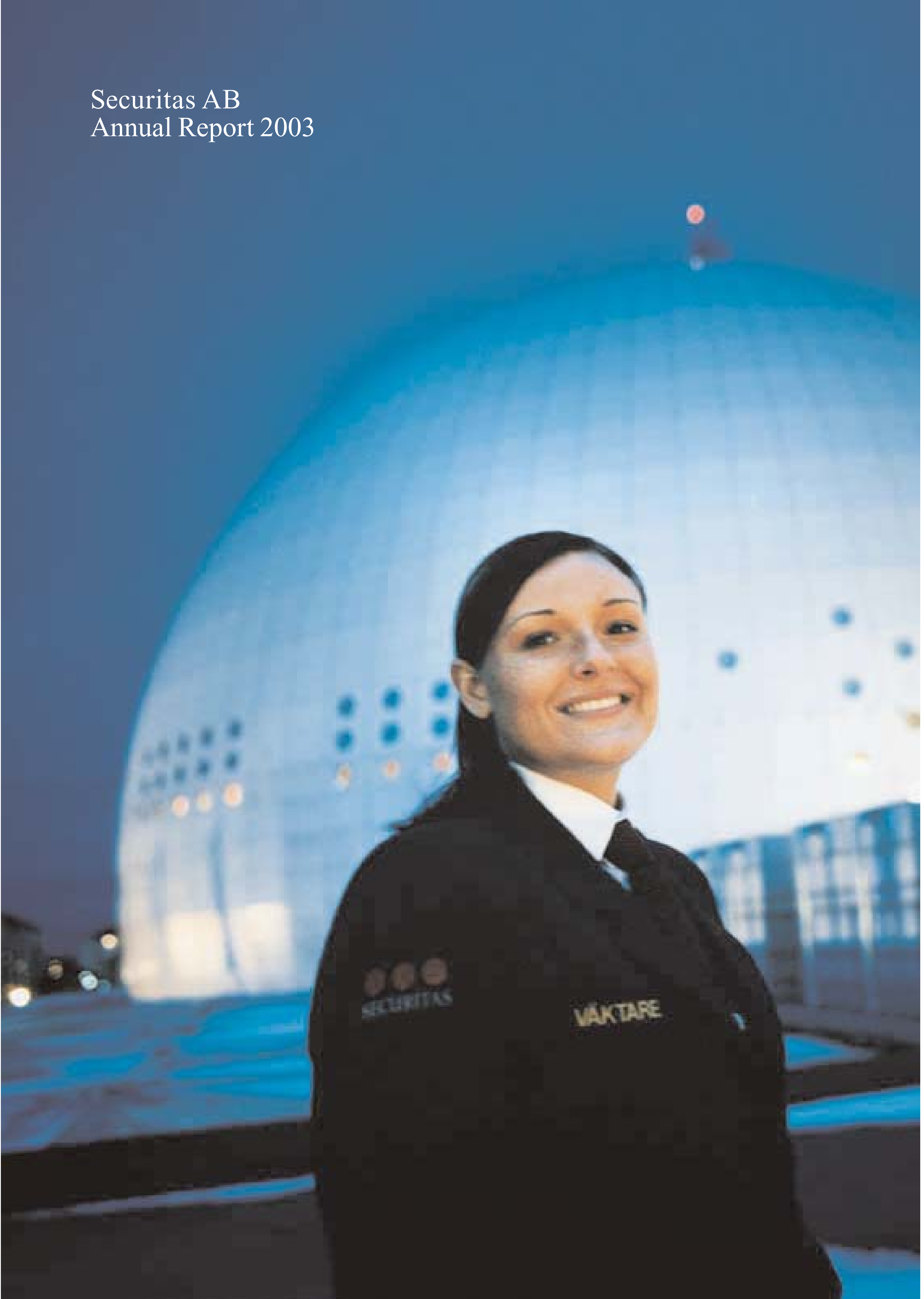
Securitas AB
Annual Report 2003



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Cover
Magdalena Berwid outside Globen Arena in Stockholm. Globen is the largest in-house arena for sports and events in Sweden. Securitas delivers a variety of security services such as permanent and patrol guarding, personal protection, alarms solutions as well as cash handling services.

A WORLD LEADER IN SECURITY

Securitas is a market leader in security; active in guarding, alarms and cash handling services. With a true focus on security, Securitas is dedicated to refine services for its customers and drive the development of improved security for homes, workplaces and society.

Securitas has over the past 15 years grown to be the world's largest security company with a market share of 8 percent of the total world market. Two strong operational platforms in the USA and Europe make Securitas present in more than 20 countries with 200,000 employees. The USA and Europe together represent 75 percent of the world security market.

Operations are organized in five divisions: Security Services USA and Security Services Europe for guarding solutions, Security Systems for large alarm concepts, Direct for professional and consumer alarm concepts and Cash Handling Services for cash transport, management, and ATM services. Securitas' annual sales in 2003 were MSEK 58,850.


Security Services USA

Facts: (MSEK)

Sales	20,881
Operating income	1,169
Capital employed	7,577
Employees	101,000
Market share, %	19

Service offering

Specialized services for permanent guarding and time-sharing services. Operations in Security Services USA is developed for small, medium sized and large regional customers as well as nationwide customers. The organization is divided into 10 guarding regions, 100 areas and 650 branch offices whereof 178 branch offices are organized to meet with specialized customers such as Government, Energy and Consulting & Investigation customers.

Highlights 2003

- Client retention rates and contract portfolio showed a stable development.
- Organic sales growth and operating margin were burdened by the general economic slowdown and temporary effects in demand during 2002.
- The restructuring of the U.S. guarding operation was finalized in 2003 and a new divisional management created. On July 1, 2003, more than 100,000 employees were united under one name – Securitas.
- Market segmentation and specialization continued.
- A National Accounts organization was established to serve nationwide customers.



Security Services Europe

Facts: (MSEK)

Sales	23,359
Operating income	1,699
Capital employed	6,510
Employees	86,500
Market share, %	15

Service offering

Specialized services for permanent guarding, time-sharing services and combined solutions (manned guarding and electronics). Operations in Security Services Europe is developed for all kinds of corporations and industries, from small local customers to large national accounts. An increasing share of specialized and value-added services characterizes operations. The division is active in 22 countries with more than 1,200 local branch offices working in close co-operation with their customers.

Highlights 2003

- Organic sales growth was stable at 3 percent and operating margins increased to 7.3 percent despite pressure from the general economic slowdown.
- Competence centers for time-sharing services were established in several markets to further drive the specialization for small customers.
- A center for refinement and combined solutions was established in Stockholm together with the Security Systems division.

Security Systems

Facts: (MSEK)

Sales	3,941
Operating income	428
Capital employed	1,290
Employees	3,200
Market share, % (US/EU)	1/4

Service offering

Security Systems supply custom designed technical systems built on modern technology to customers with high security demands. Concepts include high security for banks, integrated alarm systems for large customers and alarm-to-response solutions for centralized chain customers. The division has operations in 10 European countries and in the USA.

Highlights 2003

- Security Systems gained market share in 2003 by growing 5 percent in a close to flat market. The operating margin increased with 2.6 percentage points to 10.9 percent.
- A strong focus on installation and technical maintenance together with further specialization towards different customer segment has paid off.
- A new platform was established in Germany and the U.S. operation returned to profit.

Direct

Facts: (MSEK)

Sales	2,177
Operating income	196
Capital employed	1,213
Employees	2,500
Market share, %	9

Service offering

Direct is currently present in 10 European countries, offering standardized alarm systems for homes and small businesses. The complete alarm-to-response concept includes installation and customer services, technical maintenance and call-out services. Its concept consists of both wired and wireless systems connected to central monitoring centers and monitoring of third party alarms.

Highlights 2003

- 109,500 new alarms were installed in traditional Direct, an increase of 32 percent.
- Portfolio growth in traditional Direct increased 28 percent to 430,700 connected alarms.
- Total number of connected alarms was 565,500 including third party monitoring.
- Direct is positioned for new market entries through organic startups and Direct Business School was established to support local expansion.

Cash Handling Services

Facts: (MSEK)

Sales	9,207
Operating income	514
Capital employed	4,968
Employees	17,500
Market share, % (US/EU)	21/17

Service offering

Cash Handling Services offer transport, cash processing and ATM services in 11 countries in Europe and in the USA. Customers are mainly banks and retailers and through nationwide infrastructures with high density, Securitas can offer complete cash services to customers covering the entire monetary flow.

Highlights 2003

- Organic sales growth at -4 percent and operating margin at 5.6 percent were burdened by restructuring costs in Germany and the UK. The restructuring in Germany was at break even in December 2003.
- The cash management contract in Germany was terminated and losses under that contract are being filed as an insurance claim.
- A new divisional management was appointed for the joint operations in the USA and Europe.

