–27.3	–	–27.3	–97.4	–	–97.4	–52.7	–	–52.7
Total pension cost recognized in the statement of income	**256.0**	**–162.0**	**94.0**	**188.2**	**–169.2**	**19.0**	**193.2**	**–142.3**	**50.9**
Actuarial gains and losses – obligations[2, 3]	63.4	–	63.4	392.0	–	392.0	152.8	–	152.8
Actuarial gains and losses – plan assets[2]	–	–51.0	–51.0	–	–84.4	–84.4	–	–38.2	–38.2
Total actuarial gains and losses before tax[2]	**63.4**	**–51.0**	**12.4**	**392.0**	**–84.4**	**307.6**	**152.8**	**–38.2**	**114.6**
Employer contributions[4]	–	–133.4	–133.4	–	–117.0	–117.0	–	–120.6	–120.6
Employee contributions	11.0	–11.0	–	11.7	–11.7	–	11.7	–11.7	–
Benefits paid to participants	–154.7	154.7	–	–160.3	160.3	–	–105.0	105.0	–
Acquisitions/divestitures	–	–	–	0.8	–	0.8	72.8	–	72.8
Reclassifications	–	–	–	4.7	–3.6	1.1	20.0	–	20.0
Discontinued operations	–101.9	71.6	–30.3	–	–	–	–	–	–
Translation difference	–289.6	204.7	–84.9	377.1	–292.0	85.1	–188.0	152.5	–35.5
Closing balance	**3,547.4**	**–2,498.5**	**1,048.9**	**3,763.2**	**–2,572.1**	**1,191.1**	**2,949.0**	**–2,054.5**	**894.5**

Discontinued operations relates to the obligations and plan assets that as of September 29 were included in Securitas Systems and Direct.

[1]Relates to other long-term employee benefits.

[2]Relates to post-employment benefits.

[3]Actuarial losses for 2006 relates to changes in assumptions (gains) of MSEK –7.2 (losses of 397.5) and changes in plan experience (losses) of MSEK 70.6 (gains of –5.5) of which MSEK 53.8 relates to changes in a plan in the UK.

[4]Employer contributions expected to be paid in 2007 are deemed to be in line with 2006, adjusted for discontinued operations and the planned dividend of Loomis.

Funded status, net

MSEK	Dec 31, 2006	Dec 31, 2005	Dec 31, 2004
Fair value of plan assets	–2,514.7	–2,572.1	–2,054.5
Defined benefit obligation funded plans	2,937.8	3,067.8	2,282.2
Defined benefit obligation unfunded plans	625.8	695.4	666.8
Funded status, net	**1,048.9**	**1,191.1**	**894.5**

Provisions for pensions and similar commitments, net

MSEK	Dec 31, 2006	Dec 31, 2005	Dec 31, 2004
Plans reported under Other long-term receivables	–7.0	–	–48.3
Plans reported under Provisions for pensions and similar commitments	1,055.9	1,191.1	942.8
Total provisions for pensions and similar commitments, net	**1,048.9**	**1,191.1**	**894.5**

This table shows the distribution in the balance sheet after taking into consideration plan assets and obligations for defined benefit plans. Plans with net assets are reported under Other long-term receivables and plans with a net provision are reported under Provisions for pensions and similar commitments.

Main actuarial assumptions

Percent (per annum)	2006 USA	2006 Eurozone	2006 Other countries	2005 USA	2005 Eurozone	2005 Other countries	2004 USA	2004 Eurozone	2004 Other countries
Discount rate[1]	5.75–6.00	4.50–4.75	4.50–5.25	5.50	4.00–4.25	4.00–5.00	6.00	4.50–4.75	4.50–5.75
Expected return on plan assets	8.50	4.80	5.00–6.75	8.50	4.80	5.50–6.75	8.50	5.20	5.75–7.00
General salary increases[2]	n/a	2.00–3.50	2.50–4.50	n/a	2.50–3.50	2.50–4.25	n/a	2.50–3.50	2.50–4.75
Inflation[2]	n/a	1.75–2.00	2.50–3.00	n/a	1.75–2.20	2.50–2.75	n/a	1.75–2.00	2.50–2.75
Pension increases[2]	n/a	1.75	2.25–3.00	n/a	1.75–2.00	2.25–2.75	n/a	1.75–2.00	2.25–2.75
Health care cost inflation[3]	n/a	n/a	n/a	n/a	n/a	n/a	5,25	n/a	n/a

This table shows the main actuarial assumptions as of December 31, 2006, 2005 and 2004 used to value the defined benefit obligation at the end of 2006, 2005 and 2004 as well as in determining the pension cost for 2007, 2006 and 2005.

[1]In the USA Moodys corporate bonds AA 20+ index is used, in the Eurozone the discount rate is based on Iboxx Euro AA 10 year +, adjusted for the duration of the obligations. The material plans in the category Other countries are Norway (government bonds adjusted for the duration of the obligations) and the UK (Iboxx UK AA 15 year +).

[2]Plans in the USA are non-inflation-linked cash balance plans which are closed for future benefit accrual.

[3]The health care plan has for the most part been terminated during 2005.

As of December 31, 2006 the following assumptions were used for the major plans in Securitas concering mortality: USA – "193 Group Annuity Mortality Table". UK – "PA 92 series of tables with allowance for future improvements, and the medium cohort effect on current pensioners. Norway – tables in series "K63". These tables have been established for use after consultation with the company's acturaries and reflect Securitas' view concerning future mortality considering future expected increases in the length of life.

NOTE 33 PROVISIONS

The movement in the balance sheet for Provisions for pensions and similar commitments is provided in Note 32.

MSEK	Deferred tax liabilities	Liability insurance-related claims reserves[1]	Provisions for taxes	Other provisions
Opening balance	387.9	612.7	136.7	121.4
Reclassification	–	27.8	0.4	0.3
New/increased provisions	62.0	68.1	108.4	1,333.2
Provisions utilized	–20.7	–9.2	–2.5	–32.9
Reversal of unutilized provisions	–5.8	–23.1	–	–5.0
Discontinued operations	–123.8	–	–	–50.0
Translation differences	0.9	–80.6	–18.1	–7.9
Closing balance[2]	**300.5**	**595.7**	**224.9**	**1,359.1**

[1] Liability insurance-related claims reserves primarily consist of estimated provisions for the portion of claims payable by the Group, i.e. its self-retention.
[2] Other provisions in the balance sheet is the total of Liability insurance-related claims reserves of MSEK 595.7, Provisions for taxes of MSEK 224.9 and Other provisions of MSEK 1,359.1.

Other provisions

MSEK	2006	2005	2004
Securitas Cash Management Ltd[1]	824.4	–	–
Other items[2]	534.7	121.4	91.7
Total other provisions	**1,359.1**	**121.4**	**91.7**

[1] Further information is provided in Note 4.
[2] Of which MSEK 411.1 refer to provisions for items affecting comparability.

NOTE 34 SHORT-TERM LOAN LIABILITIES[1]

MSEK	2006	2005	2004
Convertible debenture loans EUR, 2002/2007, series 1–4[2]	2,300.0	–	–
Short-term convertible debenture loans	**2,300.0**	**–**	**–**
EMTN Nom 350 MEUR, 2000/2006, 6,125 %[3, 4]	–	3,244.6	–
Commercial paper issued[5, 6]	1,468.1	1,744.0	1,938.2
Finance leases	141.4	174.2	47.6
Other short-term loans[7]	4,001.8	4,306.4	1,764.1
Derivatives with negative fair value, short-term	83.5	146.5	–
Total other short-term loan liabilities	**5,694.8**	**9,615.7**	**3,749.9**

[1] For further information regarding financial instruments refer to Note 6.
[2] The convertible debenture loan, EUR 2002–2007 series 1–4 falls due on May 2, 2007 and was stated in 2006 under Short-term loan liabilities. It was previously stated under Long-term liabilities.
[3] The bond loan (Euro Medium Term Note – EMTN) was issued by the Parent Company. Interest on the bond loan refers to the coupon rate of interest for the entire loan period.
[4] The bond loan EMTN Nom MEUR 350, 2000/2006 matured on January 12, 2006 and is in 2005 reported under Other short-term liabilities. Previously, this loan has been reported under Long-term liabilities.
[5] The Group uses derivatives to hedge interest rate and foreign currency risks. In the table above, currency refers to the currency in which the loans are issued. The book value liabilities for 2004 is when applicable shown adjusted for currency hedges.
[6] Commercial paper is issued by the Parent Company within the framework of a MSEK 5,000 Swedish commercial paper program.
[7] Other short-term loans include loans raised within the framework of a MUSD 1,100 (1,100 and 800) Multi Currency Revolving Credit Facility maturing in June 2011 with a right to extend it for a maximum of two years (June 2010 and December 2008). It also includes loans raised within the framework of a MUSD 250 (250 and 250) securitization programme.

NOTE 35 OTHER CURRENT LIABILITIES

MSEK	2006	2005	2004
Staff-related items	4,709.4	5,053.2	4,410.1
Accrued interest and financial expenses	279.0	524.7	465.7
Other accrued expenses and deferred income	515.8	1,136.0	1,070.8
Advance payments from customers	177.3	355.6	347.8
Short-term liability insurance-related claims reserves[1]	819.0	1,006.5	871.8
Other items[2]	1,281.7	1,648.7	1,505.0
Total other current liabilities	**7,782.2**	**9,724.7**	**8,671.2**

[1] Liability insurance-related claims reserves primarily consist of estimated provisions for the portion of claims payable by the Group, that is its self-retention.
[2] Other items include VAT liability.

NOTE 36 PLEDGED ASSETS

MSEK	2006	2005	2004
Real estate mortgages	76.4	–	7.8
Pension balances defined contribution plans	54.0	–	–
Total pledged assets	**130.4**	**–**	**7.8**

NOTE 37 CONTINGENT LIABILITIES

MSEK	2006	2005	2004
Sureties and guarantees	4.5	109.8	11.8
Other contingent liabilities[1]	90.0	148.8	146.6
Total contingent liabilities	**94.5**	**258.6**	**158.4**

[1] The item Other contingent liabilities includes a contingent liability related to ongoing tax litigation.

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 2005.

All investigations of the events of September 11 continue to indicate that Globe in no way has been negligent in its actions or is otherwise at fault for the events. This was confirmed through the release of previously confidential Congressional testimony by the Director of the FBI. The customer contract gives Globe the right to tender claims for damages to the customer. Globe is a separate operation and is a separate legal entity. Any liability for claims thus is limited to Globe's own ability to pay and the insurance protection available to it. In November 2002, the U.S. Congress restored the liability cap for eligible screening companies such as Globe. Under this legislation, any potential liability arising out of the terrorist events of September 11 would be limited to the amount of liability insurance coverage maintained.

As previously disclosed, a special fund has been established by the U.S. Government to compensate victims of the September 11 tragedy. Over 98 percent of persons claiming on behalf of World Trade Center deceased victims has elected to obtain compensation from the victim's compensation fund rather than pursue litigation. Claimants under the fund waive their right to seek compensation through litigation. The deadlines for filing wrongful death, bodily injury and property damage claims have now all expired. Cross claims may still be filed by existing parties to the already filed claims.

Together with the relevant airline and other parties, Globe or another Securitas company is a defendant in 48 lawsuits pertaining to the events of September 11. This reduction is due to the settlement of cases. The proceedings against the Securitas companies other than Globe have, with the consent of the Court and the plaintiffs, been temporarily stayed. In all the suits, a number of persons other than Globe and Securitas companies are co-defendants. 30 of the remaining suits pertain to persons who died or who were injured and 18 relate to damage to property and businesses owing to the events of September 11. Certain of the property claims are believed to be substantial and the aggregate, estimated value of the claims filed exceeds the insurance coverage estimated to exist as a potential source of recovery. Due to the statutory liability cap, any such claims are limited to the amount of liability coverage maintained. Globe and the other companies in the Group named as defendants are challenging these suits. All coverage disputes with the relevant 9/11 insurers have been resolved.

Any liabilities arising out of the September 11 litigation are not expected to materially impact Securitas' business operation or financial position.

Globe/Federal Aviation Administration, Welo and Securitas Cash Management Ltd (SCM)

Refer to Note 4 for background information and the development during 2006.

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 involved in a number of other legal proceedings arising out of the ordinary course of their businesses. 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 DISCONTINUED OPERATIONS

Discontinued operations are defined as the two previous primary segments Direct and Securitas Systems (Systems) as they were presented in the Securitas Group. The previous primary segments Direct and Systems as included in the Securitas Group will differ from the listed companies Securitas Direct AB and Securitas Systems AB. The primary segments have been accounted for under IAS 14 Segment reporting. Reporting for segments differs from a reporting on a stand alone basis in that:

- Segment reporting is limited to operating income and exclude certain intra-group transactions that are not of an operating nature.
- Segment reporting as a consequence excludes financial items and tax.
- When adjustments have been made to the consolidated financial statements of the Securitas Group, these adjustments are based on historical segment data already published and in addition to this, adjustments for finance net and tax attributable to the segments. These items were previously recognized under the heading Other.
- The Total Sales has been adjusted for intra-group sales to and from Direct and Systems. This adjustment impacts the intra-group sales previously recognized in Direct and Systems, but also in the continuing operations as well as the elimination of intra-group sales included under the heading Eliminations.
- The Operating income before and after amortization has been adjusted for intra-group margin relating to combination contracts between Security Services Europe and Systems. This intra-group margin was previously included under the heading Eliminations.

In summary the restatement according to IFRS 5 has been applied as follows:

- The statement of income for the Securitas Group includes the net income in Direct and Systems up until September 29, 2006.
- The net income in Direct and Systems up until September 29, 2006 is included on the line Net income, discontinued operations in the consolidated statement of income. This means that the impact from Direct and Systems on each line in the consolidated statement of income has been adjusted and is recognized as a net total on the line Net income, discontinued operations. A specification of the Net income in discontinued operations is given below.
- This adjustment has also been carried out for all comparatives in the consolidated statement of income.
- The cash flow impact from Direct and Systems up until September 29, 2006 is included on the line Cash flow for the period, discontinued operations in the cash flow statement according to Securitas' Financial Model. This means that the impact from Direct and Systems on each line has been adjusted and is recognized as a net total on the line Cash flow for the period, discontinued operations.
- The formal consolidated statement of cash flow is however not restated and the impact from discontinued operations is shown line by line for Cash flow from operations, discontinued operations, Cash flow from investing activities, discontinued operations and Cash flow from financing activities, discontinued operations.
- This adjustment has also been carried out for all comparatives in the cash flow statement according to Securitas' financial model and the formal consolidated statement of cash flow.
- The impact on the closing net debt from the dividend is shown on page 69 in Change in interest bearing net debt on the line Impact from dividend of discontinued operations.
- In accordance with IFRS 5, the comparatives for the balance sheet are not adjusted. However the table for capital employed and financing according to Securitas' financial model on page 71 and in Note 9 Segment Reporting on page 87 (in relation to 2005) separates the segment assets in discontinued operations also for comparatives. The net assets (operating capital employed and capital employed) previously included under the segments Direct and Systems are shown as Capital employed, discontinued operations.
- Key ratios have been restated where applicable.
- Information of the balances relating to discontinued operations as of September 29, 2006 are included below. The corresponding impact on shareholders' equity of the Securitas Group is included in Note 29, Changes in shareholders' equity on page 95, on the line Dividend of net assets in Direct and Systems.