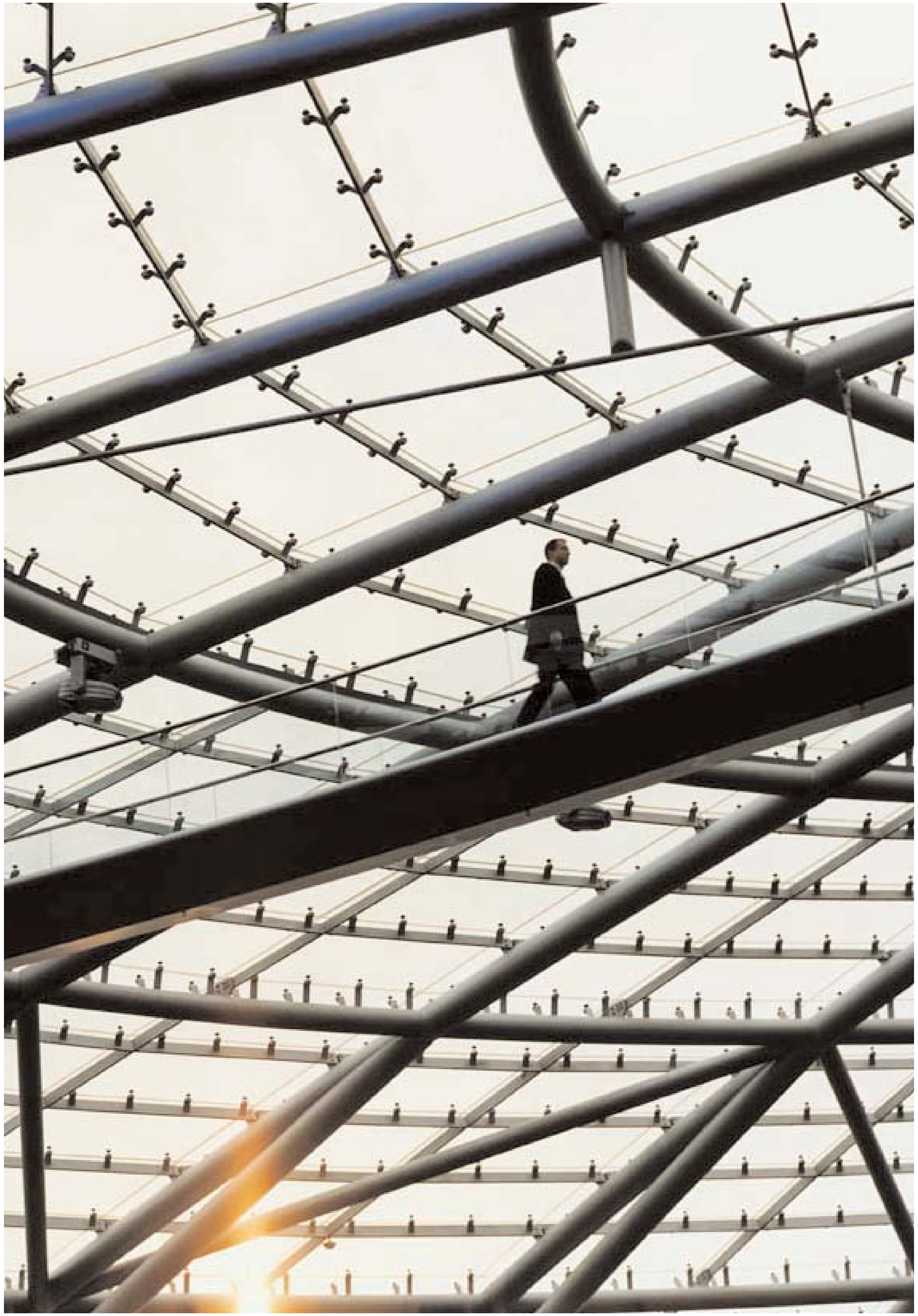
A challenging year with a strong ending

- In Cash Handling Services we experienced operational problems in Germany and the UK cash management business (SCM UK). However, we have worked through these problems during the year and are now back on track. The German operation reached, as planned, a break even result in December 2003. The loss from the WELO project in Germany is now in the process of being filed to the relevant insurers, thus no provision charges have been made. A new management team for the joint Cash Handling Services division has also been appointed.
- The further weakening of the U.S. dollar during 2003, –17 percent, together with the loss of extraordinary volumes from the U.S. airport security business and the euro introduction impacted both sales and income and made comparatives difficult. The slowdown in the general economy has impacted all divisions but we have now put most of these effects behind us.
- Even though the income deviates from our initial expectations, the year 2003 income before taxes came out as our second best so far. The free cash flow was 73 percent of adjusted income despite the extraordinary advance payment of MSEK 195 in connection with the WELO project. Over the past five years we have on average generated an annual free cash flow of 86 percent of adjusted income.
- Securitas is back on positive organic sales growth, 1 percent in the fourth quarter and 3 percent in December. This is due both to a stronger development in the divisions and a normalization in the comparatives after the euro introduction and the federalization of the airport security business in the USA in 2002.
- We are also, in the fourth quarter, back on the higher operating margin level and income before taxes, in line with the fourth quarter 2002. The strong development is due to further specialization of services and increased cost control in the divisions.
- Income before taxes in the fourth quarter was MSEK 659, which is higher than previous quarters in 2003. This is confirmed by a strong free cash flow, 126 percent of adjusted income in the fourth quarter.

Key ratios

	2003	2002	2001	2000	1999
Total sales, MSEK	58,850	65,685	60,364	40,807	25,646
Organic sales growth, %	*–3*	*8*	*7*	*6*	*9*
Operating income before amortization of goodwill, MSEK	3,732	4,458	3,855	2,560	1,630
Operating margin, %	*6.3*	*6.8*	*6.4*	*6.3*	*6.4*
Income before taxes, MSEK	1,998	2,512	1,902	1,364	1,116
Free cash flow as % of adjusted income	*73*	*122*	*80*	*64*	*68*
Return on capital employed, %	*18*	*21*	*16*	*12*	*15*
Earnings per share after full taxes, SEK	3.45	4.14	3.27	2.39	2.30

For definitions and calculations of key ratios, see page 26.



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Red Bull is one of the most renowned companies for energy drinks worldwide and entrusts its security both at its headquarter in Fuschl and at Hangar 7, Salzburg Airport, the home of the Flying Bulls, to Security Services Austria.

"Altogether, we are in a pole position to continue to drive growth and profitability in Securitas and to lead the industry development."

2003 was a challenging year for Securitas but it ended strongly. We were faced with two main operational challenges: heavy restructuring costs in Cash Handling Services in Germany to adjust to lower volumes and finally reach profitability, and the general slowdown in the economy that affected the Security Services business both in Europe and the USA.

In addition to these challenges three effects distorted the comparatives 2001 and 2002. Firstly, the airport security operation in the USA expanded heavily as a result of September 11, during the first three quarters of 2002 but was then federalized during the fourth quarter 2002. Secondly, Cash Handling Services had exceptionally high sales and income in the first quarter of 2002, when the euro currency was introduced in Europe. Thirdly, the average exchange rate between the U.S. dollar and Swedish kronor has depreciated during 2003 with 17 percent.

Nonetheless, 2003 was in profit terms the second best year so far for Securitas. We have strengthened and developed the Security Services USA management team and the sales organizations. During 2003 we also changed the name of our guarding business in the USA to Securitas. We have refined our Security Services and Security Systems operations in Europe and at the same time been growing in both sales and income. We have designed a structure that facilitates organic startups in our Direct business and kept high growth rates and improved profitability. In Cash Handling Services, a single division with a joint management has been created.

Financial results

Sales in 2003 reached MSEK 58,850, which is a decrease of 10 percent in Swedish kronor and corresponds to organic sales growth in local currencies of –3 percent. Adjusted for the loss of the U.S. airport operation and the euro introduction effect in Europe, underlying organic sales growth was 1 percent.

Operating income in 2003 reached MSEK 3,732, which is a decrease of 16 percent in Swedish kronor and corresponds to a decrease in local currencies of 9 percent. The operating margin was 6.3 percent compared to 6.8 percent in 2002.

Income before taxes reached MSEK 1,998, which is a decline of 20 percent in Swedish kronor and 11 percent in local currencies. Free cash flow amounted to 73 percent of adjusted income.

The return on capital employed (including goodwill) reached 18 percent. This is in line with the Group's long-term goal of 20 percent.

The building blocks in place

The year was spent putting the building blocks in place to strengthen both the individual divisions and the Group as a whole.

Security Services USA

In Security Services USA, we have united all acquired companies under the Securitas name. With a market leading position and a 19 percent market share, we now have an impressive presence and visibility. A strong management team has been created and sales organizations for both local and national customers have been put in place. Towards the end of 2003, organic sales growth was positive and the operating margin increased in the dominant regional business.

Security Services Europe

Despite the general economic slowdown the division delivered organic sales growth of 3 percent, outpacing the rest of the industry. Despite the difficult environment, the operating margin rose 0.3 percentage points to 7.3 percent. Time-sharing services and combined solutions were developed more quickly; training and development centers were set up and separate organizations for large and small customers were created.

Security Systems

The Security Systems division increased sales by 5 percent in a stagnant market and the operating margin rose substantially to 10.9 percent. The U.S. business is now profitable and growing, thanks to steady improvements in the organization. Security Systems is now ready to accelerate its expansion both organically and through acquisitions.

Direct

In Direct we maintained more than 18 percent organic sales growth and improved the margin by 0.9 percentage points to 9.0 percent. With more than half a million connections, Direct is now the European market leader in its monitoring business. A sales school, new system platforms and project resources have been created to increase the pace of organic startups in new markets.

Cash Handling Services

The division has been burdened by heavy restructuring costs in Germany, a slower than expected re-organization of the UK cash management business and the aftermath of the euro introduction, especially in Germany with the so called WELO contract (WErte LOgistik). U.S. organic sales growth has been held back by the general economic slowdown but the operating margin has continued to increase. The division's problems have been addressed during the year and weaknesses have been corrected. A joint management structure for the USA and Europe has been created and thus a new joint Cash Handling Services division.

Firm steps have been taken to enhance focus on the cash handling business and risk management. The new joint division under one management will further develop routines and procedures to avoid future distortion in the magnitude of the WELO project.

A strong structure

Between 1998 and 2001 Securitas increased turnover more than fourfold from MSEK 13,000 to MSEK 60,000. At the same time, the group managed to increase margins. After this rapid expansion, we spent time developing, adjusting and reorganizing the business. Part of this reorganization involved changing from a country based to a divisionalized structure.

During 2003, we have continued to strengthen the specialized divisions, which were created in 2001. A stronger structure for the development of management resources and internal communication has been implemented, giving more responsibility to each division. After September 11 and the experience from Cash Handling Services in Germany, strenuous efforts have been made to establish a correct handling of business risks, contracts and insurance cover. New organizations have been created for risk handling and compliance as well as insurance and claims handling.

In the middle of the reorganization of the U.S. Services business, the aftermath of September 11 and the economic slowdown hit us. In Cash Handling Services in Europe, the introduction of the euro adversely affected the restructuring of our German operations with severe consequences.

We have worked through these problems during 2003. We stand strong and have learnt valuable lessons.

Our strategy stands firm

The demand for security is constantly evolving. Whether in good times or in bad, there is a need for more refined and specialized security. With the two solid operational platforms in the USA and Europe we are determined to focus on our core values and deliver value-added security services. The key drivers for this will be a constant development of service concepts, specialization towards specific customer needs, and finding and developing people with the right knowledge and attitude. Our enhanced focus on business risks – risk evaluation, and handling of contracts and claims – will ensure the quality of our service.

The specialized divisions now have strong management teams with a firm grip of their businesses; they have ambitious plans for the future and they have the energy and resources to fulfil them. Altogether, we are in a pole position to continue to drive growth and profitability in Securitas and to lead the industry development.

As always our strategy is twofold – to spend the time it takes to demonstrate strong organic development. And when that has been demonstrated, to leverage the Securitas Model at the right time by buying new businesses and offering new services.

Stockholm, February 18, 2004

Thomas Berglund

Thomas Berglund, President and Chief Executive Officer

The Securitas brand has been a well-recognized symbol in many European countries for years. In July 2003, all U.S. guarding operations was united under the Securitas name to enhance our identity and provide consistency in our services.

Securitas' mission is to protect homes, workplaces and society, thus contributing to a safer and more secure way of living.

To this, ethics and values play a prominent role in all our operations so as to make customers, employees, shareholders and other stakeholders feel confident about the company. Ethics must be an integral part of our business and every action taken by Securitas and its employees must at all times satisfy the highest ethical, moral and legal standards.

Values

Securitas is built around a core set of values – integrity, vigilance and helpfulness.

These values are simple, unchanging and essential to the way we do business. In Securitas we know we must remain true to these principles to protect and promote the company's world-class reputation.

Integrity

The integrity of the Securitas workforce is essential. In a security business such as ours, customers must have complete confidence in the people to whom they are entrusting their property, their valuables and their own employees. Customers need to feel comfortable about leaving Securitas' employees to work unsupervised, knowing that we are honest, upright and truthful. Our employees are also encouraged to be frank and open in the way they communicate, reporting improprieties and conveying important information to the relevant authorities.

Vigilance

Vigilance is also crucial to our success. The security industry is based on watchfulness and, as a premier operator in the sector, Securitas must be particularly alert and aware. Our employees are always attentive, developing an intuition that helps them to notice things that others do not. Thus being aware of potential risks and incidents that can occur on customers premises.

Helpfulness

Securitas likes to give its customers a little extra and for many, that comes in the form of helpfulness. Our employees will lend a hand, even if the task in question does not relate directly to their job. We will always offer assistance in a situation that requires extra help, as part of an ongoing effort to make everyone's life safer.

Living the values

The values comes through every day by our 200,000 employees conducting services to customers around the world. Our people are the essence of Securitas and we believe in building relationships based on mutual respect and dignity with all our employees. To enable our people to carry out a professional service, we continuously provide training programs and promote the development of wage levels and industrial standards. We also recognize the importance of open communication with everyone affected by our operations, including clients, our workforce, investors and the general public.

The Securitas Direct's business school trains people in sales, services, installation and best practice. More than 500 new students are expected to attend training sessions during 2004.

Fabien Amar, a Sales representative for Security Systems Paris, in conversation with Patrick Allais who is in charge of the security at Renault.

Javier Montes Martínes, Security Services Spain, conducting the beat service at a warehouse outside Madrid.

In the past 20 years, Securitas has moved from being a domestic Swedish business with MSEK 1,000 sales to a multi domestic company with sales of MSEK 60,000. 2003 was a challenging year for Securitas, as we strove against a number of factors, both internal and external. In 2004 we will see improvements. But these will not come through a change in our strategy. Rather we have refined our operations and sorted out our problems. Our strategy remains unchanged.

Our strategy

– Focus on security
– Refine and specialize security services
– Expand Securitas organically and leverage through acquisitions.

Our strategy is realized through the Securitas Model, which is basically an organic business model designed to develop and refine existing business. Acquisitions are just a way to leverage our knowledge and add volume to the organic process.

Refinement for growth and profitability

In the short term, our focus is twofold. We aim to deliver organic sales growth and margin improvement in all divisions and we intend to demonstrate that we have rectified once and for all the Cash Handling Services problems in Germany.

In the long term we will continue to expand the Security Services and Security Systems divisions. The Security Systems division is already growing organically but it needs to acquire platforms in new countries. An expanded Security Systems division will provide a better balance between guarding and alarms, enabling us to supply a greater number of combined solutions to customers and refine our stand-alone offers. In the Security Services divisions, we intend to refine our services for both large and smaller customers, thereby accelerating organic sales growth. Compared to the size of the business area, acquisitions will be less substantial.

In the Direct division, we have developed distinct concepts for the private home and small commercial monitoring market. Over the last two years, we have built an organization with the competence and resources to attract and efficiently train new employees, local sales and installation partners. Thus we aim to maintain annual sales growth of more than 20 percent in this sector.

In Cash Handling Services we have developed specialized solutions for both banks and retailers. We have also created a joint Cash Handling Services division for the USA and Europe. We are going to leverage this platform by speeding up the exchange of commercial and operational knowledge, thereby improving performance and building on our leadership in the industry.

Organic development

In 2004, we will concentrate on organic growth in each of these five divisions, making occasional acquisitions when the right opportunities arise. We only have 8 percent of the global security market so there is plenty of room for expansion.

We are determined to maintain our position as a leading player in the industry, not just in size but in the way we treat our customers and all other parties interested in Securitas.

2004 is about focusing on what we have and to refine our services to make them even better. We have high hopes for our future.

Security guard Javier Montes Martines, Security Services Spain on patrol at Stock Uno in Madrid.

Caroline Ducoin, Branch Manager Security Systems Paris, at UNESCO where Securitas last year installed access control systems to help the security guards better scan the admissions.

Herbert Weiland (left) and Robert Eggenfellner on duty at T-Mobile's headquarter in Vienna.

At Securitas, we believe in keeping things simple. Our business model has been in place since the mid-1980s and it has helped us to grow exponentially. The model has nine constituent parts, which together cover every aspect of growth and development of our company.

Focus on security

Our core values are the foundation for the business. Integrity, vigilance and helpfulness are what we expect from our employees. The undivided focus on security is what makes us able to deliver. We have deliberately chosen not to diversify, remaining committed to our core business so that we can constantly improve and refine the way we serve our customers.

The Market Matrix

Good service comes with knowledge. We believe that the best way to begin to know our customers is by identifying their demands and desires. As a first stage in this process, we have compartmentalized our marketplace, dividing customers into five broad sectors – banks, large businesses, smaller businesses, retailers and individuals. Each of these sectors has different basic needs and splitting up the marketplace in this way facilitates our understanding and our ability to assist.

The Value Chain

We strive to build optimised value for each and every customer where understanding customers is an important part of the jigsaw; knowing how to work together with them is another. All our clients require individual attention and there are particular ways of selling to, producing for and communicating with each one. Through customized value chains, we ensure that customers with whom we do business receive the best solution for their specific needs.

Flat Organization

Securitas is a local security provider within a large, international structure, operating in more than 20 countries with more than 200,000 employees. We have chosen to decentralize the Group, creating a flat and specialized organization and fostering local links between customers, managers and employees. Each manager has full responsibility for his or her particular area. This encourages closeness between employees and customers and makes managers focus on the bottom line performance.

Financial Control – Six Fingers

Given the size of the Group and the decentralized way in which we operate, financial control is of paramount importance. We insist on close monitoring of six key financial ratios: sales of new contracts; development of the contract portfolio; total sales growth; effective planning; control of expenses and control of accounts receivable. These control mechanisms are known internally as the Six Fingers and ensure that every manager in Securitas has a constant focus on prompt, accurate and relevant financial information.

Risk Management

Business risk evaluation is included in all our decision making. This is to ensure that we at all times equal the risk we undertake with the long-term benefit of a certain contract and the compliance with our business ethics. The risk model is built on years of our own experience combined with external legal expertise. It requires every manager to use a strict process for risk evaluation, and handling of contracts and claims. By following this systematic process we ensure the quality of services to our customers, thereby being a long-standing security provider.

Salzburg Airport – Security Services Austria attend four of six airports in Austria and has reinforced its market leading position on the Austrian Aviation Security Market.

Juan Cobarro, Securitas Direct Spain, discussing the installation he has just fitted in a residential home in Alicante.

Anna Thyrberg and Hussein Hussein collecting money from a bank in Gothenburg, Sweden.

The Industry

As a leader in the security industry, Securitas takes a keen interest in the development of the industry at large. We work with governments, unions and fellow security organizations to improve conditions in the industry and enhance its value creation and thereby the reputation as a focused, specialized security industry. Reasonable wages and good standards help to attract and retain committed employees, thereby improving the service levels for customers.

Step by Step

Securitas is a driven organization and our goals are ambitious. However, we do not try to achieve everything at once. Rather we have devised a step-by-step approach to make our aspirations more manageable.

The first step is to create an appropriate structure, making sure the organization employs the right people in the right places, and that we have appropriate financial systems in place.

The second step is to ensure employees have a thorough understanding of the business as it stands so we can improve the quality of operations and enhance profitability.

The third step is to develop our services and add new customers, thereby delivering a business that is solid and strong, producing stable organic sales growth and profit, enough to move to the fourth and final step – adding more business through acquisitions.

People Make the Difference

Every part of our model is rooted in practicality but the first eight parts deal with ideas and concepts. This part reminds us that Securitas would be nowhere without our people. People with the right knowledge and attitude have a vital role to play in the development of our company and we look for understanding, commitment and pragmatism. We also expect our managers to lead by example so that all our employees can develop and grow according to the high standards we set.

Every year new initiatives are taken to develop our employees. Management training is carried out on Group level as well as within the divisions to secure management capacity and succession, at all levels. Extensive training programs for security officers in all divisions are repeatedly provided – often beyond the legal requirements.

The global security market is worth approximately MSEK 757,000, with North America and Europe accounting for around 75 percent of the total. In the long-term perspective, the industry is expected to grow by 7 to 9 percent annually.

Securitas a market leader

Securitas has a 10 percent share of the U.S. security market, whose total worth is estimated at MSEK 250,000. Within this, guarding services are valued at MSEK 112,000, where Securitas has a 19 percent market share, excluding consulting and investigation. Demand for guarding services is concentrated to highly populated areas in the western, central, northeastern and southeastern USA.

The European security business is valued at around MSEK 317,000 and Securitas has a market share of approximately 11 percent. Guarding services are valued at 150,000 MSEK and Securitas is responsible for 15 percent of the industry.

World security market

Market	Size MSEK	% of total	Estimated long term growth	Securitas' share
USA[1]	250,000	33%	6–8%	10%
Europe	317,000	42%	6–8%	11%
Japan	65,000	9%	7–9%	0%
Rest of the world	125,000	16%	10–11%	0%
Total	**757,000**	**100%**	**7–9%**	**8%**

Source: Securitas and Freedonia

[1] Excluding market for consulting and investigation.

Business area development

MSEK	Total market	Long-term growth	Securitas' market-share
Security Services			
Europe	150,000	6–8%	15%
USA[1]	112,000	6–8%	19%
Security Systems	191,000	10%	2%
Direct	59,000	20%[2]	9%[3]
Cash Handling Services	55,000	10%	17%

Source: Securitas and Freedonia

[1] Excluding market for consulting and investigation.
[2] Consumer segment.
[3] Market share in Europe.

Market and market shares 2003

MSEK	Security Services Market	Security Services Securitas	Security Systems Market	Security Systems Securitas	Direct Market	Direct Securitas	Cash Handling Services Market	Cash Handling Services Securitas	Total Market	Total Securitas
Nordic	9,119	52%	8,260	25%	2,900	27%	2,462	46%	22,741	39%
Big Five	85,552	14%	67,995	2%	13,800	8%	24,474	17%	191,821	10%
Other Western Europe	21,740	22%	19,809	1%	5,720	5%	4,399	9%	51,668	11%
Eastern Europe	10,787	3%	3,317	2%	1,056	0%	2,272	7%	17,432	3%
Overseas[1]	22,312	5%	5,189	0%	2,100	0%	3,417	0%	33,018	4%
Europe	**149,510**	**15%**	**104,570**	**4%**	**25,576**	**9%**	**37,024**	**17%**	**316,680**	**11%**
USA[2]	**112,115**	**19%**	**86,464**	**0%**	**33,686**	**0%**	**17,773**	**21%**	**250,038**	**10%**
Total	**261,625**	**17%**	**191,034**	**2%**	**59,262**	**4%**	**54,797**	**17%**	**566,718**	**11%**

Source: Securitas and Freedonia

[1] Includes Canada, Mexico and Argentina corresponding to divisional structure.
Overseas markets are not included when calculating European market shares for Systems, Direct and Cash Handling.
[2] Consulting and Investigation not included

Securitas remains the worldwide market leader in security, with a total market share of 8 percent.

Growing demand

Society's growing prosperity is the driving force in the security industry. Historically, industry growth has exceeded GDP by a few percent each year. Other important growth factors include outsourcing and specialization. Crime rates, on the other hand, only marginally affect the industry. The market has experienced high growth over the past five years, even though crime levels have dropped.

Following September 11, 2001, there was a sharp increase in demand for security, particularly in the USA, but to some extent also in Europe. Most of this additional demand has proved to be short-term, which contributed to comparatively low market growth in 2003. An American study* has confirmed that the median security expenditure has only increased by 4 percent since September 11, 2001. The study further suggests that the consequent general economic slowdown has prompted companies to focus on security cost savings, through consolidation and economies of scale.

The security industry is cyclical. In general, this cyclicality is experienced late in the economic cycle, which means that the industry has yet to benefit from the recent positive trends in the world economy. However, this leaves significant upside potential for coming years and it is expected that the USA and Europe will return to historical growth rates of 6 to 8 percent in the future.

In local currencies, total market growth in 2003 was around zero percent. Nonetheless, the industry has continued to develop in the right direction with greater focus on professional security. During the year, the guarding business experienced a decreasing trend in employee turnover, while wages and prices increased. Cash handling continued to expand its offered services from mere cash transporting towards integrated cash handling services.

* The Conference Board, Corporate Security Management.

Increased specialization

Product mix and wages drive growth and profitability in the security industry. In less developed markets, the demand for security services is linked to low prices and simple security services. Wages and training levels are low and employee turnover is high as a result. Margins are low and growth is slow.

When, however, wages are being increased, market expansion is more rapid. Employee turnover declines and guards become increasingly competent and able to provide more specialized, higher quality services. Training levels also improve so fewer guards can provide an increasing number of services with better quality. Product mixes change as customers begin to demand more specialized services. Growth follows, consisting largely of price and wage increases. Employee turnover is significantly lower, which clearly benefits the customer. Markets at this stage of the development tend to be more profitable than less developed markets.

In more developed markets, wage levels stabilize. Growth now comes largely from volume gains. Customers complement manned guarding with technical monitoring and alarm systems – so-called combined solutions. Moreover, time-sharing services increase, providing customized solutions dependent on risk exposure. Markets at this stage have higher overall margins and better profitability.

Building the industry

Over the past 20 years Securitas, as market leader, has taken responsibility for building a security services industry. The market has moved from being a low-end supplier of guarding personnel, provided by a number of facility service conglomerates, to a more focused and specialized security solutions industry.

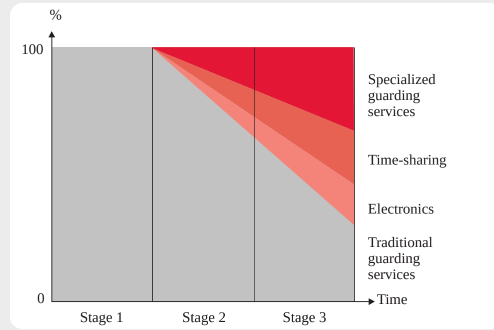
In the past few years, a similar development has taken place in cash handling services. Traditionally the industry focused on cash transporting, carried out by distribution companies. Today the market is almost entirely driven by dedicated cash handling companies and there is a steady move towards integrated cash handling solutions.