In the tables below the following information is provided:

- Condensed statement of income for discontinued operations.
- Condensed statement of cash flow for discontinued operations.
- Specification to the condensed statement of income.
- Assets and liabilities in discontinued operations as of September 29, 2006.
- Capital employed and financing in discontinued operations as of September 29, 2006.

Income

MSEK	2006	2005	2004
Total Sales	**6,511.3**	**7,813.0**	**6,282.5**
Operating income before amortization	**599.6**	**919.7**	**755.1**
Amortization of acquisition related intangible fixed assets	–18.4	–24.4	–14.2
Acquisition related restructuring costs	–14.3	–34.0	–3.5
Operating income after amortization	**566.9**	**861.3**	**737.4**
Financial income and expense	–36.2	–39.9	–16.0
Income before taxes	**530.7**	**821.4**	**721.4**
Taxes	–192.2	–265.7	–218.3
Net income for the year	**338.5**	**555.7**	**503.1**

Cash flow

MSEK	2006	2005	2004
Cash flow from operations	563.4	965.9	1,093.9
Cash flow from investing activities	–676.4	–1,060.6	–2,234.2
Cash flow from financing activities	–1,138.0	2,120.9	544.8
Cash flow for the year	**–1,251.0**	**2,026.2**	**–595.5**

Specification to income

MSEK	2006	2005	2004
Total Sales			
Securitas Systems and Direct	6,952.6	8,504.0	6,872.0
Intra-group sales	–441.3	–691.0	–589.5
Total Sales	**6,511.3**	**7,813.0**	**6,282.5**
Operating income before amortization			
Securitas Systems and Direct	608.0	926.3	755.1
Intra-group margin	–8.4	–6.6	0.0
Operating income before amortization	**599.6**	**919.7**	**755.1**
Operating income after amortization			
Securitas Systems and Direct	575.3	867.9	737.4
Intra-group margin	–8.4	–6.6	0.0
Operating income after amortization	**566.9**	**861.3**	**737.4**

Assets and liabilities

MSEK	Sep 29, 2006
Goodwill	2,513.5
Acquisition related intangible fixed assets	263.6
Other intangible fixed assets	121.0
Tangible fixed assets	1,513.4
Non-interest bearing financial fixed assets	128.6
Interest bearing financial fixed assets	3.1
Non-interest bearing current assets	3,037.0
Liquid funds	639.5
Total assets	**8,219.7**
Non-interest bearing long-term liabilities	1.1
Interest bearing long-term liabilities	2,201.3
Non-interest bearing provisions	227.6
Non-interest bearing current liabilities	2,102.0
Interest bearing current liabilities	73.7
Total liabilities	**4,605.7**
Net assets in discontinued operations	**3,614.0**

Capital employed and financing

MSEK	Sep 29, 2006
Operating capital employed	**2,469.3**
Goodwill	2,513.5
Acquisition related intangible fixed assets	263.6
Capital employed	**5,246.4**
Net debt	**–1,632.4**
Net assets in discontinued operations	**3,614.0**

Statement of income

MSEK	NOTE	2006	2005	2004
Administrative contribution and other revenues	40	469.4	479.7	501.9
Gross income		**469.4**	**479.7**	**501.9**
Administrative expenses	42, 43	–675.2	–469.6	–629.4
Operating income/loss		**–205.8**	**10.1**	**–127.5**
Result of financial investments				
Result of sale of shares in subsidiaries	40	–	–46.4	3,238.2
Dividend	40	5,337.8	4,618.7	4,378.6
Interest income	40	1,154.2	1,196.7	1,068.4
Interest expenses	40	–1,691.7	–1,567.8	–1,586.8
Other financial income and expenses, net	44	–1,726.2	–270.5	212.8
Total financial income and expenses		**3,074.1**	**3,930.7**	**7,311.2**
Income after financial items		**2,868.3**	**3,940.8**	**7,183.7**
Appropriations				
Allocation to tax allocation reserve		–	8.1	4.8
Difference between book depreciation and depreciation according to plan		7.7	1.6	3.7
Total appropriations		**7.7**	**9.7**	**8.5**
Income before taxes		**2,876.0**	**3,950.5**	**7,192.2**
Current taxes	45	–27.7	–32.4	–4.7
Deferred taxes	45	28.8	96.8	–
Net income for the year		**2,877.1**	**4,014.9**	**7,187.5**

Statement of cash flow

MSEK	NOTE	2006	2005	2004
Operations				
Operating income/loss		–205.8	10.1	–127.5
Reversal of depreciation		7.5	10.4	11.0
Financial items received		6,752.9	3,669.3	9,326.1
Financial items paid		–1,943.6	–1,593.5	–1,715.6
Current taxes paid		–17.5	–11.4	–11.3
Change in other operating capital employed		1,347.7	–202.6	180.7
Cash flow from operations		**5,941.2**	**1,882.3**	**7,663.4**
Investing activities				
Investments in fixed assets		3.7	–7.5	–1.8
Shares in subsidiaries		–7,241.6	–8,908.0	–15,766.3
Cash flow from investing activities		**–7,237.9**	**–8,915.5**	**–15,768.1**
Financing activities				
Dividend paid		–1,277.7	–1,095.2	–730.1
Premature redemption of convertible debenture loans	30	–	–1,780.0	–
Redemption of bond loans		–3,240.1	–	–
Change in interest-bearing net debt, excluding liquid assets		4,869.2	9,508.0	10,838.7
Cash flow from financing activities		**351.4**	**6,632.8**	**10,108.6**
Cash flow for the year		**–945.3**	**–400.4**	**2,003.9**
Liquid funds at beginning of year		1,758.6	2,159.0	155.1
Liquid funds at year-end	51	**813.3**	**1,758.6**	**2,159.0**

Balance sheet

MSEK	NOTE	2006	2005	2004
ASSETS				
Fixed assets				
Other intangible fixed assets	46	8.9	21.5	23.9
Machinery and equipment	47	3.6	2.2	2.7
Shares in subsidiaries	48	51,580.5	54,397.2	45,489.2
Shares in associated companies	49	163.8	163.8	–
Interest-bearing financial fixed assets	41	1,181.9	42.5	80.0
Deferred tax assets		38.9	–	–
Other long-term receivables		54.1	54.6	254.0
Total fixed assets		**53,031.7**	**54,681.8**	**45,849.8**
Current assets				
Current receivables from subsidiaries		1,705.5	3,501.9	1,180.1
Interest-bearing current receivables from subsidiaries	41	10,991.9	13,262.0	15,550.4
Other current receivables		8.4	0.1	6.5
Tax assets		5.8	16.0	37.0
Prepaid expenses and accrued income	50	287.4	521.3	499.6
Other interest-bearing current receivables	41	166.3	–	–
Short-term investments	51	813.3	1,758.6	2,067.3
Cash and bank deposits	51	–	0.0	91.7
Total current assets		**13,978.6**	**19,059.9**	**19,432.6**
TOTAL ASSETS		**67,010.3**	**73,741.7**	**65,282.4**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Restricted equity				
Share capital		365.1	365.1	365.1
Legal reserve		7,362.6	7,362.6	695.2
Premium reserve		–	–	6,667.4
Total restricted equity		**7,727.7**	**7,727.7**	**7,727.7**
Non-restricted equity				
Hedging reserve		25.3	–	–
Translation reserve		172.9	248.9	–
Retained earnings		14,150.6	19,907.9	13,815.6
Net income for the year		2,877.1	4,014.9	7,187.5
Total non-restricted equity		**17,225.9**	**24,171.7**	**21,003.1**
Total shareholders' equity	52	**24,953.6**	**31,899.4**	**28,730.8**
Untaxed reserves				
Tax allocation reserve		–	–	8.1
Accumulated accelerated depreciation		0.1	7.8	9.4
Total untaxed reserves		**0.1**	**7.8**	**17.5**
Long-term liabilities				
Long-term liabilities to subsidiaries		–	7.7	152.6
Long-term interest-bearing liabilities to subsidiaries		–	54.3	45.1
Long-term convertible debenture loans	53	–	2,386.4	3,940.6
Other long-term loan liabilities		4,575.6	3,878.1	5,667.0
Other long-term liabilities		55.4	56.6	–
Total long-term liabilities	54	**4,631.0**	**6,383.1**	**9,805.3**
Current liabilities				
Current liabilities to subsidiaries		153.8	181.0	68.0
Interest-bearing current liabilities to subsidiaries	41	30,113.8	27,409.0	23,118.7
Group account bank overdraft		825.0	642.3	782.3
Short-term convertible debenture loans	53	2,300.0	–	–
Other short-term loan liabilities	41	3,714.9	6,660.8	2,075.1
Accounts payable		11.7	12.7	9.5
Accrued expenses and prepaid income	55	299.6	540.6	516.2
Other current liabilities		6.8	5.0	159.0
Total current liabilities		**37,425.6**	**35,451.4**	**26,728.8**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**67,010.3**	**73,741.7**	**65,282.4**
Pledged assets	56	54.0	None	None
Contingent liabilities	57	2,488.6	4,816.5	3,645.4

Changes in shareholders' equity

MSEK	Share capital[1]	Legal reserve	Premium reserve	Hedging reserve	Translation reserve	Retained earnings and net income for the year	Total
Opening balance 2004	**365.1**	**695.2**	**6,667.4**	**–**	**–**	**14,545.7**	**22,273.4**
Net income for the year	–	–	–	–	–	7,187.5	7,187.5
Total change excluding transactions with equity holders	**–**	**–**	**–**	**–**	**–**	**7,187.5**	**7,187.5**
Dividend paid	–	–	–	–	–	–730.1	–730.1
Opening balance 2005	**365.1**	**695.2**	**6,667.4**	**–**	**–**	**21,003.1**	**28,730.8**
Transfer of opening balance, Premium reserve	–	6,667.4	–6,667.4	–	–	–	–
Net investment hedges	–	–	–	–	248.9	–	248.9
Net income for the year	–	–	–	–	–	4,014.9	4,014.9
Total change excluding transactions with equity holders	**–**	**6,667.4**	**–6,667.4**	**–**	**248.9**	**4,014.9**	**4,263.8**
Dividend paid	–	–	–	–	–	–1,095.2	–1,095.2
Opening balance 2006	**365.1**	**7,362.6**	**–**	**–**	**248.9**	**23,922.8**	**31,899.4**
Effect of change in accounting principle IAS 39[2]	–	–	–	11.2	–	24.7	35.9
Opening balance 2006 adjusted in accordance with new principle	**365.1**	**7,362.6**	**–**	**11.2**	**248.9**	**23,947.5**	**31,935.3**
Cash flow hedges net of tax	–	–	–	19.6	–	–	19.6
Tax relating to cash flow hedges	–	–	–	–5.5	–	–	–5.5
Net investment hedges	–	–	–	–	–76.0	–	–76.0
Net income for the year	–	–	–	–	–	2,877.1	2,877.1
Total change excluding transactions with equity holders	**–**	**–**	**–**	**14.1**	**–76.0**	**2,877.1**	**2,815.2**
Dividend paid	–	–	–	–	–	–1,277.7	–1,277.7
Dividend of shares in Securitas Direct AB and Securitas Systems AB	–	–	–	–	–	–8,519.2	–8,519.2
Closing balance 2006	**365.1**	**7,362.6**	**–**	**25.3**	**172.9**	**17,027.7**	**24,953.6**

[1] For information regarding the numbers of shares outstanding refer to Note 52.
[2] For information refer to Note 39 and Note 41.

NOTE 39 ACCOUNTING PRINCIPLES

The Parent Company's financial statements are from January 1, 2005 prepared in accordance with the Swedish Annual Accounts Act and RR 32:06 Reporting by Legal Entities. The Parent Company thus follows the same accounting principles as the Group when relevant and except in the cases stated below. The divergences that exists 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, etc and the options in RR 32:06 lay down for the adoption of IFRS in the Parent Company.

IAS 17 Leasing

Finance leases cannot be accounted for on legal entity level since specific ordinances for the taxation are not available or are not complete. Finance leases can therefore on legal entity level be accounted for according to the requirements for operational leases. This limitation lacks practical implications since the Parent Company has not entered into any leasing agreements that could be classified as finance leases.

IAS 19 Employee benefits

According to the Swedish Act on Safeguarding of Pension Commitments, etc the Parent Company cannot recognize defined benefit plans on legal entity level. This limitation has 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, and which is described under the Group's accounting principles or in all material aspects consist of other defined contribution plans.

IAS 39 Financial instruments: recognition and measurement

The Parent Company has in accordance with the transition rules in RR 32:06 decided to adopt IAS 39 from 2006. IAS 39 has been adopted with the exception of financial guarantees in relation to subsidiaries. The adoption of IAS 39 has been accounted for as a change in accounting principle as of January 1, 2006. The impact of the change in accounting principle is disclosed in changes in shareholders' equity and in Note 41 Financial risk management. For further information regarding the accounting principles refer to the principles adopted by the Group for recognition and measurement of financial instruments in Note 2 Accounting principles. Note that the principles in force for the Group until December 31, 2004 remained in force for the Parent Company until December 31, 2005.