Over the next decade, the challenge will be to ensure that the electronic security systems and monitoring industry develops efficiently. Today the market is highly fragmented and participants range from large industrial conglomerates and telecommunication companies to individual electricians. Future growth and profitability in the systems segment are dependent on our ability to further contribute to building a focused and specialized industry.

Wages and employee turnover

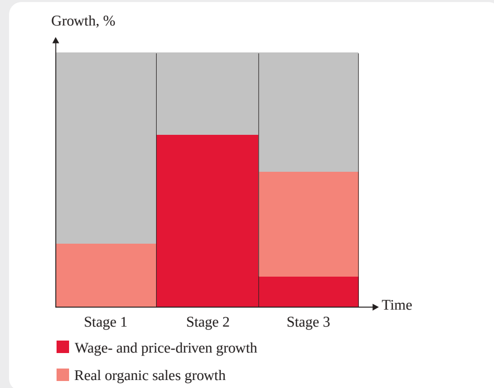
In stage 1, wage levels are often lower than half the average level for industrial workers. In addition, employee turnover can be more than 100 percent. A developed market, stage 3, has stable wage levels and low employee turnover.

Product mix



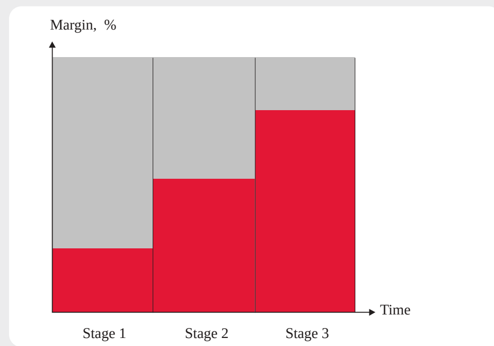
In a less developed market, the entire volume consists of traditional guarding services with little growth. In a developed market, the product mix is complemented by time-sharing, specialized guarding services and technical systems, with higher growth as a result.

Market growth



In the first stage, growth is low. When wage levels are adjusted upward, growth rises, primarily based on wage and price increases. In stage 3, when wage levels stabilize, real growth will also increase.

Profitability



In a developed market, profitability is significantly higher, since more value-added services and better internal efficiency create room for higher margins.

Since the year 2001 Securitas is organized in five focused divisions – Security Services USA, Security Services Europe, Security Systems, Direct and Cash Handling Services. The five divisions provide the operational structure for Securitas' business proposition as well as internal control and reporting.

Each division is specialized with its own divisional management team and organization in every country of operation. A clear strategy and allocated resources enable the division to act independently within the Group to serve customers and fulfill objectives. The many local branch offices create the foundation for the daily business. There are around 2,000 branch offices in Securitas, each responsible for its own customers, employees and profitability.

Furthermore, being organized locally creates the right knowledge about customer needs and a flexibility to develop the business in accordance with local conditions.

Countries of operation

Security Services USA

East Central Region, Indianapolis, Indiana
Mid-Atlantic Region, Pittsburgh, Pennsylvania
New England Region, Boston, Massachusetts
New York/New Jersey Region, Parsippany, New Jersey
North Central Region, Downers Grove, Illinois
Northern California Region, Walnut Creek, California
Rocky Mountain Region, Denver, Colorado
South Central Region, Houston, Texas
South East Region, Kennesaw, Georgia
Southern California/Hawaii Region, Orange, California
National Accounts, Denver, Colorado
Global Accounts, Detroit, Michigan
Government Services, Springfield, Virginia
Consulting & Investigation Parsippany, New Jersey

Security Services Europe

Austria, Vienna
Belgium, Zaventem
Czech Republic, Prague
Denmark, Glostrup
Estonia, Tallinn
Finland, Helsinki
France, Paris
Germany, Düsseldorf
Great Britain, London
Hungary, Budapest
Ireland, Dublin
Luxembourg, Luxembourg
The Netherlands, Amsterdam
Norway, Oslo
Poland, Warsaw
Portugal, Linda-a-Velha
Spain, Madrid
Sweden, Stockholm
Switzerland, Lausanne
Argentina*, Buenos Aires
Canada*, Toronto
Mexico*, Monterrey

Security Systems

USA
North Region, Boston, Massachusetts
Response Region, Boston, Massachusetts
South Region, Norcross, Georgia
West Region, La Mirada, California

Europe
Belgium, Kortenberg
Denmark, Glostrup
Finland, Helsinki
France, Paris
Germany, Düsseldorf
The Netherlands, Amsterdam
Norway, Oslo
Portugal, Linda-a-Velha
Spain, Madrid
Sweden, Stockholm

Direct

Europe
Belgium, Evere
Denmark, Glostrup
Finland, Helsinki
France, Paris/Lyon
The Netherlands, Geldrop
Norway, Oslo
Portugal, Linda-a-Velha
Spain, Madrid
Sweden, Linköping
Switzerland, Lausanne

Cash Handling Services

USA
Central Division, Dallas, Texas
Eastern Division, Alpharetta, Georgia
Western Division, Bountiful, Utah

Europe
Austria, Vienna
Denmark, Copenhagen
Finland, Helsinki
France, Lutterbach
Germany, Düsseldorf
Great Britain, Nottingham
Norway, Oslo
Portugal, Lisbon
Spain, Madrid
Sweden, Stockholm
Switzerland, Zurich

* Included organizationally in Security Services Europe

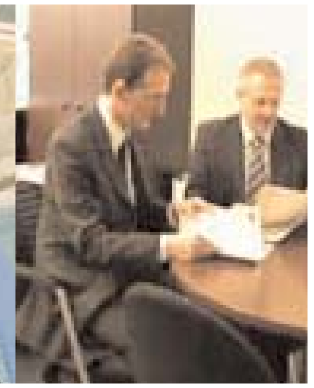
Branch Managers across the organization

James Filkosky is a Senior Branch Manager (Philadelphia) for Security Services USA. He has been with the company since 1990 and has an operational and financial responsibility of 7,300 weekly permanent hours. His major achievements 2003 were an operating result of 110 percent of budget and a customer retention rate of 98 percent.

Curt Johansson is a Branch Manager (Södertälje) for Security Services Europe, Sweden. He has been with Securitas since 1984 and his main responsibility is the profitability and service development for large customers. A major achievement during 2003 was the signing of a long term security agreement with Scania comprising both guarding and security technology solutions.

Rocio Ortiz Montes is a Branch Manager for Security Systems' Sales and Installation in Barcelona, Spain. She has been with Securitas since 1997 and her main responsibility is to further develop the branch, follow up the production process, profitability and customer relations. Her major achievement 2003 was a combined contract win together with Security Services Europe at the University of Barcelona.

Alejandro López Pascual is a Direct Branch Manager in Valencia-Castellón, Spain. He has been with Securitas since 1998 and his main responsibilities are to create, organize and motivate the sales structure in order to become the industry reference in the area. His major achievements in 2003 were to expand the branch from 35 to 51 employees with sales of 5,410 units (2,824) as well as open additional sub-branches in Gandía and Paiporta.



Frank Vilain (left) is a Branch Manager (Strasbourg) for Cash Handling Services in Europe and has been with Securitas since 1997. His main responsibilities are the day-to-day running of the branch, the profitability, organization, optimization and customer relations. His major achievement 2003 was to contribute to protecting Securitas' position in the French market.

Small in large

Securitas is a local security provider in a large international structure. The nature of our business requires a true local presence where we specialize our services for specific customer needs. The local organization is then supported by the strong Securitas brand, the shared business model and the Group's financial strength.

Flat organization

The way we organize Securitas is built on the fact that our business is local and calls for a detailed knowledge about each customer's risk judgement, nature of business and the values to be protected. The current divisional structure is divided in three operational levels – branch offices, area level and regional/country level. This leaves us with only four management levels in the entire Group, which creates speed in decision-making and fast implementation of the business model and new customer concepts. The flat and specialized organization also enables operational and financial benchmarking between the divisional units and provides a high level of visibility for internal control.

Specialization for development and growth

The core unit in this structure is the branch office, which is the local operational unit with a clear responsibility for its customers and employees. Every branch is a profit center where the branch manager is fully responsible for the profitability and is incentivized on bottom line performance. The branch offices are increasingly specialized around different customer segments to serve specific security needs. The specialization helps the ongoing refinement of customer concepts like time-sharing and combined solutions for guarding services, wireless alarm systems for small businesses and homes and a split of installation and maintenance customers in the large system business. The local specialization is in turn supported by regional and divisional Competence Centers for training and development in many countries in Europe and in the regions in the USA. All in all, the specialization of the organization towards different customer segments enables a continued refinement of our services, which is the corner stone for long-term growth and profitability.

“Our objective is to provide every Branch Manager in Securitas with relevant, reliable and timely financial information – and benchmarking.”

HÅKAN WINBERG
EXECUTIVE VICE PRESIDENT
AND CHIEF FINANCIAL OFFICER

Securitas’ financial control is based on continuous measuring of the Group’s performance from branch offices upward and a regular presentation of information in simple, clear ratios that can be understood by the entire organization.

“Six Fingers places the focus on key factors that impact profit, and not on the profit trend itself.”

Transparency and clarity are the two corner stones of both our internal and external financial reporting. Since the late 1980s, Securitas has used a financial model called Six Fingers as the basis for our internal follow-ups. The model was developed in Security Services and has since been modified and adapted to the other business areas. Among other things, it has been expanded to include key factors relevant to each business area. Six Fingers places the focus on key factors that impact profit, and not on the profit trend itself. These key factors, which are presented below, are clearly linked to the operations and are being used from branch offices upward. Six Fingers thus can help to ensure that measures are taken quickly to improve profit. The model is also used in other situations, for example to analyze acquisition targets.

The key factors in Six Fingers are divided into three categories: volume-related factors, efficiency-related factors and factors affecting the capital usage.

Volume-related factors

Securitas’ operations are based on the establishment of long-term customer relationships. Guarding services, alarm monitoring and cash handling services are often purchased on an annual or multi-year basis. The portfolio of customer contracts and how it develops are critical to Securitas’ operations, and the first three key factors in Six Fingers are therefore related to the portfolio of customer contracts.

The first key factor is new customer contract sales which measures the inflow of contracts to the portfolio. Net change in the portfolio of customer contracts is the second factor. Net change is the new starts of customer contracts coming out of new sales plus any increases in sales in existing contracts less terminated customer contracts and reductions in sales in existing contracts. Price changes are monitored separately.

Total sales is the third key factor. In addition to contract-based sales, this includes temporary assignments.

Specification of contract portfolio (example)

	Value	% change of 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**

Efficiency-related factors

Gross margin, the fourth factor in Six Fingers, measures efficiency in service production and is defined as total sales less direct expenses in relation to total sales. Indirect expenses is the fifth key factor. Its focus is on the organizational structure. This includes administrative expenses, that is expenses for branch, area and regional/country offices.

Gross income less indirect expenses equals operating income before amortization of goodwill. When this is expressed as a percentage of total sales, it indicates the Group’s operating margin, which in Securitas’ financial model therefore is shown before amortization of goodwill.

Capital usage related ratios

In general, Securitas’ operations are not especially capital intensive, although there are significant differences between the business areas. Security Services has the lowest capital requirements and Cash Handling Services has the highest. The most important factor for capital employed is accounts receivable.

Days of sales outstanding (DSO) is therefore the sixth key factor in Six Fingers. Payment terms and effective claim processing routines are decisive in determining how much capital is tied up in accounts receivable, and they 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 defined as operations-related non interest-bearing assets less operations-related non interest-bearing liabilities.

Good control of the operating capital employed is necessary for a strong cash flow. Cash flow from operating activities is an important key ratio at the operating level. It is defined as operating income before amortization of goodwill less net investments, change in accounts receivable and changes in other operating capital employed.

Six Fingers and external key ratios

The key factors in Six Fingers are clearly linked to the Group’s external key ratios, as indicated in the table below.

Securitas has established financial objectives in the form of a number of key ratios that we report externally. The financial objectives and how well Securitas has met them are shown in the diagrams on page 21.

The volume-related factors listed above – new sales, net change of customer contract portfolio and total sales – together equate 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 efficiency-related factors – gross income and indirect expenses – define operating income before amortization of goodwill and operating margin.

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

In terms of 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 and shares in associated companies. The Group’s free cash flow is cash flow from operating activities less net financial items paid and current taxes paid. Free cash flow provides a measure of how much cash flow can be used for dividends to shareholders, acquisitions or to amortize debt. Free cash flow less dividends and acquisition related items, among other things, indicates the change in net debt. Return on capital employed is

Six Fingers – Securitas’ financial key ratios

	The Group’s key ratios used externally	**Key ratios per business area**			
		Security Services	**Security Systems**	**Direct**	**Cash Handling Services**
VOLUME-RELATED RATIOS			Order bookings Order backlog	No. of new installations No. of monitored alarms No. of cancelled alarms	New sales of ATM services No. of monitored ATMs
		New sales of customer contracts	New sales of service contracts		New sales of customer contracts
		Net changes in portfolio of customer contracts	Net changes in portfolio of service contracts	Net changes in portfolio of customer contracts	Net changes in portfolio of customer contracts
	Organic sales growth	Organic sales growth	Organic sales growth	Organic sales growth	Organic sales growth
	Total sales	Total sales	Total sales	Total sales	Total sales
EFFICIENCY-RELATED RATIOS		Gross margin	Gross margin	Gross margin	Gross margin
					Cash handling losses
		Indirect expenses	Indirect expenses	Indirect expenses	Indirect expenses
	Operating margin	Operating margin	Operating margin	Operating margin	Operating margin
	Income before taxes				
CAPITAL USAGE RELATED RATIOS		Days of sales outstanding (DSO)	Days of sales outstanding (DSO)	Days of sales outstanding (DSO)	Days of sales outstanding (DSO)
	Operating capital employed as % of total sales		Operating capital employed as % of total sales	Operating capital employed as % of total sales	Operating capital employed as % of total sales
	Free cash flow		Cash flow from operating activities as % of operating income before amortization of goodwill	Cash flow from operating activities as % of operating income before amortization of goodwill	Cash flow from operating activities as % of operating income before amortization of goodwill
	Return on capital employed			Return on capital employed	Return on capital employed
	Net debt equity ratio				
	Interest coverage ratio				
	Earnings per share				

The table provides an overview of how the model for internal reporting, Six Fingers, ties in with the external key ratios in the diagrams on page 21.

defined as operating income before amortization of goodwill divided by capital employed excluding shares in associated companies. Net debt equity ratio, which is a measure of the Group's indebtedness, is defined as the Group's interest bearing net debt divided by shareholders' equity.

Interest coverage ratio is a measure of the Group's ability to pay interest.

Statement of income, Statement of cash flow and Balance sheet

In the Statement of income, Statement of cash flow and Balance sheet, emphasis is placed on transparency and explaining the interconnection between them.

Statement of income

The Statement of income is functionally divided and therefore follows the organization. As a result, responsibility for each profit level is clear and managers with operational responsibility can focus on the factors they can affect.

Gross margin and operating margin are the key ratios in operational follow-ups at both the division and Group level. Amortization of goodwill, financial items and taxes are followed up separately.

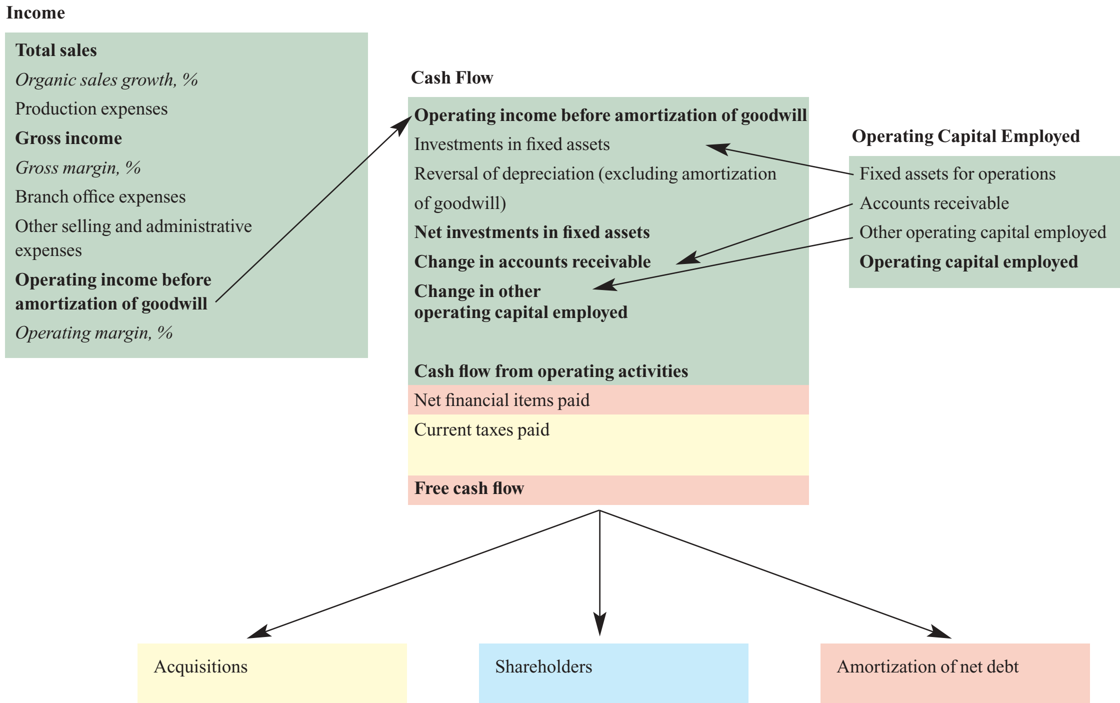
Statement of cash flow

In principle, operating income should generate an equal cash flow from operating activities. However, the cash flow is affected by investments in fixed assets used in the operations and changes in working capital. Free cash flow is cash flow from operating activities less net financial items paid and current taxes paid. If 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 change in loans and translation differences equals change in net debt.

Balance sheet

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

SECURITAS' FINANCIAL MODEL – THE RELATION BETWEEN INCOME, CASH FLOW AND OPERATING CAPITAL EMPLOYED

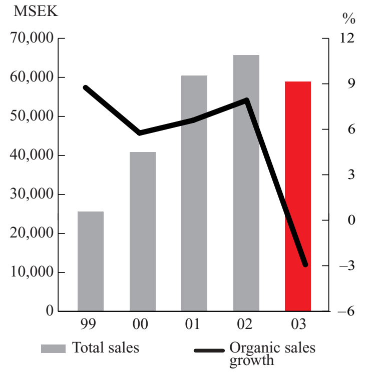


The diagram shows the connection between the Statement of income, Statement of cash flow and the Balance sheet. Different colors are used for the sake of clarity. Operating items are labeled in green, net debt related items in red, goodwill, taxes and non-operating items in yellow, and items related to shareholders' equity in blue.

Total sales and organic sales growth

The organic sales growth objective is to grow by 6 to 8 percent over an economic cycle.

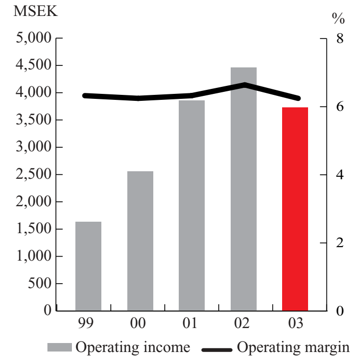
In the last five years, sales have increased by an average of 39 percent. During the same period, annual organic sales growth has averaged more than 5 percent.



Operating income and operating margin

The objective is an increase in the operating margin of 0.2–0.5 percentage points per year.

The operating margin was 6.3 percent. Operating income has increased by an annual average of 34 percent in the last five years adjusted for changes in currency rates.

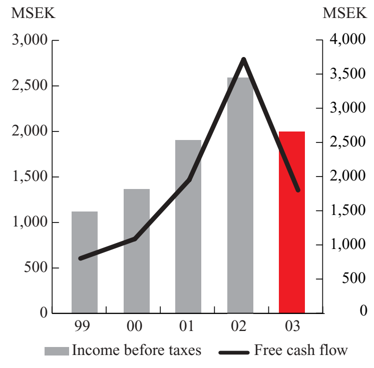


Income before taxes and free cash flow

The objective for income before taxes is an average increase of 20–25 percent per year.

The objective for free cash flow is 75–80 percent of adjusted income.

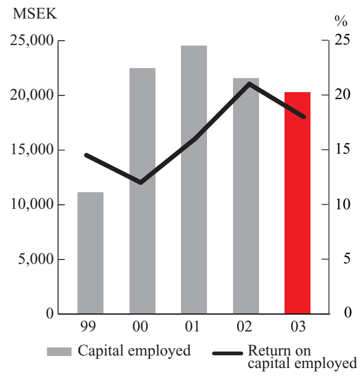
In the last five years, income before taxes has increased by an annual average of 24 percent. Free cash flow has averaged 86 percent of adjusted income.



Capital employed and return on capital employed (ROCE)

The objective is a long-term ROCE of at least 20 percent.

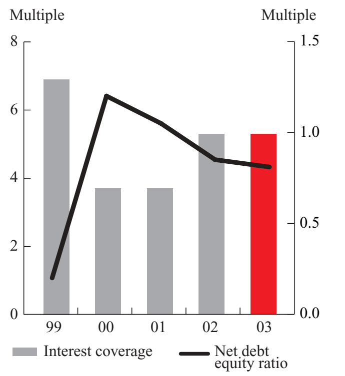
The ROCE was 18 percent in 2003.



Net debt equity ratio and interest coverage

The objective is for the net debt equity ratio to range between 0.8 and 1.0 and that the interest coverage ratio should be at least 6.

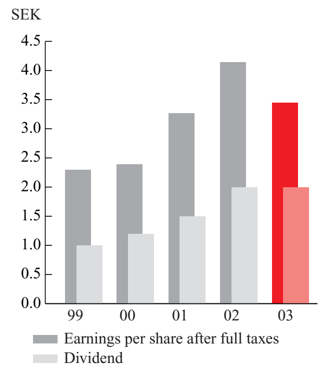
In 2003, the net debt equity ratio was 0.81 and the interest coverage ratio was 5.3.



Earnings per share after full taxes and dividend

The dividend policy is to pay out minimum a third of the net income.

Earnings per share after full taxes have increased by an average of 15 percent in the last five years. The dividend has increased by an average of 16 percent in the last five years.



Background

Securitas is exposed to various types of risks in the day to day running of the business. These risks fall into two main categories, operational risks and financial risks, and both may affect the financial performance and position of the Group if not managed in a structured way. Operational risks are risks that are associated with running the operations and providing services to the customers, for example services not meeting the required standards resulting in property damages or losses or bodily injury. Financial risks are risks that arise from the fact that the Group has external financing needs and operates in a number of foreign currencies. Examples of financial risks are financing risk, interest rate risk and foreign exchange risks. By structured management of the operational and financial risks, Securitas aims to minimize the short and long term impact of these risks and focus on running the business.

Organization

Operational risks

A decentralized approach is essential to manage operational risks as they arise in the local business operations. Customer contract management and loss prevention are essential activities here. Every branch manager in Securitas needs to evaluate and understand the risks associated with providing services to certain customers. The Group's divisional managers are responsible for all aspects of operations in their respective divisions, including operational risk management and risk control. Claims settlement is a Group responsibility as well as the purchase of certain strategic insurance programs. At the Group level there is a risk committee consisting of members of Group Management that set risk management policies for the entire Group. The Group's risk manager and the risk managers in the divisions report to this committee. Furthermore, the Security Services USA, Security Services Europe and Cash Handling Services divisions have their own risk committees, which meet regularly.

Risk Responsibilities

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

Financial risks

In order for the divisions, countries and regions to be able to fully focus on the operations, financial risk management is centralized as much as possible to the Group's internal bank, the Group Treasury Centre. For a further description of the management of the financial risks refer to Note 2 (page 60) in the Notes and comments to the Consolidated financial statements.