IAS 21 Effects of changes in foreign exchange rates

Paragraph 32 in IAS 21 states that exchange differences that form part of a reporting entity's net investments in a foreign operation shall be recognized via the statement of income in the separate financial statements of the reporting entity. Paragraph 43 in RR 32:06 states that such exchange differences instead should be recognized directly in shareholders' equity in accordance with paragraph 14 d in chapter 4 of the Swedish Annual Accounts Act. Securitas AB has previously recognized these exchange differences via the statement of income. In the consolidated financial statements however these exchange differences have also previously been recognized directly in the translation reserve in shareholders' equity. As the Group elected to zero the translation differences in conjunction with the adoption of IAS/IFRS, this change in accounting principle is recognized in the same period in which the exchange differences that form part of net investments in a foreign operation arose. Shareholders' equity has not been impacted on a net basis since these exchange differences were previously recognized in the statement of income. The impact of the change in accounting principle is disclosed in changes in shareholders' equity.

URA 7 Group contributions and capital contributions

Group contributions received by the Parent Company are deemed to be dividends and are thus recognized as a financial income in the Parent Company.

NOTE 40 TRANSACTIONS WITH RELATED PARTIES

Transactions between the Parent Company and subsidiaries are priced in accordance with business principles.

Parent Company's transactions with subsidiaries comprise

MSEK	2006	2005	2004
Administrative contributions and other revenues from subsidiaries	460.5	474.3	357.2
– of which discontinued operations	81.4	70.5	54.7
Result of sale of shares in subsidiaries[1]	–	–46.4	3,238.2
– of which discontinued operations	–	–	609.8
Dividends from subsidiaries	5,337.8	4,618.7	4,378.6
– of which discontinued operations	–	301.9	58.3
Interest income from subsidiaries	577.6	487.0	459.1
– of which discontinued operations	26.1	30.7	16.4
Interest expenses to subsidiaries	–737.0	–479.5	–531.4
– of which discontinued operations	–6.4	–2.5	–1.5

[1] Result of sale of shares in subsidiaries in relation to internal restructuring.

Receivables and liabilities from/to subsidiaries and their distribution between interest-bearing and non-interest-bearing items are reported in the balance sheet. For information regarding benefits provided to senior management, refer to the Group information in Notes 8 and 12 to the Consolidated financial statements and Note 43. For pledged assets and contingent liabilities on behalf of subsidiaries, refer to the information on pledged assets and contingent liabilities in connection with the balance sheet and in Notes 56 and 57.

NOTE 41 FINANCIAL RISK MANAGEMENT

The Parent Company has, as stated in Note 39 above, adopted IAS 39 Financial instruments; recognition and measurement as of January 1, 2006. Refer to Note 2 and Note 6 for further information about financial risks that are applicable also for the Parent Company.

Revaluation of financial instruments according to IAS 39 is recognized in the statement of income and included in the line Other financial income and expenses, net with MSEK –38.6 (disclosed separately in Note 44) and directly in the hedging reserve in shareholders' equity for cash flow hedges with MSEK 19.6 before tax. In the balance sheet, revaluation of financial instruments is recognized either as part of the book value of the hedged instrument or as derivative instruments with positive or negative fair value. Derivative instruments with positive fair value were included under the following balance sheet lines as of December 31, 2006: Interest-bearing financial fixed assets with MSEK 1,142.2, Interest-bearing current receivables from subsidiaries with MSEK 42.1, Other interest-bearing current assets with MSEK 166.3, Interest-bearing current liabilities to subsidiaries with MSEK 71.1 and Other short-term loan liabilities with MSEK 61.3.

The Parent Company's net investment hedges are recognized in the translation reserve in shareholders' equity and amounted to MSEK –76.0 (248.9) for 2006.

The table below illustrates the impact of the transition to IAS 39 on the (condensed) balance sheet as well as the revaluation impact during 2006.

	January 1, 2006			2006
MSEK	Opening balance before IAS 39	Effects of transition to IAS 39	Opening balance adjusted for IAS 39	Revaluation according to IAS 39
Other fixed assets	54,639.3	–	54,639.3	–8.6
Interest-bearing financial fixed assets	42.5	1,074.7	1,117.2	66.5
Total fixed assets	**54,681.8**	**1,074.7**	**55,756.5**	**57.9**
Other current assets	4,039.3	–	4,039.3	–
Other interest-bearing current assets (including subsidiaries)	13,262.0	668.5	13,930.5	–460.3
Short-term investments	1,758.6	–	1,758.6	–
Cash and bank deposits	–	–	–	–
Total current assets	**19,059.9**	**668.5**	**19,728.4**	**–460.3**
TOTAL ASSETS	**73,741.7**	**1,743.2**	**75,484.9**	**–402.4**
Restricted equity	7,727.7	–	7,727.7	–
Hedging reserve	–	11.2	11.2	14.1
Translation reserve	248.9	–	248.9	–
Retained earnings and Net income for the year	23,922.8	24.7	23,947.5	–27.8
Total shareholders' equity	**31,899.4**	**35.9**	**31,935.3**	**–13.7**
Untaxed reserves	7.8	–	7.8	–
Total untaxed reserves	**7.8**	**–**	**7.8**	**–**
Other long-term liabilities	64.3	13.9	78.2	–13.9
Interest-bearing long-term loan liabilities	6,318.8	1,047.1	7,365.9	139.2
Total long-term liabilities	**6,383.1**	**1,061.0**	**7,444.1**	**125.3**
Other current liabilities	739.3	–	739.3	–
Short-term loan liabilities (including subsidiaries)	34,712.1	646.3	35,358.4	–514.0
Total current liablities	**35,451.4**	**646.3**	**36,097.7**	**–514.0**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**73,741.7**	**1,743.2**	**75,484.9**	**–402.4**
Net debt	**–25,967.8**	**49.8**	**–25,918.0**	**–19.0**

NOTE 42 OPERATING EXPENSES

Audit fees and reimbursements

MSEK	2006	2005	2004
PricewaterhouseCoopers			
– audit assignments	8.2	6.9	5.9
– other assignments[1]	12.7	3.0	10.4
Total, PricewaterhouseCoopers	**20.9**	**9.9**	**16.3**
Other auditors			
– audit assignments	–	–	–
Total	**20.9**	**9.9**	**16.3**

[1]The cost of other assignments carried out by PricewaterhouseCoopers includes fees for audit-related advisory services relating to accounting, including IFRS, IT, acquisitions, divestments and matters concerning the Group's internal bank.

NOTE 43 PERSONNEL

Average number of employees; distribution by gender

	Women			Men			Total		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Sweden	19	14	12	13	15	11	32	29	23

In 2006 the number of Board members and Presidents was ten (11) of whom three (2) were women.

Personnel costs

	2006			2005			2004			Of which bonuses		
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)	2006	2005	2004
Board of Directors and Presidents	6.1	2.5	(–)	4.7	1.8	(–)	3.5	1.0	(–)	–	–	–
Other employees	44.3	16.7	(6.1)	42.7	21.6	(7.7)	38.2	23.7	(9.6)	6.2	9.4	8.9
Total	**50.4**	**19.2**	**(6.1)**	**47.4**	**23.4**	**(7.7)**	**41.7**	**24.7**	**(9.6)**	**6.2**	**9.4**	**8.9**

In addition to personnel costs for 2005 Securitas AB made a provision for a pension for Juan Vallejo, a member of the Group Management.

In addition to personnel costs for 2004 Securitas AB paid out bonuses of MSEK 159.5 gross, including social security charges, to the President and to another member of the Group Management. As the company received a corresponding amount from an insurance company these payments did not involve any costs.

Sick leave

	2006	2005	2004
Total number of hours reported as sick leave among employees	**770.2**	**599.7**	**1,376.1**
Men, by age:	52.5	37.5	105.0
<30 years	–	15.0	–
30–49 years	52.5	22.5	67.5
>49 years	–	–	37.5
Women, by age:	717.7	562.2	1,271.1
<30 years	–	195.0	37.5
30–49 years	195.0	352.2	581.1
>49 years	522.7	15.0	652.5
Normal annual working hours per person: Employees' total normal working hours	**62,400**	**56,550**	**44,850**
Men	25,350	27,300	21,450
Women	37,050	29,250	23,400
Sick leave as % of normal working hours:			
Men	0.21	0.14	0.49
Women	1.94	1.90	5.43

NOTE 44 OTHER FINANCIAL INCOME AND EXPENSE, NET

MSEK	2006	2005	2004
Impairment losses, shares in subsidiaries[1]	–1,539.1	–	–
Exchange rate differences, net	–106.0	–243.8	167.4
Bank costs and similar profit/loss items	–34.3	–12.1	–31.8
Revaluation of financial instruments (IAS 39)[2]	–38.6	–	–
Other items, net	–8.2	–14.6	77.2
Total other financial income and expense, net	**–1,726.2**	**–270.5**	**212.8**

[1]The value of shares in subsidiary companies was written down in connection with the receipt by the Parent Company of dividends from the subsidiary and in connection with intra-group re-structuring in connection with the dividend of Securitas Direct AB and Securitas Systems AB.
[2]IAS 39 has been applied by the Parent Company since January 1, 2006.

NOTE 45 TAXES

Statement of Income

Tax expense

MSEK	2006	2005	2004
Tax on income before taxes			
– current taxes	–27.7	–32.4	–4.7
– deferred tax income	28.8	96.8	–
Total taxes	**1.1**	**64.4**	**–4.7**

The Swedish Corporate tax rate was 28 percent in 2006, 2005 and 2004.
Deferred taxes for 2005 have been adjusted for effects of change of accounting principle according to IAS 21 concerning translation reserve. See also note 39.

Difference between statutory Swedish tax rate and actual tax expense for the Parent Company

MSEK	2006	2005	2004
Tax based on the Swedish tax rate 28%	–805	–1,106	–2,014
Tax from prior years	–7	2	–
Tax effect related to non-taxable income	1,246	1,114	2,013
Tax effect related to non-deductible expenses	–433	–58	–38
Tax effect on loss carryforwards	–	112	34
Actual tax charge	**1**	**64**	**–5**

Tax effect of non-taxable income mainly relates to dividends from subsidiaries.
Tax effect of non-deductible expenses mainly relates to write-down of shares in subsidiaries.

Tax loss carryforwards

The tax loss carryforwards for the Parent Company amounted to MSEK 0 (0 and 396) as of December 31, 2006.

Deferred taxes

The deferred tax assets in the balance sheet are in full attributable to temporary differences.

NOTE 46 OTHER INTANGIBLE FIXED ASSETS

MSEK	2006	2005	2004
Opening balance	58.4	51.5	50.5
Capital expenditures	4.6	6.9	1.0
Closing accumulated balance	**63.0**	**58.4**	**51.5**
Opening amortization	–36.9	–27.6	–17.9
Amortization for the year	–6.6	–9.3	–9.7
Closing accumulated amortization	**–43.5**	**–36.9**	**–27.6**
Opening impairment losses	–	–	–
Impairment losses for the year	–10.6	–	–
Closing accumulated impairment losses	**–10.6**	**–**	**–**
Closing residual value	**8.9**	**21.5**	**23.9**

NOTE 47 MACHINERY AND EQUIPMENT

MSEK	2006	2005	2004
Opening balance	9.6	9.0	10.9
Capital expenditures	2.3	0.6	0.8
Sales/disposals	–0.1	0.0	–2.7
Closing accumulated balance	**11.8**	**9.6**	**9.0**
Opening depreciation	–7.4	–6.3	–7.7
Sales/disposals	0.1	–	2.7
Depreciation for the year	–0.9	–1.1	–1.3
Closing accumulated depreciation	**–8.2**	**–7.4**	**–6.3**
Closing residual value	**3.6**	**2.2**	**2.7**

NOTE 48 SHARES IN SUBSIDIARIES[1]

Subsidiary name	Corporate registration no.	Domicile	Number of shares	% of share capital	% of voting rights	Book value Parent Company
Securitas Holdings Inc.	95-4754543	Parsippany	100	100	100	2,208.0
Securitas Seguridad Holding SL	B83446831	Madrid	30,100	100	100	6,841.0
Securitas Deutschland Finanz Holding GmbH	HRB 33348	Düsseldorf	100%	100	100	2,166.0
SL Sicherheit GmbH	HRB53995	Düsseldorf	100%	100	100	0.2
Securitas Nordic Holding AB	556248-3627	Stockholm	1,000,000	100	100	5,130.5
Loomis AB	556620-8095	Stockholm	1,000	100	100	4,965.4
Securitas Canada Ltd	036580-6	Montreal	4,004	100	100	85.6
Securitas Services International BV	33287487	Amsterdam	25,000	100	100	4,343.1
Securitas N V	0427.388.334	Brussels	1,000	100	100	272.8
Alert Services Holding N V[2]	RPR617707	Brussels	3,311,669	53.01	53.01	576.3
Securitas Services Holding UK Ltd	5759961	Feltham	250,000	100	100	109.0
Protectas S.A.	CH-550-0084385-3	Lausanne	25,000	100	100	32.8
Securitas Sicherheitsdienstleistungen GmbH	FN148202w	Vienna	100	100	100	58.3
Grupo Securitas Mexico, S A de C V	GSM930817U48	Monterrey	5,000	100	100	14.5
Securitas Polska Sp z o o	36743	Warsaw	594,000	100	100	15.7
Securitas Argentina S.A.[2]	1587929	Buenos Aires	1,412,000	20	20	13.5
Securitas CR s r o	CZ43872026	Prague	100%	100	100	8.8
Securitas KFT	Cg.01-09-721946	Budapest	100%	100	100	0.9
Securitas Eesti AS	10188743	Tallinn	1,371	100	100	32.1
Securitas Transport Aviation Security AB	556691-8917	Stockholm	100,000	100	100	26.4
Securitas Treasury Ireland Ltd	152440	Dublin	21,075,470	100	100	2,344.0
Securitas Group Reinsurance Ltd	317030	Dublin	50,000,000	100	100	576.5
Securitas Toolbox Ltd	316907	Dublin	100	100	100	0.0
Securitas Rental AB	556376-3829	Stockholm	1,000	100	100	3.6
Securitas Invest AB	556630-3995	Stockholm	1,000	100	100	21,719.7
AB Jourmontör	556087-1468	Stockholm	100	100	100	29.3
Other holdings						6.5
Total shares in subsidiaries						**51,580.5**

[1] A complete specification of subsidiaries can be obtained from the Parent Company.
[2] Through the holdings in Securitas Holding SL the remaining 46.99 percent of Alert Services Holding NV, and 80 percent of Securitas Argentina S.A., are held.