Management of operational risks

To prevent losses from occurring, thereby protecting the customers and the employees, is the most important objective for the operational risk management. In order to evaluate the operational risks in new and existing businesses, Securitas is using a business risk evaluation model. This model focuses on certain important dimensions of the assignment and the relationship to the customer and is described below. Should a loss occur and Securitas is deemed to be fully or partially responsible, insurance solutions are used to minimize the financial impact of any customer or third party claims.

The Business Risk Evaluation Model

The model breaks down into four stages, each of which plays an essential part in the understanding and acceptance of risks in new and existing businesses.

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 both in terms of the level of risk of the operations and the financial status. High-risk customers and catastrophic loss potential needs to be identified and necessary insurance cover for the risk involved established. The customer creditworthiness also needs to be assessed.

Contract

A fair distribution of responsibilities and risks between Securitas and the customer is essential in every contract. The norm is to use standardized contracts. Reasonable caps on potential liability claims and indemnification for third party claims are critical components of the customer contract.

Profitability

This stage involves careful calculation of the profitability of the business. Managers need to assess the amount of investment involved and whether there is any off-balance sheet exposure. Payment terms also have to be considered and a judgement made as to whether the assignment generates sufficient profit in relation to the risks assumed (see The Business Risk Evaluation Model below).

Insurance

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

The transfer of risk to the insurance market is done in a three step process where first of all the local operations retain a predetermined part of all losses through a local deductible. In the next step reinsurance captives, that is internal reinsurance companies, are used to retain a certain predetermined and capped risk in the Group above the level of the local deductible. The total level of risk that is retained in the Group, locally in the operations and in the captives, depends on the estimated risk exposure and the pricing of the 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 losses that will always occur. To insure these losses externally will normally cost more than the value of the losses. As a third step the risk above the predetermined level is reinsured to appropriate limits into the external insurance market.

By using the reinsurance captives Securitas gains some independence from the insurance markets and can minimize the impact of short-term fluctuations in price and capacity in these markets.

Losses and cost of risk

The cost of risk consists of the external insurance premiums plus the self-retained part of the losses. The Group Insurance Centre in Dublin is responsible for centrally purchasing the Group insurance programs and ensuring competitive premiums and terms and conditions. The operations are responsible for keeping the losses to a minimum both in terms of number and size.

As a main principle the cost of risk is driven down to the branch level.

Key ratios

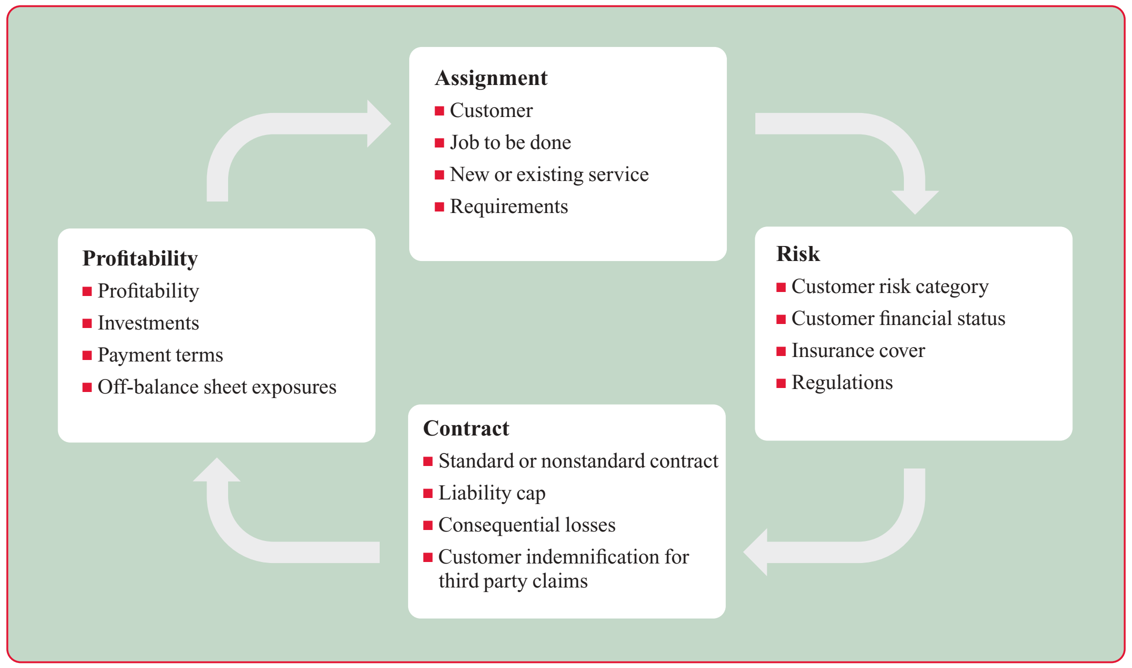
Losses

Number of losses X Average loss cost = Total cost of losses

Cost of risk

Insurance premiums + Cost of retained losses = Cost of risk

The Business Risk Evaluation Model



The past five years have been very eventful for Securitas. Most significant has been the establishment of the company as market leader in the USA mainly through the acquisitions of Pinkerton, APS, First Security and Burns. Further, a new divisional organization has been introduced to increase focus on the non-guarding business areas.

Total sales has increased by an average of 39 percent over the last five years and income before taxes by 24 percent.

1999

After 10 years of building a strong European platform and achieving market leadership, Securitas took the step over the Atlantic with the acquisition of Pinkerton in February 1999. In connection with the purchase, the company issued new shares in the amount of MSEK 3,364 to ensure the financial platform for future growth. Towards the end of the year additional businesses in the USA were added on through the acquisitions of the strong regional players APS and First Security.

Meanwhile, the existing business delivered strong performance with organic sales growth of 9 percent.

2000

In the year 2000, Securitas emerged as the clear market leader in the USA, through the acquisition of Burns International. A few smaller local acquisitions further strengthened Securitas' presence. With the new additions Securitas reached a market share of 19 percent in the North American guarding market.

In Europe the Group established its presence in Belgium and the Netherlands through the acquisitions of Securis, Baron Security and B&M.

Another major event in 2000 was the introduction of a new organizational structure, which took the company from a country-based organization to a divisional organization based on five specialized divisions. The new structure was designed to bring added focus to the smaller non-guarding business areas and bring the company closer to customers and employees.

2001

The reorganization changes were completed and began to reap rewards. The increased focus contributed to high organic sales growth of 7 percent.

Further, Securitas established itself in the U.S. cash handling industry through the acquisition of Loomis Fargo. Meanwhile, Cash Handling Services Europe entered into an agreement with HSBC and Barclays to take over the banks' UK cash management. The first step towards market leadership in the non-guarding business areas was taken. During 2001 we also experienced the tragic event of September 11 in the USA, which for Securitas resulted in high temporary sales volumes.

2002

After several years of acquisitions the focus of the Group turned to organic growth and concept development. Securitas had one of the best years ever with organic sales growth of 8 percent and the operating margin reaching 6.8 percent.

In the aftermath of September 11, 2001 the company experienced a temporary increase in the demand for its services, which along with the introduction of the euro boosted the operating performance in 2002.

One exception to the internal focus was the acquisition of VNV in the Netherlands, which made Securitas one of the market leaders in a country with an attractive market for Security Services.

2003

2003 became a challenging year for Securitas due to the general slowdown in the world economy, a weak U.S. dollar development and the effect of non-recurring business from the U.S. airport security operations that were federalized in late 2002. We also had significant operational disruptions in the Cash Handling Services business. However, it was also the year where the integration process in the U.S. Security Services division was completed with the combination of all brands under the Securitas name. In addition, the final step of the divisionalization of the Cash Handling Services business was taken by the appointment of a joint management for the combined U.S. and European operations.

MSEK	2003	2002	2001	2000	1999
INCOME					
Total sales	**58,850.3**	**65,685.3**	**60,363.6**	**40,806.5**	**25,646.3**
of which acquisitions	964.0	4,104.5	12,364.1	13,361.0	10,964.4
Organic sales growth, %	***–3***	***8***	***7***	***6***	***9***
Operating income before amortization of goodwill	**3,732.0**	**4,458.4**	**3,854.5**	**2,560.3**	**1,630.5**
Operating margin, %	***6.3***	***6.8***	***6.4***	***6.3***	***6.4***
Amortization of goodwill	–1,137.0	–1,164.5	–1,089.8	–707.4	–403.9
Net interest income/expense and similar items	–596.8	–782.3	–892.2	–514.2	–110.8
Share in income of associated companies	–	–	29.4	24.8	–
Income before taxes	**1,998.2**	**2,511.6**	**1,901.9**	**1,363.5**	**1,115.8**
Taxes	–754.1	–997.0	–718.3	–512.0	–316.5
Minority share in net income	–1.8	–28.8	–0.9	–0.2	–1.5
Net income for the year	**1,242.3**	**1,485.8**	**1,182.7**	**851.3**	**797.8**
Average number of shares after full conversion	382,416,866	376,689,957	365,123,348	365,123,348	355,790,015
Earnings per share after full taxes, after full conversion (SEK)	**3.45**	**4.14**	**3.27**	**2.39**	**2.30**
CASH FLOW					
Operating income before amortization of goodwill	**3,732.0**	**4,458.4**	**3,854.5**	**2,560.3**	**1,630.5**
Capital expenditures	–1,718.6	–1,746.1	–1,764.3	–1,202.3	–1,044.3
Depreciation (excluding amortization of goodwill)	1,564.1	1,493.5	1,377.2	942.2	754.3
Change in other operating capital employed[1]	–650.3	982.4	–164.0	–121.8	–79.9
Cash flow from operating activities	**2,927.2**	**5,188.2**	**3,303.4**	**2,178.4**	**1,260.6**
as % of operating income before amortization of goodwill	***78***	***116***	***86***	***85***	***77***
Net financial items paid	–615.0	–794.6	–774.6	–503.5	–118.3
Current taxes paid	–510.9	–678.2	–575.5	–586.4	–340.5
Free cash flow	**1,801.3**	**3,715.4**	**1,953.3**	**1,088.5**	**801.8**
as % of adjusted income	***73***	***122***	***80***	***64***	***68***
Acquisitions, including cash payments from restructuring reserves	–1,307.8	–1,709.7	–3,001.5	–10,944.3	–3,700.9
Cash flow from financing activities	1,572.3	29.5	–121.1	8,528.9	4,006.3
Cash flow for the year	**2,065.8**	**2,035.2**	**–1,169.3**	**–1,326.9**	**1,107.2**
Interest-bearing net debt at beginning of year	–9,886.8	–12,582.6	–12,418.8	–2,052.6	–2,418.6
Change in loans	–2,095.5	–414.0	2,452.7	–8,885.2	–846.2
Translation differences on interest-bearing net debt	834.0	1,074.6	–1,447.2	–154.1	105.0
Interest-bearing net debt at year-end	**–9,082.5**	**–9,886.8**	**–12,582.6**	**–12,418.8**	**–2,052.6**
CAPITAL EMPLOYED AND FINANCING					
Fixed assets (excluding goodwill)	8,047.6	8,401.0	9,088.9	7,895.3	4,895.7
Accounts receivable	6,736.0	6,759.5	7,656.5	8,179.5	4,559.4
Other operating capital employed	–9,262.2	–10,269.6	–10,891.3	–9,331.6	–5,511.3
Operating capital employed	**5,521.4**	**4,890.9**	**5,854.1**	**6,743.1**	**3,943.8**
as % of total sales	***9.4***	***7.4***	***9.5***	***13.2***	***12.0***
Shares in associated companies	–	–	42.4	602.6	0.9
Goodwill	**14,777.8**	**16,672.2**	**18,639.9**	**15,133.7**	**7,178.4**
Capital employed	**20,299.2**	**21,563.1**	**24,536.4**	**22,479.4**	**11,123.1**
Return on capital employed, %	***18.4***	***20.7***	***15.7***	***11.7***	***14.7***
Net debt	**9,082.5**	**9,886.8**	**12,582.6**	**12,418.7**	**2,052.6**
Net debt equity ratio, multiple	***0.81***	***0.85***	***1.05***	***1.23***	***0.23***
Interest coverage ratio, multiple	***5.3***	***5.3***	***3.7***	***3.7***	***6.9***
Minority interests	15.6	13.2	17.5	1.5	1.8
Shareholders' equity	**11,201.1**	**11,663.1**	**11,936.3**	**10,059.2**	**9,068.7**
Return on equity, %	***8.5***	***11.1***	***10.4***	***8.5***	***9.6***
Equity ratio, %	***30.3***	***31.1***	***30.6***	***28.8***	***43.4***
Financing of capital employed	**20,299.2**	**21,563.1**	**24,536.4**	**22,479.4**	**11,123.1**

For definitions and calculations of key ratios, see page 26.
Operating items are labeled in green.