NOTE 49 SHARES IN ASSOCIATED COMPANIES

Holdings 2006 and 2005

Company	Domicile office	Share in equity, %	% of voting rights	Book Value
Securitas Employee Convertible 2002 Holding S.A.	Luxembourg	43.1	42.4	163.8
Total shares in associated companies	**–**	**–**	**–**	**163.8**

NOTE 50 PREPAID EXPENSES AND ACCRUED INCOME

MSEK	2006	2005	2004
Prepaid rent	12.2	0.2	0.3
Prepaid financial expenses	27.8	43.0	60.0
Other prepaid expenses	9.5	6.2	5.9
Accrued interest income	237.9	471.9	433.4
Total prepaid expenses and accrued income	**287.4**	**521.3**	**499.6**

NOTE 51 LIQUID FUNDS

Liquid funds include Cash and bank deposits and Short-term investments with a maximum duration of 90 days. In the Parent Company's balance sheet, utilized internal credits in the Swedish cash-pool account are reported under the Group account bank overdraft. Short-term investments refer to fixed interest rate bank deposits.

NOTE 52 CHANGES IN SHAREHOLDERS' EQUITY

Number of shares outstanding 31 December 2006			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 31 December 2005. The maximum number of shares after full dilution by conversion of convertible debenture loan is 17,142,600 Series A shares and 362,471,954 Series B shares, in total 379,614,554 shares. Each Series A share carries ten votes and each Series B share one vote.

Dividend

The Board of Directors and the President propose a dividend to the shareholders of the Parent Company of SEK 3.10 per share, or a total of MSEK 1,131.7. The dividend to the shareholders for the previous year, 2005, which was paid out in 2006, was SEK 3.50 per share, or a total of MSEK 1,277.7. The dividend to the shareholders for 2004, which was paid out in 2005, was SEK 3.00 per share, or a total of MSEK 1,095.2.

NOTE 53 CONVERTIBLE DEBENTURE LOANS

Information relating to convertible debentures is provided in Note 30 and is identical for the Parent Company and the Group.

NOTE 54 LONG-TERM LIABILITIES

Long-term liabilities fall due for payment as follows

MSEK	2006	2005	2004
Maturity < 5 years	4,631.0	6,332.1	9,805.3
Maturity > 5 years	–	51.0	–
Total long-term liabilities	**4,631.0**	**6,383.1**	**9,805.3**

NOTE 55 ACCRUED EXPENSES AND PREPAID INCOME

MSEK	2006	2005	2004
Staff-related items	14.6	20.5	41.1
Accrued financial expenses	–	–	8.7
Accrued interest expenses	278.5	515.7	458.1
Other accrued expenses	6.5	4.4	8.3
Total accrued expenses and prepaid income	**299.6**	**540.6**	**516.2**

NOTE 56 PLEDGED ASSETS

MSEK	2006	2005	2004
Pensions balances, defined contribution plans	54,0	–	–
Total pledged assets	**54,0**	**–**	**–**

NOTE 57 CONTINGENT LIABILITIES

MSEK	2006	2005	2004
Sureties and guarantees[1]	2,398.6	4,723.1	3,506.8
Other contingent liabilities	90.0	93.4	138.6
Total contingent liabilities	**2,488,6**	**4,816.5**	**3,645.4**
(Of which bonus commitments)	–	–	(48.9)
(Of which on behalf of subsidiaries)	(2,488.6)	(4,816.5)	(3,596.5)

[1] The Parent Company carries guarantees for loan liabilities at full value even if the underlying facilities have not been fully utilized by the subsidiaries.

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 April 17, 2007.

Stockholm, February 15, 2007

Melker Schörling
Chairman

Gustaf Douglas
Vice Chairman

Annika Falkengren

Marie Ehrling

Carl Douglas

Berthold Lindqvist

Fredrik Palmstierna

Stuart E. Graham

Sofia Schörling Högberg

Susanne Bergman Israelsson
Employee Representative

Gunnar Larsson
Employee Representative

Björn Drewa
Employee Representative

Thomas Berglund
President and Chief Executive Officer

Our audit report has been submitted on February 16, 2007
PricewaterhouseCoopers AB

Göran Tidström
Authorized Public Accountant
Auditor in charge

Lennart Danielsson
Authorized Public Accountant

To the annual meeting of the shareholders of Securitas AB (publ.)

Corporate identity number 556302-7241.

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the president of Securitas AB (publ.) for the year 2006. The company's annual accounts are included in the printed version on pages 38–108. The board of directors and the president are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the president and significant estimates made by the board of directors and the president when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the president. We also examined whether any board member or the president has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the president be discharged from liability for the financial year.

Stockholm, February 16, 2007

PricewaterhouseCoopers AB

Göran Tidström
Authorized Public Accountant
Auditor in charge

Lennart Danielsson
Authorized Public Accountant

Corporate Governance

Ports are one of the vertical segments that impose special requirements on security. Security Officer Aaron Johnson transports employees and visitors to APM Terminals, one of the world's largest operators of container terminals, to various parts of the port area of Tacoma, Washington State, USA.


SECURITAS


Melker Schörling


Gustaf Douglas


Thomas Berglund


Annika Falkengren


Sofia Schörling Högberg


Carl Douglas


Berthold Lindqvist


Fredrik Palmstierna


Stuart E. Graham


Marie Ehrling


Susanne Bergman Israelsson


Gunnar Larsson


Björn Drewa

Board of Directors

Melker Schörling (Chairman) b. 1947
Director of Securitas AB since 1987 and Chairman since 1993.
Other board assignments: Chairman of MSAB, AarhusKarlshamn AB, Hexagon AB and Securitas Systems AB. Vice Chairman of Assa Abloy AB. Director of Hennes & Mauritz AB.
Principal education: BSc in Economics and Business Administration.
Previously: President and CEO of Securitas AB 1987–1992, President and CEO of Skanska AB 1993–1997.
Shares in Securitas: 4,500,000 Series A-shares and 11,761,700 Series B-shares, privately and through Melker Schörling AB.

Gustaf Douglas (Vice Chairman) b. 1938
Chairman of Securitas AB 1985–1992 and Vice Chairman since 1993.
Other board assignments: Chairman of Assa Abloy AB, Investment AB Latour and SäkI AB.
Director of Securitas Direct AB, Stiftelsen Svenska Dagbladet and the Conservative Party of Sweden.
Principal education: MBA Harvard with distinction, 1964.
Previously: CEO of Dagens Nyheter AB 1973–1980. Business owner. Owns with family Förvaltnings AB Wasatornet. Principal owner of Investment AB Latour and SäkI AB.
Shares in Securitas: through Investment AB Latour 4,000,000 Series A-shares and 23,090,000 Series B-shares, through SäkI AB 8,642,600 Series A-shares and 4,000,000 Series B-shares, through Förvaltnings AB Wasatornet 2,000,000 Series B-shares and through Karpalunds Ångbryggeriaktiebolag 400,000 Series B-shares.

Thomas Berglund b. 1952
Director of Securitas AB since 1993.
Leaving the Board at the 2007 Annual General Meeting. Leaving the position of President and CEO of Securitas March 5, 2007.
President of Securitas AB and Chief Executive Officer of the Securitas Group 1993–2007.
Other board assignments: Chairman of Securitas Direct AB.
Principal education: BSc in Economics and Business Administration.
Previously: Joined the Group in 1984 after a career in the Swedish government administration and later as a consultant for the Swedish Management Group.
Shares in Securitas: 500,000 Series B-shares.

Annika Falkengren b. 1962
Director of Securitas AB since 2003.
President and Group Chief Executive Officer, SEB
Other board assignments: Director of Ruter Dam and Mentor.
Principal education: B.A., Business Administration and Economics.
Previously: Several executive positions at SEB.
Shares in Securitas: 7,500 Series B-shares.

Sofia Schörling Högberg b. 1978
Director of Securitas AB since 2005.
Trademark consultant at Essen International AB.
Other board assignments: Director of MSAB.
Principal education: BSc in Economics and Business Administration.
Shares in Securitas: 2,400 Series B-shares.

Carl Douglas b.1965
Deputy Director of Securitas AB since 1992. Director since 1999.
Business owner.
Other board assignments: Director of Assa Abloy AB, Securitas Systems AB, Swegon AB and SäkI AB.
Principal education: Bachelor of Arts.
Previously: Business owner.
Shares in Securitas: 100,000 Series B-shares.

Berthold Lindqvist b. 1938
Director of Securitas AB since 1994.
Other board assignments: Chairman of Munters AB. Director of Cardo AB, Trelleborg AB and JM AB.
Principal education: Ing. Med. Dr.hc.
Previously: Executive Vice President of Wilhelm Sonesson AB 1983–1984, President and CEO of Gambro 1984–1998.
Shares in Securitas: 2,000 Series B-shares.

Fredrik Palmstierna b. 1946
Director of Securitas AB since 1985.
CEO of SäkI AB.
Other board assignments: Director of SäkI AB, Investment AB Latour, AB Fagerhult, Hultafors AB, Nobia AB and Academic Work AB.
Principal education: BSc in Economics and Business Administration, MBA.
Previously: CEO of SäkI AB since 1997.
Shares in Securitas: 80,224 Series B-shares.

Stuart E. Graham b. 1946
Director of Securitas AB since 2005.
President and CEO of Skanska AB.
Other board assignments: Director of Skanska AB.
Principal education: BSc in Economics.
Previously: Various executive positions in the construction industry including 17 years with Skanska.
Shares in Securitas: 5,000 Series B-shares.

Marie Ehrling b. 1955
Director of Securitas AB since 2006.
Other board assignments: Director of World Childhood Foundation.
Principal education: BSc in Economics and Business Administration
Previously: CEO of Telia Sonera 2003–2006, deputy CEO of SAS AB, responsible for SAS Airlines and other executive positions at SAS, Information Secretary at the Ministry of Finance and Ministry of Education and Research and financial analyst at Fjärde AP-fonden.
Shares in Securitas: 4,000 Series B shares.

Employee representatives

Rune Lindblad b. 1947
Director of Securitas AB since 1995.
Left the Board of Securitas AB in September 2006.
Employee Representative, Swedish Electricians' Union.
Service technician at Securitas Larm AB.
Shares in Securitas: 4,920 Series B-shares.

Susanne Bergman Israelsson b. 1958
Director of Securitas AB since 2004.
Employee Representative, Chairman of Swedish Transport Workers' Union local branch 19 in Norra Mälardalen.
Security Officer at Securitas Bevakning AB.
Shares in Securitas: 0.

Gunnar Larsson b. 1959
Director of Securitas AB since 2005.
Deputy Director of Securitas AB since 2002.
Employee Representative, Chairman of Swedish Transport Workers' Union local branch in Gothenburg.
Shares in Securitas: 0.

Björn Drewa b. 1946
Director of Securitas AB since September 2006.
Deputy Director of Securitas AB since 1996.
Employee Representative, Salaried Employees' Union local branch in Stockholm.
Staff Engineer at Securitas.
Shares in Securitas: 0.

Deputies

William Rosborg b. 1961
Deputy Director of Securitas AB since 2005.
Left as Deputy Director in February 2007.
Employee Representative, Swedish Transport Workers' Union local branch 19 in Västerås.
Team leader.
Shares in Securitas: 0.

Rose-Mari Settergren b. 1970
Deputy Director of Securitas AB since 2005.
Employee Representative, Swedish Transport Workers' Union local branch 10 in Skövde.
Secretary, Karlsborg section, Securitas Bevakning AB.
Shares in Securitas: 0.

Auditors

Göran Tidström b. 1946
Authorized Public Accountant, Auditor in charge, PricewaterhouseCoopers AB.
Auditor in charge of Securitas AB since 1999.
Principal education: BSc in Economics and Business Administration
Previously: Auditor with PricewaterhouseCoopers AB since 1969.
Other audit assignments: TeliaSonera, Trelleborg, Volvo, Meda and Studsvik.
Other assignments: Chairman of EFRAG (European Financial Reporting Advisory Group), Director of IFAC (International Federation of Accountants) and Member of the Swedish Industry & Commerce Stock Exchange Committee.

Lennart Danielsson b. 1959
Authorized Public Accountant, PricewaterhouseCoopers AB.
Auditor of Securitas AB since 2006.
Principal education: BSc in Economics and Business Administration
Previously: Auditor at PricewaterhouseCoopers AB since 1983.
Other audit assignment: Indutrade.

All figures refer to holdings on December 31, 2006.
For further information, see the section Independence of Board members on page 116 in the Report of the Board of Directors – Corporate Governance and Internal Control.
For further information, please see note 8 Remuneration to the Board of Directors and Senior Management on page 84.


Thomas Berglund


Håkan Winberg


Santiago Galaz


William Barthelemy


Brad van Hazel


Tore K. Nilsen


Morten Rønning

Group Management

Thomas Berglund b. 1952
President of Securitas AB and Chief Executive Officer of the Securitas Group 1993–2007.
Leaving the position of President and CEO of Securitas March 5, 2007.
Shares in Securitas: 500,000 Series B-shares.

Thomas Berglund joined the Group in 1984 after a previous career in the Swedish government administration and later as a consultant for the Swedish Management Group. Thomas has a background as an accountant and holds a B.Sc in Economics and Business Administration.

Håkan Winberg b. 1956
Executive Vice President and Chief Financial Officer of Securitas AB
Shares in Securitas: 745,000 Series B-shares.

Håkan Winberg became a Controller at Securitas AB in 1985 after holding the position of Controller at Investment AB Skrinet. He was appointed Chief Financial Officer in 1991 and Executive Vice President of the Securitas Group in 1995. Håkan holds a B.Sc. in Economics and Business Administration and started his career as an auditor after finishing university in 1980.

Santiago Galaz b. 1959
Divisional President, Security Services North America
Shares in Securitas: 50,000 Series B-shares.

Santiago Galaz has been in the security business for over twenty years. He joined Securitas in 1995 as the Managing Director of Security Services Spain after twelve years at the Eulen Group, one of the largest services groups in Spain. In 1997 he was appointed the Spanish Country Manager for Security Services, Systems and Cash Handling Services and later became Divisional President of Cash Handling Services Europe. He was appointed Divisional President of Security Services USA in March 2003.

William Barthelemy b. 1954
Chief Operating Officer, Security Services North America
Shares in Securitas: 17,000 Series B-shares.

William Barthelemy brings nearly 30 years of industry experience to the organization. With a Criminology Degree from Indiana University of Pennsylvania, Bill began his career as an Investigator, moving to the Security Division after two years. He has worked in many field capacities, including Scheduling, Operations Manager, Branch Manager, Regional Operations Director and Region President. Bill brings further client service focus to the management team. Bill is an active member of the American Society of Industrial Security, as well as the National Association of Chiefs of Police.

Brad van Hazel b. 1957
Regional President, Security Services North America
Shares in Securitas: 0.

Brad Van Hazel is responsible for the coordination and management of the National Account Team in the USA. In addition, he coordinates account activity on a global basis, which involves partnering with Group, Divisional and Country Management. Van Hazel joined Pinkerton in 1983 as a Security Officer and quickly moved up the ranks to Operations Manager and then was promoted in 1984 to Branch Manager of Pinkerton's Colorado Springs Office. Prior to joining Pinkerton, van Hazel served six years in the US Marine Corps and was attached to the White House during the Carter Administration for high-level dignitary functions.

Tore K. Nilsen b. 1956
Divisional President, Security Services Europe
Shares in Securitas: 153,811 Series B-shares.

Tore K. Nilsen joined Securitas as a sales representative for Securitas Services in Stavanger, Norway after eight years as a police officer. Tore K. Nilsen has a degree from the Norwegian Police Academy. He has now been with the company for 20 years. In 1988 he was appointed Branch Manger for Stavanger, where he stayed for a year before becoming Area Manager for Rogaland and later for Oslo. Before his appointment as Divisional President of Security Services Europe he was the Managing Director of Securitas AS in Norway for five years.

Morten Rønning b. 1960
Head of the Mobile business unit
Shares in Securitas: 89,998 Series B-shares.

Morten Rønning has been with the company for 21 years and joined Securitas in 1985 as a supervisor for Security Services in Stavanger, Norway after five years in the Military Police. In 1990 he was appointed Area Manager for the Southwest region in Norway and later became the Managing Director for Securitas AS in Norway. In 2004, Morten became the Vice President of Security Services Europe after having worked as the Managing Director for Security Services UK and Ireland for two years.

President and CEO Securitas as of March 5, 2007

Alf Göransson b. 1957
President of Securitas AB and Chief Executive Officer of the Securitas Group from March 5, 2007.
Shares in Securitas: 0.

Alf Göransson's previous experience includes posts as CEO of NCC AB, 2001–2007, CEO of Svedala Industri AB, 2000–2001, Business Area Manager at Cardo Rail, 1998–2000, and President of the contracting company Swedish Rail Systems AB in the Scancem Group, 1993–1998. He holds an international BSc in Economics and Business Administration from the School of Business, Economics and Law, Göteborg university. Other assignments: Chairman of the Lund Institute of Technology, Director of the Stockholm Chamber of Commerce, Axel Johnson Inc., USA and NCC AB until April 2007.

Loomis

Håkan Ericson b. 1962
President of Loomis
Shares in Securitas: 0.

Håkan Ericson was appointed President of Loomis (formerly Securitas Cash Handling Services) in September 2006. He has a total of 17 years' experience of the logistics industry and came from the post of Executive Vice President of SAS AB with responsibility for Airline Support and Airline Related Businesses. He previously held a number of management positions in the DHL Group and ASG AB. Håkan has the degree of BSc in Economics and Business Administration from Stockholm university and began his career at Ericsson AB.

Loomis Board
Jacob Palmstierna,
Chairman of the Board as of April 2007.
Håkan Ericsson, *President, Loomis.*
Alf Göransson,
President of Securitas AB and Chief Executive Officer of the Securitas Group.
Jan Svensson, *President, Latour AB.*
Ulrik Svensson, *President, Melker Schörling AB.*
Håkan Winberg,
Executive Vice President and Chief Financial Officer, Securitas AB.

All figures refer to holdings on December 31, 2006.
For further information, please see note 8 Remuneration to the Board of Directors and Senior Management on page 84.

Report of the Board of Directors – Corporate Governance and Internal Control

Securitas AB is a Swedish public company with its registered office in Stockholm, Sweden. Securitas AB, which has been listed on the Stockholm Stock Exchange since 1991, is governed by the Swedish Companies Act and Swedish stock exchange rules. This report does not form a part of the Annual Accounts and has not been audited.

Securitas Approach to Corporate Governance

Securitas is committed to meeting high standards of Corporate Governance. The ultimate aim of the Corporate Governance is to lead Securitas to success.

Compliance to Swedish Code for Corporate Governance

Securitas has published principles for Corporate Governance in previous Annual Reports and has a separate section on the Group website. Securitas complies with the Swedish Code for Corporate Governance and provides explanations for the following deviations;

- There is no majority of non Board members in the nomination committee and the chairman of the Board is the chairman of the nomination committee.
- The majority of the Directors elected by the shareholders' meeting are not considered independent of the company and its management.
- The Board of Directors and the Managing Director have not, immediately before signing the annual report, certified that the annual accounts have been prepared in accordance with good accounting practices for a stock market company.
- The number of audit committee members does not amount to at least three members and the majority of members are not considered independent of the company and its management.

Deviations from the Swedish Code for Corporate Governance are described and explained in more detail under each section below.

Significant Shareholders

The principal shareholders in Securitas AB on December 31, 2006 were Investment AB Latour, which together with Förvaltnings AB Wasatornet and SäkI AB held 11.4 percent (11.0) of the share capital and 30.0 percent (29.7) of the votes, and Melker Schörling AB, with 4.5 percent (4.2) of the share capital and 10.9 percent (10.7) of the votes. These shareholders are represented on the Board of Directors by Gustaf Douglas, Carl Douglas, Fredrik Palmstierna, Melker Schörling and Sofia Schörling Högberg. The company's share capital consisted of 17,142,600 Series A-shares and 347,916,297 Series B-shares as of December 31, 2006. Each Series A-share carries ten votes and each Series B-share one vote. In the event that the company issues new Series A and B-shares, current shareholders have the preferential right to subscribe for new shares of the same series in proportion to their existing holdings.

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 also provides shareholders with an opportunity to ask questions directly to the Chairman of the Board, the Board of Directors and the President and CEO, even though the company strives to respond to queries from shareholders as they arise during the year. The company's auditors are present at the meeting. The Annual General Meeting resolves, among other things, on the following issues:

- adoption of income statement and balance sheet;
- appropriation of the company's profit or loss;
- appointment of nomination committee members;
- discharge of the Directors of the Board and the Managing Director from their liability;
- election of Directors of the Board, Chairman of the Board and appointment of Auditors;
- determination of fees for the Board of Directors and the Auditors.

At the 2006 Annual General Meeting of Securitas AB (publ.) on April 3, the following was resolved:

Adoption of income statement and balance sheet, distribution of profits and discharge of liability

The Anual General Meeting resolved to adopt the presented income statement and balance sheet, the consolidated income statement and consolidated balance sheet and to dispose of the retained earnings and the net income for 2005 by distributing to the shareholders SEK 3.50 per share. April 6, 2006 was determined record day for the dividend. The Annual General Meeting also resolved to discharge the Board and the Managing Director from liability for the financial year 2005. The shareholders listed in exhibit A in the minutes of the Annual General Meeting, representing approximately 25,000 votes, did not vote in favour of this resolution.

Election of Board of Directors and Chairman of the Board

The Annual General Meeting resolved that the number of Board members should be ten, with no deputy members. The meeting re-elected Board members Thomas Berglund, Carl Douglas, Gustaf Douglas, Annika Falkengren, Stuart E. Graham, Berthold Lindqvist, Fredrik Palmstierna, Melker Schörling and Sofia Schörling Högberg and elected Marie Ehrling as new Board member. Melker Schörling was re-elected Chairman of the Board. It was resolved that the fees to the Board should amount to SEK 4,650,000 in total (excluding fees for committee work) to be distributed among the Board members as follows; Chairman of the Board: SEK 900,000, deputy Chairman of the Board: SEK 650,000 and each of the other Board members (except the Managing Director) SEK 400,000.

Nomination Committee

Gustaf Douglas, Melker Schörling, Marianne Nilsson (Swedbank Robur) and Annika Andersson (Fourth Swedish National Pension Fund) were re-elected members of the Nomination Committee before the next Annual General Meeting. Gustaf Douglas was re-elected Chairman of the Nomination Committee. The General Meeting resolved that in case a shareholder, whom a member of the Nomination Committee represents, is no longer one of the major shareholders of Securitas (based on votes), or if a member of the Nomination Committee is no longer employed by such shareholder or any other reason leaves the committee before the Annual General Meeting 2007, the Committee shall have the right to appoint another representative of the major shareholders to replace such member. The General Meeting further resolved that the Nomination Committee shall have the task of preparing, before future Annual General Meetings, the election of Chairman and other member of the Board of Directors, the election of Chairman of the Annual General Meeting, the election of auditors (where applicable) and the determination of fees and matters pertaining thereto.

Auditors

The auditing firm PricewaterhouseCoopers AB, with authorized public accountant Göran Tidström as chief auditor, was elected as auditors at the AGM of 2004 for a period of four years.

Amendment of Articles of Association

The proposal by the Board of Directors to amend the Articles of Association was presented. The General Meeting resolved to amend the Articles of Association, in accordance with the proposal of the Board of Directors.

At the 2006 Extraordinary General Meeting of Securitas AB (publ.) on September 25, the following was resolved:

The Extraordinary General Meeting resolved, in accordance with the proposal of the Board, to distribute all shares in the wholly owned subsidiaries Securitas Direct AB ("Direct") and Securitas Systems AB ("Systems") to the Securitas shareholders. The book value of the dividend in the Parent Company Securitas AB was MSEK 8,519.2 and for the Group representing net assets of MSEK 3,614.0.

Annual General Meeting 2007

An invitation to the Annual General Meeting of 2007, which will be held in Stockholm on April 17, will be announced at least four weeks prior to the meeting and the date has been published on the corporate website six months in advance.

Nomination Committee

The Nomination Committee is an organ established by the Annual General Meeting of the company with the task of preparing the election of members of the Board of Directors and the election of the Chairman of the Board, the establishment of fees to the Board of Directors and other related matters before the forthcoming Annual General Meetings. In addition, the Committee shall, before such General Meetings where election of auditors shall take place, after consultation with the Board of Directors and Audit Committee, prepare the election of auditors, the resolution on fees to the auditors, and matters pertaining thereto.

At the Annual General Meeting held on April 3, 2006, Gustaf Douglas and Melker Schörling, representing the principal owners of Securitas AB with 15 percent of the share capital and 40 percent of the votes, together with Marianne Nilsson (representing Swedbank Robur with 3.8 percent of the share capital and 2.6 percent of the votes) and Annika Andersson (representing Fourth Swedish National Pension Fund with 1.9 percent of the share capital and 1.4 percent of the votes) were re-elected members of the Nomination Committee before the Annual General Meeting 2007.

The Committee's work is established in the "Procedure and Instructions for the Nomination Committee of Securitas AB". The Committee shall hold meetings as often as necessary in order for the Committee to fulfill its duties. However, the Committee shall hold at least one meeting annually. During 2006 the committee has met four times.

According to the Swedish Code for Corporate Governance the majority of the members of the nomination committee should not be members of the Board of Directors. In addition the chairman of the Board of Directors or another Board member is not to chair the nomination committee.

Two out of four members of the Securitas nomination committee are Board members and one of these is the chairman of the committee. The principal owners presently represented in the nomination committee find it important for an efficient continuously ongoing nomination work that there are a limited number of nomination committee members. At the same time, the two major owners must be represented. This results in an equal number of Board members and external members of the nomination committee. A majority of external members would require a total number of five members, which is considered too many. Furthermore, the above mentioned owners find it natural that the representative of the largest shareholder in terms of votes is the chairman of the committee.

Board of Directors

The members of the Board of Directors

According to the Articles of Association the Board of Directors shall have five to ten board members elected by the Annual General Meeting, with no more than two deputy directors. Securitas has ten members elected by the Annual General Meeting, three employee representatives and three deputy employee representatives. The General Meeting re-elected Thomas Berglund, Carl Douglas, Gustaf Douglas, Annika Falkengren, Stuart E. Graham, Berthold Lindqvist, Fredrik Palmstierna, Melker Schörling and Sofia Schörling Högberg and elected the new Board member Marie Ehrling. The General Meeting re-elected Melker Schörling as Chairman of the Board. The attorney of law, Mikael Ekdahl, is the permanent secretary of the Board. For further information on the members of the Board of Directors, please see page 112.

The responsibilities of the Board of Directors

The Board of Directors is responsible for the Group's organization and administration in accordance with the Swedish Companies Act and appoints the President and CEO, the Audit Committee and the Remuneration Committee. In addition, the Board of Directors decides on the President and CEO's salary and other remuneration. The Board meets a minimum of six times annually. At least one meeting per year involves visiting the operations of one of the Group's divisions. The Group's auditors participate in the meeting of the Board of Directors in conjunction with the yearly closing of the books.

The procedure 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, which are adopted by the Board each year after the Annual General Meeting. According to these rules, the Board shall decide on, among other things, the Group's overall strategy, corporate acquisitions and property investments, in addition to establishing a framework for the Group's operations by approving the Group's budget. The rules include a working instruction for the Chief Executive Officer as well as instruction for the financial reporting. The Board's procedures are documented in a written instruction.

Independence of Board members

The Swedish Code for Corporate Governance requires the majority of the Directors elected by the shareholders' meeting are to be independent of the company and its management, and at least two Directors that are independent of the company and its management should also be independent of the company's major shareholders. The provision is not complied with because of the so called "12-year-rule". Out of ten Board members in total, six are considered as dependent of the company according to the definition of the Code. With respect to five of these, the dependence arises merely due to the so called "12-year-rule". The nomination committee is of the opinion that in a company such as Securitas dependence does not arise merely due to the fact that a Board member has worked with and gained knowledge about the company over a period of time.

Board Member	Independence in relation to the company	Independence in relation to the shareholders
Melker Schörling	No (owing to: Board Member > 12 yrs)	No
Gustaf Douglas	No (owing to: Board Member > 12 yrs)	No
Thomas Berglund	No (managing director)	Yes
Annika Falkengren	Yes	Yes
Carl Douglas	No (owing to: Board Member > 12 yrs)	No
Stuart E. Graham	Yes	Yes
Berthold Lindqvist	No (owing to: Board Member > 12 yrs)	Yes
Fredrik Palmstierna	No (owing to: Board Member > 12 yrs)	No
Sofia Schörling Högberg	Yes	No
Marie Ehrling	Yes	Yes
Total	**4**	**5**

The work of the Board of Directors

In 2006, the Board held ten meetings, whereof two telephone conferences. The auditors participated and presented the audit at the Board meeting in February 2006. The proposed offer to list the divisions was discussed by the Board at several occasions and a formal decision for the distribution and listing of Securitas Systems and Direct was taken in August 2006. Special attention was also paid to the Loomis division, in particular the listing of this division. The Loomis subsidiary Securitas Cash Management and the proposal to introduce the Loomis name and logo throughout the entire organization have also been discussed. The appointment of the new CEO, Alf Göransson was approved by the Board in August 2006. The Security Services Europe division made a special presentation to the Board in connection with the acquisition of the Spanish PSI company. During 2006 the divisions have also presented their budgets for 2007 to the Board of Directors.