[1]Including change in accounts receivable.

CALCULATION OF KEY RATIOS

Organic sales growth, actual 2003: –3%
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 2003: (58,850.3-964.0+5,791.0)/(65,685.3-354.0)-1 = -3%

Operating margin, actual 2003: 6.3%
Operating income before amortization of goodwill as a percentage of total sales.
Calculation 2003: 3,732.0/58,850.3 = 6.3%

Earnings per share after full taxes and full conversion, actual 2003: SEK 3.45
Net income for the year adjusted for interest on convertible debenture loans after tax in relation to the average number of shares after full conversion.
Calculation 2003: ((1,242.3+77.8)/382,416,866) x 1,000,000 = SEK 3.45

Cash flow from operating activities as % of operating income before amortization of goodwill, actual 2003: 78%
Cash flow from operating activities as a percentage of operating income before amortization of goodwill.
Calculation 2003: 2,927.2/3,732.0 = 78%

Free cash flow as % of adjusted income, actual 2003: 73%
Free cash flow as a percentage of adjusted income.
Calculation 2003: 1,801.3/(3,732.0-596.8-675.2) = 73%

Operating capital employed as % of total sales, actual 2003: 9.3%
Operating capital employed as a percentage of total sales adjusted for full-year sales of acquisitions.
Calculation 2003: 5,521.4/(58,850.3+581.0) = 9.3%

Return on capital employed, actual 2003: 18.4%
Operating income before amortization of goodwill as a percentage of the closing balance of capital employed excluding shares in associated companies.
Calculation 2003: 3,732.0/20,299.2 = 18.4%

Net debt equity ratio, actual 2003: 0.81
Net debt in relation to shareholders' equity.
Calculation 2003: 9,082.5/11,201.1 = 0.81

Interest coverage ratio, actual 2003: 5.3
Operating income before amortization of goodwill plus interest income in relation to interest expense.
Calculation 2003: (3,732.0+222.3)/743.4 = 5.3

Return on equity, actual 2003: 8.5%
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 2003:
(1,242.3+77.8)/((11,201.1+3,992.9+11,663.1+3,996.2+164.4)/2) = 8.5%

Equity ratio, actual 2003: 30.3%
Shareholders' equity as a percentage of total assets.
Calculation 2003: 11,201.1/36,954.7 = 30.3%

DEFINITIONS

STATEMENT OF INCOME

Production expenses
Guard wages and related costs, the cost of equipment used by the guard in performing professional duties, and all other costs directly related to the performance of services invoiced.

Selling and administrative expenses
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 margin
Operating income before amortization of goodwill as a percentage of total sales.

Adjusted income
Operating income before amortization of goodwill adjusted for net financial items and current taxes.

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

STATEMENT OF CASH FLOW

Cash flow from operating activities
Operating income before amortization of goodwill adjusted for depreciation/amortization (excluding amortization of goodwill) 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 net financial items paid and current taxes paid.

Cash flow for the year
Free cash flow adjusted for acquisitions of subsidiaries, payments from provisions for restructuring, securitization, dividends, share issues, conversion of convertible debenture loans and change in interest-bearing net debt excluding liquid assets.

BALANCE SHEET

Operating capital employed
Capital employed less goodwill and shares in associated companies.

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

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

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

28 Security Services USA

30 Security Services Europe

32 Security Systems

34 Direct

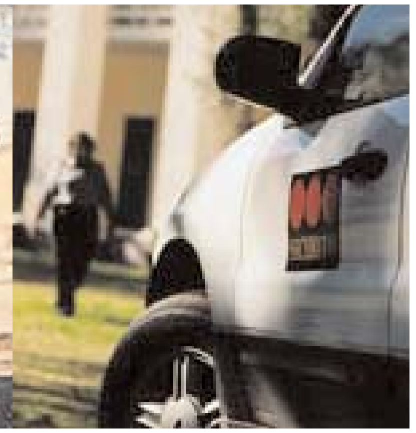
36 Cash Handling Services

"We now have one vision and one goal: to be the premier security provider in the USA."

SANTIAGO GALAZ
DIVISIONAL PRESIDENT SECURITY SERVICES USA

Security officer Paul Marrero and Captain Jeanne Henry greet and sign in visitors at the reception desk of a high-rise office building.

Baton Rouge Branch Manager, Raymond Cox and Major Carl Lott discussing the security at ExxonMobil Plastics.



Captain Carolyn Landry at a national historical site owned and maintained by a large client corporation.

"We are ready to move to the next step where refinement will be the driver for profitable growth."

On July 1, 2003, more than 100,000 employees of Pinkerton, Burns and several other U.S. companies united under one name – Securitas. We now have one vision and one goal: to be the premier security provider in the USA. The name change facilitates our identity in the marketplace, helps to create a shared culture internally and provides consistency in our service delivery. Our IT platform is fully operational and the final step to implement a guard planning system will continue during 2004.

Development 2003

The slowdown in the U.S. economy in 2003 meant that costs were kept strictly under control while service levels were maintained. Prices increased by 2 percent and wages rose by 1.5 percent. Securitas has worked to maintain the Living Wage concept, while aiming to cut costs through service delivery efficiencies.

Higher wages have helped improve our employee retention rate. Since uniting under the Securitas name, we have also been able to standardize procedures for the hiring and selection of qualified candidates. The recruitment process is performed at local level by trained Human Resource professionals and this helps enhance service levels and improve security officers' job satisfaction.

The market and the industry

The security market in the USA has stabilized since the events of September 11, 2001. Spurred by recent economic weakness, companies are tending to look for a single operator to provide all their security services.

The top 10 security companies make up 45 percent of the total market, where Securitas has a 19 percent market share. Customer retention has improved from 85 percent in 2001 to 89 percent in 2003 supported by a contract portfolio growth of 3 percent.

Concept building and organizational development

We have organized our division into 10 guarding regions and five specialized areas. The National and Global Accounts teams have been elevated to separate units with profit responsibility thus expanding the sales network and increasing efficiency.

Customer retention

The U.S. market is intensely competitive and growth involves not just acquiring new clients but retaining existing ones. We have established a Client Retention Committee to review programs and define expectations at every level. Client retention involves all Securitas personnel. Branch managers and area vice presidents monitor portfolios and keep in regular contact with clients.

Refinement

As a first step in the refinement process, we ensured that the U.S. business had a flat organizational structure. Now, we are focusing on geographical or market specializations. Currently we have 650 branches, comprising 472 geographical branch offices and 178 specialized branch offices, based on vertical markets, small customers, specialty services or time-sharing. In 2004 we will begin to analyze all our branch offices and assess where they can provide specialized services based on customer needs.

Our National Account program produces sales of approximately MUSD 360 or 14 percent of total sales. We intend to increase this by standardizing the service delivery in vertical markets: expanding special services and identifying new prospects to pursue and showing customers how they can cut costs using combined solutions. We are already helping our largest client, GM/Delphi, to further develop its level of security through specialized services.

Risk management

In the U.S. business there is a well established risk organization to ensure an efficient business risk evaluation process. The focus is on contract management, loss prevention and claims handling. The litigation procedures are also a vital part of risk management in the USA.

Our people

We are implementing training programs giving branch managers the tools to take ownership for their portfolios. This will encourage them to be more responsive to clients and employees, resulting in higher organic growth, improved efficiency and increased profitability.

In an effort to expand the 'one company, one vision' concept, we will concentrate on personnel development, focusing on consistency in service delivery throughout the organization.

Outlook

The emphasis in 2004 will be on customer retention, organic growth, new sales and the refinement of our organization and services. Our 'global solutions and national accounts' strategy is to position Securitas as the sole security provider for existing and future customers.

At a regional level we continue to assess where we can introduce specialized branches. Our goal is to provide the USA with high-quality local service, backed by global resources.

As a united company under the Securitas name we have what it takes to offer the service expected of the industry leader. We are ready to move to the next step where refinement will be the driver for profitable growth.

Facts

The market for Security Services USA

Market: The market* for guarding services in the USA is worth approximately MSEK 112,000 and is growing by 6-8 percent annually.
Largest markets: Security Services USA is concentrated in large population centers in the western, central, northeastern and southeastern USA.
Largest competitors: Group 4 Falck/Wackenhut, Allied, Guardsmark, Barton, US Security Associates and Initial, among others.
Securitas' market share: Securitas has a share of 19 percent of the U.S. market for guarding services. This does not include the market for consulting and investigation.

* Excluding non-outsourced operations.

Sales and market shares

Region	Sales MSEK	Sales local currency	Market-share, %
North Central	2,102	263	
East Central	2,208	276	
South Central	2,101	262	
Mid-Atlantic	1,468	183	
New England	1,231	154	
New York/New Jersey	2,027	253	
South East	1,548	193	
Rocky Mountain	1,695	212	
Northern California	1,595	199	
Southern California/Hawaii	2,200	275	
Other	2,706	338	
Total	**20,881**	**2,608**	**19**

Facts about Security Services USA

MSEK	2003	2002
Total sales	20,881	27,360
Organic sales growth, %	*–9*	*8*
Operating income before amortization of goodwill	1,169	1,733
Operating margin, %	*5.6*	*6.3*
Amortization of goodwill	–452	–533
Operating income after amortization of goodwill	717	1,200
Operating capital employed	1,150[2]	992[2]
Operating capital employed as % of sales[1]	*5[2]*	*4[2]*
Goodwill	6,427	8,134
Capital employed	7,577[2]	9,126[2]
Return on capital employed, %	*15*	*19*
Number of full year employees	101,000	93,000

Adjusted to conform to RR 25 Segment Reporting.

[1] Adjusted for full year sales of acquired entities.
[2] Calculated after the reversal of the sale of accounts receivable of MSEK 1,637 (1,989).

"Future growth will come from refining our services and developing distinct concepts for different customer segments."

TORE K. NILSEN
DIVISIONAL PRESIDENT SECURITY SERVICES EUROPE

Franz Kocher patrolling Red Bull's famous Hangar 7 at Salzburg Airport.

Schubert Matthias and Andrea Zenz both joined Security Services Austria in 2003 and currently work at Red Bull's Hangar 7 at Salzburg Airport.

Jesús Marín García-Rojo in the Control Center at an industrial estate in the Coslada district in Spain.

"The long-term growth of the guarding market is estimated at 6 to 8 percent, but in 2003, growth was constrained by the general economic slowdown."

Security Services Europe focuses on permanent guarding, time-sharing and combined solutions. Future growth will come from refining our services and developing distinct concepts for different customer segments.

With close to 90,000 employees and activities in 22 countries, the division has strengthened its organizational structure over the year. We have paid close attention to quality assurance and changes in the marketplace. We have also increased the information-sharing between countries.

Development 2003

Despite the general economic slowdown in Europe, organic growth in 2003 was ahead of the market at 3 percent. Reduced demand has been most noticeable in short-term sales of extra guarding but the client retention rate remains stable above 90 percent. The contract portfolio grew by 5 percent 2003.

Prices have barely increased but the operating margin has improved to 7.3 percent, thanks to vigorous cost control.

The UK business delivered organic sales growth above 25 percent as a new management team moved in and a number of large, new contracts were awarded. Spain, Sweden, Finland and Austria also made progress. Organic sales growth in France was twice the divisional average but the operating margin was reduced.

The market and the industry

The long-term growth of the guarding market is estimated at 6 to 8 percent, but in 2003, growth was constrained by the general economic slowdown.

We are continuing our work to develop the security industry locally and across national borders. Most European countries are keen to strengthen the sector and many are taking steps to tighten regulations and improve standards. The eastward expansion of the EU is expected to accelerate this process.