The attendance of each of the Board members during 2006 is presented below;

	Board	Audit Committee	Remuneration Committee
No of meetings 2006	**10**	**4**	**2**
Board of Directors			
Melker Schörling	10		2
Gustaf Douglas	10	4	
Thomas Berglund	10		
Annika Falkengren	10		
Carl Douglas	9		
Stuart E. Graham	9		
Berthold Lindqvist	9	4	1
Fredrik Palmstierna	10		
Sofia Schörling Högberg	8		
Marie Ehrling[1]	9		
Employee representatives			
Susanne Bergman Israelsson	9		
Gunnar Larsson	10		
Rune Lindblad[2]	7		
Björn Drewa[3]	8		

[1]Appointed member of Board of Directors at Annual General Meeting April 3, 2006.
[2]Resigned from Board of Directors at Extraordinary General Meeting September 25, 2006.
[3]Deputy Director of Securitas AB since 1996. Appointed member of Board of Directors at Extraordinary General Meeting September 25, 2006.

Financial Reporting

The Board ensures quality of financial reporting by instructing the Audit Committee to review and recommend all financial reports delivered by the Group to the Board. The financial reporting including valuation issues, judgments and potential changes in estimates and accounting policies when necessary are continuously considered by the Audit Committee and presented to the Board. The audit committee also covers legal matters and litigations on a quarterly basis. All interim reports and the full year reports are approved by the Board.

The auditors of the company annually submit to the Board of Directors a report stating that they have audited the company and the result thereof. This report shall be presented orally by the auditors at the Board meeting that deals with the year-end report. The members of the Board shall during this meeting be given the opportunity to ask questions to the auditors. It is expected that the statement of the auditors shall, inter alia, indicate whether the company is organized in a way that makes it possible to supervise, in a safe manner, accounting, management of assets and the financial relations of the company. In addition the auditors take part in the audit committee meetings for which the contents are reported back to the Board.

According to the Swedish Code for Corporate Governance the Board of Directors and the Managing Director, immediately before signing the Annual Report, are to certify that to the best of their knowledge, the annual accounts have been prepared in accordance with good accounting practices for a stock market company and that the information presented is consistent with the actual conditions and that nothing of material value has been omitted that would affect the picture of the company presented in the Annual Report. Currently no such certification is made. The Board of Directors is of the opinion that liability issues are exhaustively governed by the Swedish Companies Act and that a specific certification as proposed by the Code is thus superfluous.

Audit Committee

The Board of Directors has established an Audit Committee, which operates under the "Instructions for the Audit Committee appointed by the Board of Directors", that meets with Securitas' auditors at least four times per year. The committee is focused on accounting matters and the presentation of financial information and its internal control, as well as overseeing risk matters. The committee presents its findings and proposals to the Board, before the Board's decision-making.

The Board of Directors has elected Gustaf Douglas (Chairman) and Berthold Lindqvist as members of the Audit Committee for the period up to and including the Annual General Meeting 2007. The committee met four times in 2006. The proposed offer to list the divisions, internal control activities, the subsidiary Securitas Cash Management Ltd operations and its main exposures, contingent liabilities and assets have been major topics during 2006. In addition the restatement of 2005 and 2006 Financial accounts, the Financial Reporting for 2007 and the Insurance strategy for 2007 were discussed.

The Swedish Code for Corporate Governance requires the Board to establish an audit committee consisting of at least three Directors. The majority of the audit committee members should be independent of the company and senior management. At least one member of the committee is to be independent of the company's major shareholders.

At present the audit committee has only two members, who are not independent of the company. It is the intention of the Board of Directors to increase the number of audit committee members to three, as soon as any of the independent Board members who were elected during recent years has obtained the necessary knowledge about the company in order to carry out a meaningful work within the committee.

Remuneration Committee

The Board has also formed a Remuneration Committee to deal with all issues regarding salaries, bonuses, options 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, before the Board's decision-making.

The Board of Directors has elected Melker Schörling (Chairman) and Berthold Lindqvist as members of the Remuneration Committee for the period up to and including the Annual General Meeting 2007. The committee held two meetings during 2006.

Information on remuneration to the Board of Directors and Senior Management is disclosed in the notes and comments to the consolidated financial statements 2006.

Group Management

Group Management is 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. Group Management 2006 comprised the President and CEO, the Executive vice president and CFO and five executives. For further information on the members of the Group Management, please see page 113.

Auditors

The Annual General Meeting 2004 elected Pricewaterhouse-Coopers AB as audit firm, with authorized public accountant Göran Tidström as auditor in charge, for a period of four years.

The auditors' work is performed from an audit plan, which is determined in agreement with the Audit Committee and Board of Directors. The auditors participate in all meetings with the audit committee and present their findings from the audit at the Board meeting in February. In addition the auditors shall annually inform the Board of Directors about services rendered in excess of the audit, fees received for such services and other circumstances that might effect the evaluation of the auditors' independence. The auditors shall also participate in the Annual General Meeting, presenting their performed audit work and conclusions.

The audit is performed in compliance with the Swedish Company's Act and good auditing practice in Sweden, which is based on International Standards on Auditing (ISA). The auditors have, upon instruction from the Board of Directors, conducted a general examination of the Interim Report for the period January 1 until June 30, 2006.

Göran Tidström has been an auditor of Securitas AB since 1999. In addition to the Securitas assignment he acted as auditor in charge for TeliaSonera, Trelleborg, Meda, Volvo and Studsvik, among other stock listed companies in 2006.

Audit Fees and Reimbursement

The following fees and reimbursements to auditors have been paid for audit and other review in accordance with existing laws, as well as for advice and assistance in combination with undertaken reviews. Fees have also been paid for independent advice. The main part of the advice is audit related consultations in accounting and tax matters in relation to restructuring work.

Audit Fees and Reimbursement (PwC)[1]

	Group			Parent Company		
MSEK	2006	2005	2004	2006	2005	2004
Audit Assignment	40.6	38.0	35.1	8.2	6.9	5.9
Other Assignments	54.6	44.6	61.8	12.7	3.0	10.4

[1] Audit fees and reimbursement to PwC relates to continuing operations (excluding Systems and Direct). Comparatives have been restated.

Communication Policy

Securitas has adopted a Communication Policy, approved by the Board of Directors, in accordance with the stock market's requirements for information with the aim of ensuring that the company fulfills these requirements. The Policy covers both written information and verbal statements and applies to the Board of Directors, Group and Divisional Management as well as Country and Regional management.

The Policy states that communication shall be used in a comprehensive manner in order to create an understanding and knowledge of Securitas' strategy, business operations and financial position. Securitas' financial and other communication shall at all times comply with the Stock Exchange Rules and other relevant rules and legal obligations that might apply to Securitas, as well as with general stock market practice. The Group is fully focused on creating shareholder value, which includes providing the investment community with high-quality financial information. The Policy includes routines for Year End Report, Interim Reports, Annual Report, Annual General Meeting, the company website etc. Crisis communication and information leaks are also included in the Policy.

Insider Policy and Records

The Board of Directors of Securitas AB has adopted an Insider Policy as a complement to the insider legislation in force in Sweden. This policy is applicable to all persons reported to the Swedish Financial Supervisory Board (Finansinspektionen) as holding insider positions in Securitas AB (subsidiaries included) as well as certain other categories of employees. Each person covered by the Insider Policy is individually notified thereof. The list of persons holding an insider position in Securitas AB, which is kept by Finansinspektionen, is regularly reviewed.

The Insider Policy sets the routine for "closed periods", where trading in financial instruments issued by (or related to shares in) Securitas AB is prohibited.

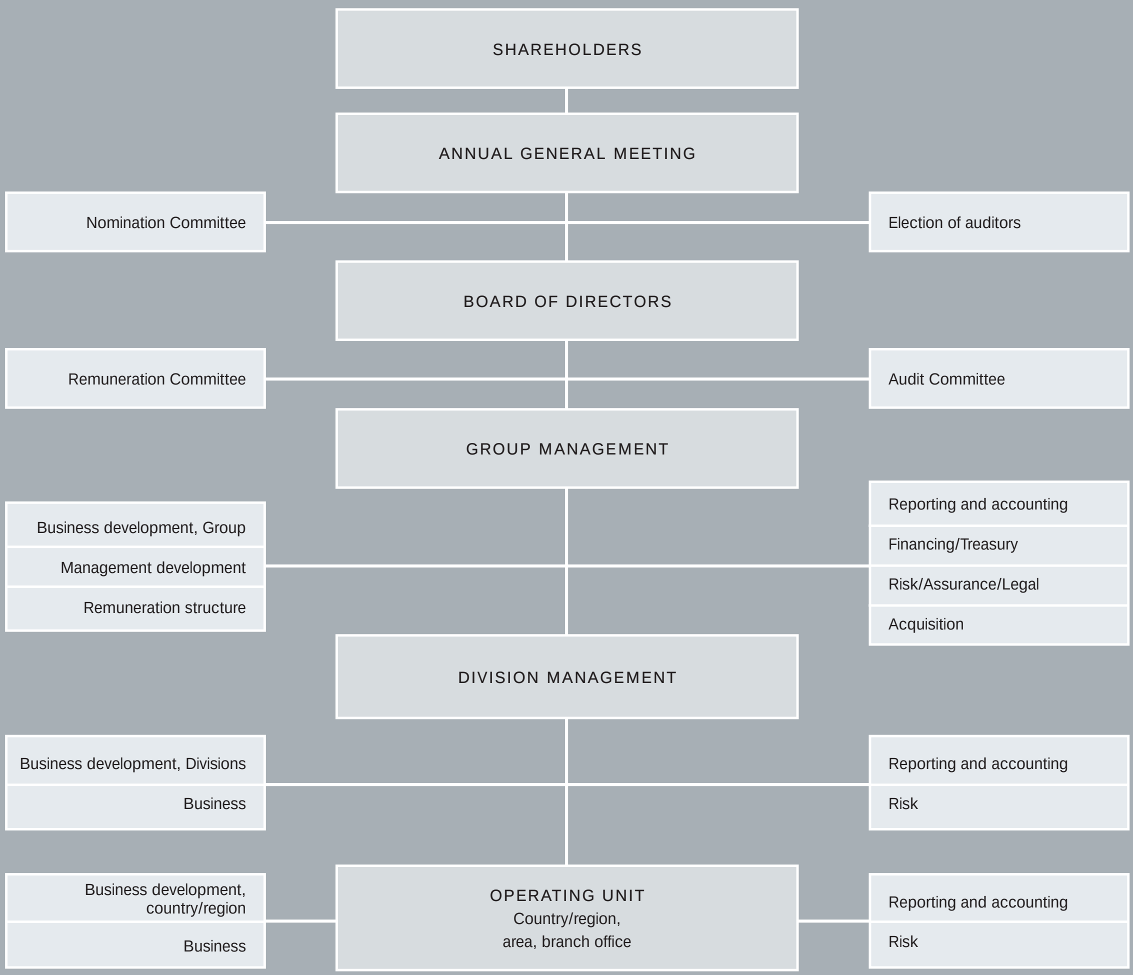
Securitas AB also maintains an internal insider register in accordance with the instructions from time to time issued by the CEO. Such register shall include, inter alia, information about all persons having access to inside information, the type of registered inside information and the date when the register was updated.

An insider trading report covering all insider trading activities in Securitas AB is presented every calendar quarter to the Board of Directors, the Auditors and Group Management.

Code of Conduct

Securitas has adopted a Code of Conduct to ensure that the company upholds and promotes the highest ethical business standards. Securitas supports and respects fundamental human rights and recognizes the responsibility to observe those rights wherever Securitas operates. The company also believes in building relationships based on mutual respect and dignity with all employees. Securitas will not use forced, involuntary or underage labour and will respect the right of all employees to form and join trade unions. Securitas is an equal-opportunity employer and does not tolerate bullying or harassment. Securitas also recognizes the importance of open communication with everyone who is in contact with the operations, including clients, workforce, investors and the general public.

Organization of Corporate Governance



Report of the Board of Directors – Internal Control

The Board of Directors is according to the Swedish Companies Act and the Swedish Code of Corporate Governance responsible for the internal control. This report has been prepared in accordance with section 3.7.2 and 3.7.3 in the Swedish Code of Corporate Governance as well as the "Instructions for Application of the Code's Rules on Internal Control Reporting" issued by The Swedish Corporate Governance Board, and is therefore limited to internal controls over financial reporting.

Securitas' system of internal control is designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material financial reporting misstatement or loss.

Control environment

The Group has established a governance framework. The key features of the control environment within the framework include; the clear terms of reference of the Board and each of its committees, a clear organizational structure, with documented delegation of authority from the Board to Group Management, the quality of employees and a series of Group policies, procedures and frameworks.

The Group overall operates in a flat and specialized organization whereby managers are given clear objectives and are authorized to make their own decisions and develop their operations close to the customers. Delegation of authority is documented in an approval matrix which provides a clear direction for managers at all levels.

Emphasis is placed on the quality and abilities of the Group's employees with continuing education, training and development actively encouraged through a wide variety of schemes and programs. The Group has adopted a set of values to act as a framework for its people to exercise judgment and make decisions on a consistent basis.

The Group's major financial policies, procedures and frameworks include a comprehensive manual, Financial Policies and Guidelines, a Reporting Manual, the Six Fingers model for financial control, Group Treasury Manual and the IT Security Manual. These are all periodically reviewed and updated.

Risk assessment

At the highest level, the Board considers where future strategic opportunities and risks lie and helps shape the corporate strategy going forward. Accountabilities for managing operational risks are clearly assigned to the Group, Divisional and local management. The Group Management team has the day-to-day responsibility for the identification, evaluation and 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 have the responsibility to ensure that there is a process throughout the division to create risk awareness. 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.

The Group has an established, but evolving, system of business risk management, which is integrated into the Group's business planning and performance monitoring processes. Additionally, business risk reviews and risk reviews are conducted routinely throughout the Group. Procedures exist to ensure that significant risks and control failures are escalated to Group Management and the Board, as necessary, on a periodic basis.

For Loomis a separate evaluation of risks has been initiated during 2006 and will be finalized during the first half of 2007. A separate structure has also been implemented for Loomis with an independent audit committee focused on risk matters in Loomis. One of the key focus points is Securitas Cash Management Ltd (SCM) – refer to Note 4, Critical estimates and judgments, of the notes and comments to the consolidated financial statements.

Control activities

Internal control covers all divisions and subsidiaries in the Group and includes methods and activities for securing assets, controlling the accuracy and reliability of internal and external financial reports and ensuring compliance with defined guidelines.

1. Self assessment

Every operating unit throughout the Group annually performs a control self assessment of the compliance with Financial Policies and Guidelines, the Reporting Manual and IT Security Manual. An extensive questionnaire is used to measure to what extent defined requirements are fulfilled. The control self assessment is signed off by the President as well as the Controller within the respective entities. As a part of the process, the external auditor performs a validation of the answers made in the questionnaire. Answers are compiled on a divisional level as well as on a Group level in order to support benchmarking within a division or between divisions. Reported deviations include written comments on planned improvements to address deviations and a deadline for when planned actions will be in place. All reports are made available to Divisional Management, Group Management and the Audit committee.

2. Risk and control diagnostics

The Group engages third parties to perform risk and control diagnostics in functional areas which by nature have high inherent risk. During 2006 the Aviation business, Pension management and Tax compliance have been subject to reviews and assessments of pervasive controls using the Group's designated control framework (COSO) as a reference point.

The findings from these diagnostic reviews are presented to Group Management and the Audit Committee.

3. Financial reporting
Controllers at all levels have 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 Divisional Controllers are responsible for ensuring compliance with the approved set of policies and frameworks and that internal control procedures in relation to financial reporting are implemented. The Controller is also responsible for reporting financial information that is correct, complete and on time. In addition each division has a Divisional Controller with corresponding responsibilities at an aggregated level.

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

5. Acquisition routines
The Group has specific policies and procedures to ensure that all acquisitions of any business are appropriately approved and rigorously analyzed for the financial and operational implications of the acquisition. The Group also conducts post acquisition appraisals on a periodic basis.

Information and Communication

A program of communication exists and is constantly being developed to ensure that all staff are given clear objectives and are made aware of the parameters that constitute acceptable business practice and the expectation of the Board in managing risks. This provides clear definition of the Group's purpose and goals, accountabilities and the scope of permitted activities of employees.

Systems and procedures have been implemented to provide the management with necessary reports on the business performance relative to established objectives. Appropriate information systems exist to ensure that reliable and timely information is made available to management, enabling them to carry out their responsibilities adequately and efficiently.

Monitoring

1. Board of Directors
The activities of the Board of Directors and division of responsibility between the board and the Group Management are governed by formal procedures.

The Board considers risk assessment and control to be fundamental to achieving its corporate objectives with an acceptable risk/reward profile and is a part in the ongoing process for identifying and evaluating significant risks faced by the Group and the effectiveness of related controls. The processes used by the Board in order to review the effectiveness of the system of internal control include:

- Discussion with Group Management on risk areas identified by the Group Management and the performed risk assessment procedures.
- Review of significant issues arising from the external audits and other reviews/investigations.

The Board of Directors has established an Audit Committee in order to provide an independent oversight on the effectiveness of the Group's internal control systems and financial reporting process.

2. Audit Committee
The Audit Committee reviews all annual and quarterly financial reports before recommending their publication on behalf of the Board. In particular the Audit Committee discusses significant accounting policies, estimates and judgments that have been applied in preparing the reports. The Audit Committee supervises the quality and independence of the external auditors.

3. Group Management
Group Management reviews performance through a comprehensive system of reporting based on an annual budget, with monthly business reviews against actual results, analysis of variances, key performance indicators (Six Fingers adapted by division) and regular forecasting. This reporting is also reviewed by the Board.

4. Functional committees
The Group has established a number of functional committees including for the functions Reporting, Finance, Insurance/Risk, Legal, Tax, IT and Compliance. These committees include the Executive Vice President and Chief Financial Officer and the appropriate functional area experts. The main purposes of these functional committees are to determine appropriate policies, communicate these policies, and ensure local understanding (including training) of policies and to monitor key issues within each area of responsibility. All committees regularly prepare a report for the Audit Committee.

5. Function for monitoring the internal control
In 2005 a need to create an objective coordinating function in relation to certain internal control activities at Group level was

identified. As such, a new function was established reporting directly to the Executive Vice President and Chief Financial Officer with an open line of communication to the Audit Committee. In line with one of the Group's fundamental principles, it is developing this function step-by-step and foresees further evolution over the next few years. The current responsibilities include:

- Assistance in the control self-assessment process specifically ensuring follow up where required.
- Monitoring the results of the risk and control diagnostics undertaken during the year and ensuring appropriate follow up of agreed actions.
- Monitoring communication from the external auditors and ensuring prompt follow up and implementation on any recommendations impacting the internal controls of the company.
- Coordinating the process of updating and renewing the Financial Policies and Guidelines, the Reporting Manual and the IT Security Manual.

6. Group Legal Function

This function has responsibility for maintaining an adequate infrastructure to ensure that legal matters are appropriately brought to the attention of Group Management on a timely basis. In addition, this function follows up on any legal risk exposures identified by each Operating Unit and a large-claims report is presented to the Audit Committee on a quarterly basis. In addition a full consolidated legal report is compiled twice a year and is available to the Group Management and the Audit committee.

Internal audit function assessment

Basis for assessment

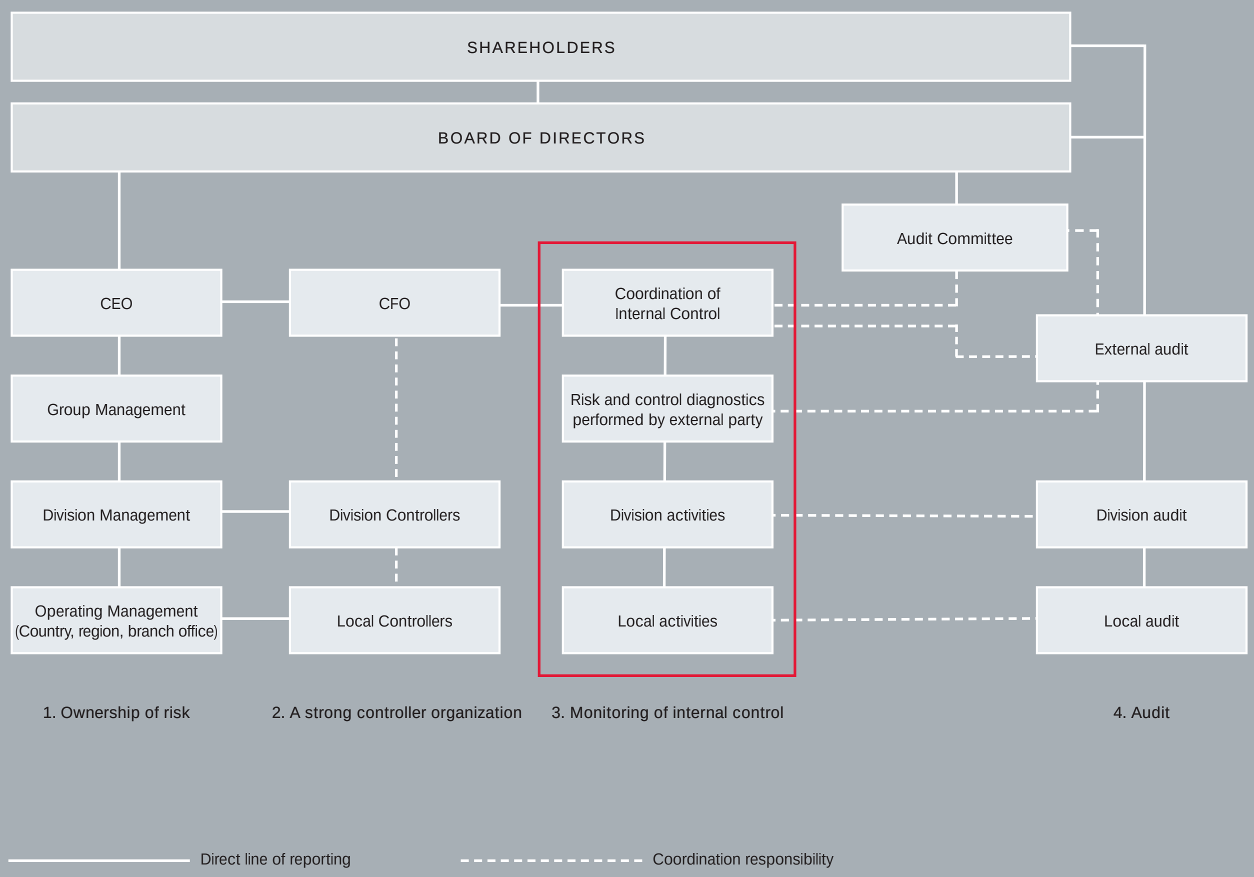
In compliance with the requirements section 3.7.3 of the Swedish Code of Corporate Governance, the Board has developed a process to evaluate the need for the Group to develop an internal audit function. The foundation of the Board's assessment is to consider how the existence of an internal audit function would help it achieve its objectives and create shareholder value by adding an objective analysis on how the Board and Group Management manage risks and monitor operations.

The assessment process highlighted certain inherent risks in the Group's business model and organizational structure such as the decentralized structure and a result driven culture. The assessment process also involved analyzing the major control mechanisms in place to address these inherent risks.
A summary of these control mechanisms is listed above and they had a significant influence on the Board's analysis. The Board's intention is to build off the recently created function for monitoring the internal control.

Assessment

In the light of the assessment made, it has not been deemed necessary to create a special Internal Audit Function. The assessment performed by the Board of Directors will hereafter be done on yearly basis as a part of the corporate governance process within the Group.

Organization of internal control



Caroline Bastaine is one of the 750 Securitas Security Officers at Brussels Airport who undertake security checks, checks on aircraft and goods and checking-in of the 30,000 passengers who pass through the airport each day.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Income 2006

MSEK	Q1 2006	Q2 2006	Q3 2006	Q4 2006
Continuing operations				
Sales	14,804.1	14,801.2	15,076.8	14,870.4
Sales, acquired business	143.8	224.4	292.7	309.6
Total Sales	**14,947.9**	**15,025.6**	**15,369.5**	**15,180.0**
Organic sales growth, %	*5*	*6*	*6*	*5*
Production expenses	–12,144.6	–12,245.0	–12,481.5	–12,158.7
Gross income	**2,803.3**	**2,780.6**	**2,888.0**	**3,021.3**
Selling and administrative expenses	–1,994.3	–1,951.2	–1,931.1	–2,030.4
Other operating income	–	–	–	4.9
Operating income before amortization	**809.0**	**829.4**	**956.9**	**995.8**
Operating margin, %	*5.4*	*5.5*	*6.2*	*6.6*
Amortization of acquisition related intangible fixed assets	–23.6	–23.2	–25.3	–21.2
Acquisition related restructuring costs	–0.2	–0.1	–0.2	0.1
Items affecting comparability	–10.0	–389.0	–158.3	–1,502.9
Operating income after amortization	**775.2**	**417.1**	**773.1**	**–528.2**
Financial income and expense	–119.3	–151.0	–126.3	–123.2
Revaluation of financial instruments	–1.8	–8.2	–17.8	–8.0
Share of income in associated companies	0.4	0.3	0.4	0.1
Income before taxes	**654.5**	**258.2**	**629.4**	**–659.3**
Net margin, %	*4.4*	*1.7*	*4.1*	*–4.3*
Current taxes	–197.1	–118.4	–164.5	–210.7
Deferred taxes	–6.2	38.1	–31.0	320.4
Net income for the period, continuing operations	**451.2**	**178.0**	**433.9**	**–549.6**
Net income for the period, discontinued operations	154.5	116.4	67.6	–
Net income for the period, all operations	**605.7**	**294.4**	**501.5**	**–549.6**
Whereof attributable to:				
Equity holders of the Parent Company	605.4	292.9	501.7	–549.6
Minority interests	0.3	1.5	–0.2	0.0
Earnings per share before dilution, continuing operations (SEK)	1.24	0.48	1.19	–1.50
Earnings per share before dilution, discontinued operations (SEK)	0.42	0.32	0.18	–
Earnings per share before dilution, all operations (SEK)	1.66	0.80	1.37	–1.50
Earnings per share after dilution, continuing operations (SEK)	1.23	0.48	1.17	–1.50
Earnings per share after dilution, discontinued operations (SEK)	0.41	0.31	0.18	–
Earnings per share after dilution, all operations (SEK)	1.64	0.79	1.35	–1.50

Cash flow 2006

MSEK	Q1 2006	Q2 2006	Q3 2006	Q4 2006
Continuing operations				
Operating activities				
Operating income before amortization	809.0	829.4	956.9	995.8
Investments in fixed assets	–342.7	–411.7	–336.7	–420.7
Reversal of depreciation	368.0	370.4	408.2	331.3
Change in accounts receivable	–188.7	–164.9	–774.2	425.2
Change in other operating capital employed	–697.0	127.4	702.4	77.7
Cash flow from operating activities	**–51.4**	**750.6**	**956.6**	**1,409.3**
Cash flow from operating activities, %	*–6*	*90*	*100*	*142*
Financial income and expenses paid	–114.5	–144.5	–123.0	–134.1
Current taxes paid	–90.1	–249.0	–156.8	–273.1
Free cash flow	**–256.0**	**357.1**	**676.8**	**1,002.1**
Free cash flow, %	*–52*	*64*	*102*	*151*
Cash flow from investment activities, acquisitions	–39.7	–202.6	–32.8	–86.1
Cash flow for items affecting comparability	–	–	–102.2	–27.1
Cash flow for financing activities	849.3	–1,421.9	3,125.3	–3,659.0
Cash flow for the period, continuing operations	**553.6**	**–1,267.4**	**3,667.1**	**–2,770.1**
Cash flow for the period, discontinued operations	847.6	–371.4	–1,727.2	–
Cash flow for the period, all operations	**1,401.2**	**–1,638.8**	**1,939.9**	**–2,770.1**

Capital employed and financing 2006

MSEK	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006
Operating capital employed, continuing operations	**6,651.8**	**6,337.7**	**6,512.4**	**4,669.2**
Operating capital employed as % of sales, continuing operations	*11*	*10*	*11*	*8*
Return on operating capital employed, continuing operations %	*54*	*49*	*47*	*29*
Goodwill, continuing operations	15,195.2	14,544.9	14,692.9	14,031.6
Acquisition related intangible fixed assets, continuing operations	354.5	414.3	446.1	464.2
Shares in associated companies, continuing operations	179.5	176.0	177.2	172.7
Capital employed, continuing operations	**22,381.0**	**21,472.9**	**21,828.6**	**19,337.7**
Return on capital employed, continuing operations %	*15*	*14*	*13*	*8*
Capital employed, discontinued operations	4,837.2	4,980.6	–	–
Capital employed, all operations	**27,218.2**	**26,453.5**	**21,828.6**	**19,337.7**
Net debt, all operations	**–11,961.9**	**–12,829.7**	**–10,992.8**	**–9,734.6**
Shareholders' equity, all operations	**15,256.3**	**13,623.8**	**10,835.8**	**9,603.1**
Net debt equity ratio multiple, all operations	*0.78*	*0.94*	*1.01*	*1.01*

Income 2005

MSEK	Q1 2005	Q2 2005	Q3 2005	Q4 2005
Continuing operations				
Sales, continuing operations	13,081.1	13,871.3	14,531.7	15,317.0
Sales, acquired business	404.7	430.7	443.9	120.2
Total Sales	**13,485.8**	**14,302.0**	**14,975.6**	**15,437.2**
Organic sales growth, %	*3*	*4*	*4*	*5*
Production expenses	–10,866.6	–11,535.9	–12,072.2	–12,307.1
Gross income	**2,619.2**	**2,766.1**	**2,903.4**	**3,130.1**
Selling and administrative expenses	–1,851.0	–1,952.2	–1,989.1	–2,100.5
Other operating income	–	–	–	–
Operating income before amortization	**768.2**	**813.9**	**914.3**	**1,029.6**
Operating margin, %	*5.7*	*5.7*	*6.1*	*6.7*
Amortization of acquisition related intangible fixed assets	–24.0	–24.4	–25.8	–23.9
Acquisition related restructuring costs	–0.2	–0.2	–0.5	–0.2
Items affecting comparability	–	–	–	–150.6
Operating income after amortization	**744.0**	**789.3**	**888.0**	**854.9**
Financial income and expense	–115.7	–131.9	–117.8	–117.8
Revaluation of financial instruments	36.7	–7.3	11.9	–5.1
Share of income in associated companies	–	11.3	0.2	0.3
Income before taxes	**665.0**	**661.4**	**782.3**	**732.3**
Net margin, %	*4.9*	*4.6*	*5.2*	*4.7*
Current taxes	–166.7	–181.7	–168.3	–260.8
Deferred taxes	6.8	22.7	–19.7	84.7
Net income for the period, continuing operations	**505.1**	**502.4**	**594.3**	**556.2**
Net income for the period, discontinued operations	100.7	125.8	130.8	198.4
Net income for the period, all operations	**605.8**	**628.2**	**725.1**	**754.6**
Whereof attributable to:				
Equity holders of the Parent Company	605.6	627.7	724.4	754.5
Minority interests	0.2	0.5	0.7	0.1
Earnings per share before dilution, continuing operations (SEK)	1.38	1.38	1.62	1.53
Earnings per share before dilution, discontinued operations (SEK)	0.28	0.34	0.36	0.54
Earnings per share before dilution, all operations (SEK)	1.66	1.72	1.98	2.07
Earnings per share after dilution, continuing operations (SEK)	1.37	1.36	1.61	1.51
Earnings per share after dilution, discontinued operations (SEK)	0.26	0.33	0.35	0.53
Earnings per share after dilution, all operations (SEK)	1.63	1.69	1.96	2.04

Cash flow 2005

MSEK	Q1 2005	Q2 2005	Q3 2005	Q4 2005
Continuing operations				
Operating activities				
Operating income before amortization	768.2	813.9	914.3	1,029.6
Investments in fixed assets	–306.5	–437.9	–329.6	–422.0
Reversal of depreciation	372.4	379.8	377.2	380.3
Change in accounts receivable	–157.0	–97.3	–280.6	223.1
Change in other operating capital employed	–354.2	37.7	343.4	373.0
Cash flow from operating activities	**322.9**	**696.2**	**1,024.7**	**1,584.0**
Cash flow from operating activities, %	*42*	*86*	*112*	*154*
Financial income and expenses paid	–65.8	–148.3	–93.1	–138.1
Current taxes paid	–98.4	–223.3	–232.2	–243.0
Free cash flow	**158.7**	**324.6**	**699.4**	**1,202.9**
Free cash flow, %	*33*	*65*	*111*	*185*
Cash flow from investment activities, acquisitions	–726.8	81.8	–1.2	–216.3
Cash flow for items affecting comparability	–	–	–	19.5
Cash flow for financing activities	286.9	–1,353.7	–755.7	–1,491.0
Cash flow for the period, continuing operations	**–281.2**	**–947.3**	**–57.5**	**–484.9**
Cash flow for the period, discontinued operations	196.6	49.3	104.0	1,676.3
Cash flow for the period, all operations	**–84.6**	**–898.0**	**46.5**	**1,191.4**

Capital employed and financing 2005

MSEK	March 31, 2005	June 30, 2005	September 30, 2005	December 31, 2005
Operating capital employed, continuing operations	**6,074.1**	**6,459.3**	**6,294.4**	**5,923.7**
Operating capital employed as % of sales, continuing operations	*11*	*11*	*11*	*10*
Return on operating capital employed, continuing operations %	*58*	*57*	*58*	*60*
Goodwill, continuing operations	14,330.9	15,354.5	15,268.7	15,317.6
Acquisition related intangible fixed assets, continuing operations	299.1	303.8	278.9	359.3
Shares in associated companies, continuing operations	–	178.5	177.4	178.6
Capital employed, continuing operations	**20,704.1**	**22,296.1**	**22,019.4**	**21,779.2**
Return on capital employed, continuing operations %	*16*	*15*	*15*	*16*
Capital employed, discontinued operations	3,859.0	4,288.8	4,390.5	4,738.5
Capital employed, all operations	**24,563.1**	**26,584.9**	**26,409.9**	**26,517.7**
Net debt, all operations	**–11,708.8**	**–13,560.5**	**–12,612.1**	**–11,944.8**
Shareholders' equity, all operations	**12,854.3**	**13,024.4**	**13,797.8**	**14,572.9**
Net debt equity ratio multiple, all operations	*0.91*	*1.04*	*0.91*	*0.82*

Reporting dates

Securitas will publish the following financial reports during 2007

Interim reports 2007	
January–March	May 14, 2007
January–June	August 7, 2007
January–September	November 9, 2007
Annual General Meeting	April 17, 2007

Financial information

All financial information is available both in English and in Swedish and may be requested from:

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Fax: +46 8 657 70 72
E-mail info@securitas.com
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Financial analysts who cover Securitas

Company name	Name
ABG Securities	Henrik Vikström/Jesper Wilgodt
ABN Amro	Jeff Saul
CAI Cheuvreux	Lars Norrby
Carnegie Fondkommission	Björn Enarson
Cazenove	Robert Plant
Cenkos	Andrew Brooke/David Greenall
Citigroup	Edward Steele
Credit Suisse	Karl Green
Danske Equities	Peter Trigarszky
Deutsche Bank	Tom Sykes
Enskilda Securities	Stefan Andersson
Erik Penser Fondkommission	Mats Hyttinge
Exane BNP Paribas	Laurent Brunelle
Goldman Sachs International	Andrew Grobler
Hagströmer & Qviberg	Jesper Norberg
Handelsbanken Capital Markets	Kenneth Toll
Jyske Bank	Jesper Klitgaard Frederiksen
Kaupthing	Henrik Fröjd
Merrill Lynch	Andrew Ripper
Morgan Stanley	David Hancock/Jessica Flounders
Standard & Poor's	Torben Sommer
Swedbank	Stefan Stjernholm
Sydbank	Jacob Pedersen
UBS Warburg	Jaime Brandwood
Öhman Fondkommission	Rolf Karp

Annual General Meeting of Shareholders in Securitas AB

The shareholders of Securitas AB are hereby invited to attend the Annual General Meeting ("AGM") to be held at 5.00 p.m. CET on Tuesday April 17, 2007, in "Vinterträdgården" at the Grand Hotel, Stockholm, entry via "Royal entré", Stallgatan 6. Registration for the AGM begins at 4.00 p.m. CET.

Notice of attendance

Shareholders who wish to attend the AGM must:

(i) be recorded in the share register maintained by the Swedish Central Securities Depository ("VPC"), made as of Wednesday April 11, 2007;

and

(ii) notify Securitas AB of their intent to participate in the AGM at the address:

Securitas AB, "AGM",
P.O. Box 47021, SE-100 74 Stockholm, Sweden,
by telephone +46 8 657 74 74,
by telefax +46 8 657 74 85 marked "Securitas AGM"
or via the company website www.securitas.com/agm2007,
by 4.00 p.m. Wednesday April 11, 2007, at the latest.

On giving notice of attendance, the shareholder shall state name, personal registration number or equivalent (corporate identity number), address and telephone number. Proxy and representative of a legal person shall submit papers of authorisation 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 VPC. Such registration must be made as of Wednesday April 11, 2007 and the banker or broker should therefore be notified in due time before said date.

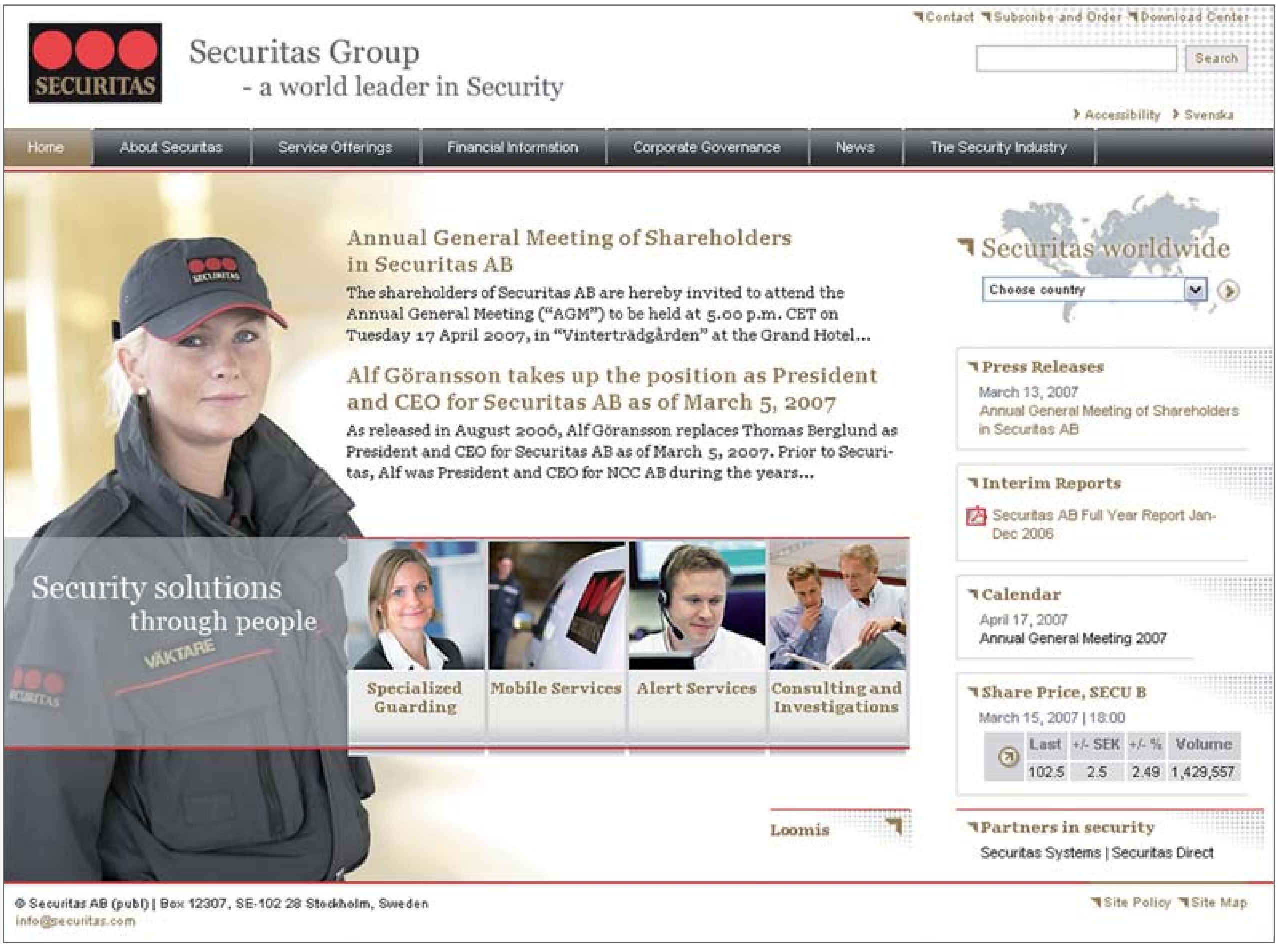
The Group's website

To present the Group subsequent to the distribution and listing of Securitas Systems and Securitas Direct, Securitas launched the following website address on September 29, 2006. www.securitas.com

The website is designed to provide useful information for shareholders, investors, analysts and customers, suppliers and employees. As in the past, the site highlights the latest information about the Group's operations, organization, financial information, corporate governance and other topical issues. Additional attention has been given to describing the Group's service offering and to providing better information to shareholders. All information is available in both English and Swedish.

On the Group's website, under the map visual, "Securitas worldwide" there is a complete list of Securitas offices throughout the world, as well as links to local Securitas websites.

Information about Securitas Systems and Securitas Direct is available from these companies' websites: www.securitassystems.com and www.securitas-direct.com



HALLVARSSON & HALVARSSON. PHOTO: MATS LUNDQVIST. (RICHARD SCHOENBERG, PICTURE 2 PAGE 10, PICTURE 1–3 PAGE 50, PAGE 66–67. MARK SNELL, PICTURE 2 PAGE 23, PICTURE 1–2 PAGE 55. ALEX QUESADA, PICTURE 1–2 PAGE 49). PRINT: LARSSON OFFSETTRYCK AB.

Integrity Vigilance Helpfulness

www.securitas.com

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