Concept building and organizational development

The division is structured around small and large customers, since this creates a successful formula for growth and development.

Time-sharing

The Competence Center for time-sharing in Spain is now operational and time-sharing services in the division accounted for 13 percent of total sales in 2003. Restructuring and a strong focus on sales have contributed to improved results.

In the Nordic countries, we are continuing to refine time-sharing concepts and in an increasing number of countries, time-sharing for small customers is handled as a separate business unit.

Refinement and combined solutions

By making time-sharing a separate entity, we can focus more effectively on developing the permanent guarding business. Close contact with our customers and efficient logistics are vital. We are therefore in the process of moving branch offices closer to the customers.

The percentage of combined solutions is increasing, especially in Sweden, Norway, Finland and Spain, where Security Systems is well established. Combined solutions now account for approximately 40 percent of total sales in these countries whereas the divisional average is 5 percent.

Risk management

A risk committee has been formed to monitor quality control and achieve an acceptable allocation of responsibility and insurance coverage between customer and Securitas. Internal resources have been allocated to focus on these issues.

Our people

When specialization increases, so does the need for managers with the ability to develop and drive our various businesses. We are tailoring training programs according to our long-term specialization goals.

During 2003, an international management training program was set up to provide insights into business development and the value chain. The program is carried out together with Security Systems to make use of the synergies between our two divisions.

Employee turnover is decreasing, due to the recession, better working conditions and increased specialization. Wages are a decisive factor too and Securitas continues to fight for improved wage conditions for guards.

Outlook

Demand for security services should increase as economic conditions improve and services become more refined. In particular, we expect good growth from the small customer market.

The public sector is increasingly interested in privatized guarding services and there is a growing demand in the private sector for outsourcing and complex solutions.

In less developed European markets, there is a trend towards increased facility management. Securitas is responding by developing our role as a professional security provider with a broad spectrum of specialized services and clear added value.

We aim to continue to meet the needs of our customers and thereby deliver short and long term organic growth.

Facts

The market for Security Services Europe

Market: The market* for guarding services in Europe is worth MSEK 150,000 and is growing by 6-8 percent annually.
Largest markets: Germany, followed by Great Britain and France.
Largest competitors: Group 4 Falck, GMIC (Rentokil), Prosegur and Securicor.
Securitas' market share: Securitas has a share of 15 percent of the total European market for security services, with a share in the Nordic region of about 50 percent.

* Excluding non-outsourced operations.

Sales and market shares

Country	Sales MSEK	Sales local currency	Market-share, %
Sweden	2,597	2,597	> 50
Norway	1,148	1,012	> 50
Denmark	235	191	24
Finland	779	85	49
Germany	3,605	395	14
France	4,509	495	29
Great Britain	803	61	5
Spain	3,087	339	24
Switzerland	488	82	20
Austria	200	22	12
Portugal	859	94	27
Belgium	1,477	162	40
The Netherlands	1,803	198	27
Hungary	100	2,775	7
Poland	280	136	4
Estonia	55	95	13
Czech Republic	120	420	5
Canada	948	165	16
Mexico	207	279	2
Argentina	59	22	2
Total	**23,359**		

Facts about Security Services Europe

MSEK	2003	2002
Total sales	23,359	22,949
Organic sales growth, %	*3*	*8*
Operating income before amortization of goodwill	1,699	1,611
Operating margin, %	*7.3*	*7.0*
Amortization of goodwill	–380	–342
Operating income after amortization of goodwill	1,319	1,269
Operating capital employed	1,893	2,169
Operating capital employed as % of sales	*8*	*9*
Goodwill	4,617	4,377
Capital employed	6,510	6,546
Return on capital employed, %	*26*	*25*
Number of full year employees	86,500	87,000

Adjusted to conform to RR 25 Segment Reporting.

"The Security Systems division expects to continue to grow faster than the market and deliver increased income in 2004."

JUAN VALLEJO
DIVISIONAL PRESIDENT SECURITY SYSTEMS

Terje Ruud is a service technician for Security Systems in Oslo. His main responsibilities are upgrading and supporting the Access Control Center.

Roger Raillia is a technician for Security Systems Paris. The division last year equipped over 800 BNP Paribas branches with additional electronic systems (CCTV+ alarms).

Caroline Ducoin, Branch Manager, Security Systems Paris, carrying out maintenance on a client's security camera.

Security Systems provides efficient customized security solutions for medium-sized and large customers. Our services are based on modern technology security products and our business operates in 10 European countries and the USA.

Four step strategy

We intend to expand the division and improve profitability through a four-step strategy.

Splitting installation and maintenance

The first step involves splitting the business between the installation of new systems and the technical maintenance of already existing installations. Dividing activities in this way creates a more efficient and better-organized structure.

The installation organization focuses on new sales and project management. Technical maintenance is about living with the customer. It is important for Securitas to provide top-quality service from day one, since long-term satisfaction depends on effective maintenance and the ability to service and extend systems, as customers' needs change. The service organization is also less dependent on market conditions than the installation organization, thus providing a more stable earnings stream.

Focus on customer segments

The next step involves organizing the business so it is geared towards specific customer segments. This enables us to grow organically and increase income, whatever the market conditions. We have taken the first steps towards a pan-Nordic platform for the Securitas Response concept and we are working towards introducing this in several other countries too.

We have also begun to separate the banking industry and the fire alarm systems businesses in certain regions.

"Organic sales growth of just over 5 percent in a close to flat market means that Security Systems is gaining market share."

Global sourcing with long-term partners

The third step involves more efficient sourcing of products for each customer segment. During 2003 we began to create a structure that would reduce the number of suppliers. However, we have made sure that these were strong, global organizations.

Acquiring new platforms

The fourth and last step is to expand into new countries. In 2003, we acquired Südalarm Wachtel in Germany and integrated it with the alarm business of Securitas' German Services organization. This development means that Security Systems is now present in three of the largest countries of Western Europe; France, Germany and Spain.

The Dutch Security Systems business, part of the earlier VNV acquisition, was successively integrated with full effect from January 1, 2004.

Developments in 2003

Outpacing the market

Organic sales growth of just over 5 percent in a close to flat market means that Security Systems is gaining market shares. Even if general demand is not increasing, there is a demand for cost-efficient security solutions. These may involve customer personnel or contracted guard work. The CCTV market, based on modern communication technology, has been very successful in most countries, with the exception of Sweden, where strict regulations have held back development.

Despite harsh market conditions, profitability increased and the operating margin grew from 8.3 percent to 10.9 percent. The main reasons for this were our focus on specialization and the turn-around in the USA.

USA in profit

The U.S. business moved into black figures during 2003. The basic elements of the Security Systems model have been successfully applied. A flat organizational structure has been created and the installation and service operations have been split. The U.S. industry is still very product-oriented but, as our business becomes more established, we will move from a sales and installation focus to a more balanced approach, involving service and maintenance of security systems.

Outlook

The Security Systems strategy works. Specialization encourages customer focus and improves the customer dialogue.

Our new services will evolve through close customer contact to ensure that they correspond to real and specific needs. Many of these services are remote and depend on communication technology and the transfer of monitored customers from Security Services to the Security Systems division will speed up this development.

We have started an internal management training program for Security Systems and Security Services. This will be intensified during 2004. With an organization of over 3,000 people, the need for good managers to run and develop the business is crucial. Local training initiatives will also be supported, to bring forward the management of the future and enable further expansion.

We will continue to establish ourselves in new countries and the main focus will be on markets where Security Services is already present. Security Services is one of our key customers since we can provide their customers with more efficient solutions by adding state-of-the-art security technologies to their offering.

The Security Systems division expects to continue to grow faster than the market and deliver increased income in 2004.

Facts

The market for Security Systems

Market: The market* for large alarm systems in the USA and Europe is worth MSEK 191,000, divided equally between the two regions. The annual growth rate in the alarm systems market is approximately 10 percent.
Largest markets: USA, followed by Great Britain, Germany and France.
Largest competitors: USA: Tyco/ADT, Security Link and Best Access. Europe: Siemens/Cerberus, Gunnebo, Group 4 Falck, Esmi, Tyco/ADT and UTC/Chubb.
Securitas' market share: Securitas has a share of 4% in Europe and 1 percent in the USA. In the Nordic region, its market share is 25 percent.

* Excluding non-outsourced operations.

Sales and market shares

Country	Sales MSEK	Sales local currency	Market-share, %
USA	413	52	< 1
Sweden	1,207	1,206	31
Norway	441	389	39
Denmark	103	84	6
Finland	346	38	22
Germany	141	16	1
France	567	62	4
Spain	470	52	11
Portugal	167	18	13
Belgium	86	9	6
Total	**3,941**		

Facts about Security Systems

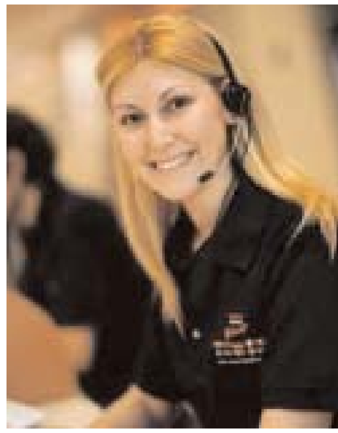
MSEK	2003	2002
Total sales	3,941	3,641
Organic sales growth, %	*5*	*6*
Operating income before amortization of goodwill	428	301
Operating margin, %	*10.9*	*8.3*
Amortization of goodwill	–58	–54
Operating income after amortization of goodwill	370	247
Operating capital employed	703	799
Operating capital employed as % of sales	*18*	*22*
Goodwill	587	601
Capital employed	1,290	1,400
Return on capital employed, %	*33*	*22*
Number of full year employees	3,200	3,100

Adjusted to conform to RR 25 Segment Reporting.

“The main challenge is to attract, recruit, train and qualify new local partners and management. Hence our focus on the Securitas Direct Business School as a means to maintain growth.”

DICK SEGER
DIVISIONAL PRESIDENT DIRECT

Michael Karlsson, Securitas Direct Sweden, going through the contract with a new customer in Gothenburg.



Yolanda Santos works for Securitas Direct in Spain. She is a Central Process Alarm (CRA) operator based in Madrid.

Carlos Gonzalez (right), Zone specialist for Securitas Direct in Alicante, Spain together with Sales representative Angel Hernandez (left).

The Direct division protects homes and small businesses. Services include alarm equipment, 24-hour monitoring and intervention services. Securitas employees or local companies carry out all our work. These partnerships are the basis for quick and reliant security services.

“Direct increased its market share while the net growth in connections for the total European monitoring market was close to zero.”

Development 2003

In 2003, the number of connected alarms installed in Direct’s traditional operations grew by 28 percent and new installations rose by 32 percent. We aim to continue and improve these developments during 2004.

Customer prices stabilized last year. There was less ‘zero up-front’ competition for installation and fee levels for monitoring and intervention were satisfactory.

Direct increased its market share while the net growth in connections for the total European monitoring market was close to zero.

The market

Local businesses and regional competition traditionally drive the European market. The current trend, with fewer intrusion alarms but more CCTV installations combined with less activity from large traditional providers, explains low market growth. Competition is intense as utility providers try to move into the market and new distribution channels emerge.

Development of our service offering

We have continued to refine our business and currently operate through three product and service units: professional, consumer and third party monitoring.

Professional

The professional unit targets customers in the classic alarm installer market. The strategy is to offer more value for money and to have a premium brand position. Small alarm customers receive high security solutions at affordable prices. Professional installer partners are the main route to the market and help maintain a quality service. The business operates in Sweden, Norway, Denmark, Belgium, France and Switzerland. The market is mature and developments focus on products, service and partnerships. New concepts supporting high security products and service positioning are underway and will be launched during 2004.

Consumer

The consumer unit targets the residential market. The strategy is to offer easy-to-install alarm systems and easy-to-use security services. The product trend towards GSM alarm transmission and co-operation with telecom operators continues. Spain is leading the way in this area. Services now include SMS messaging and remote control of home functions such as lighting. The core services, however, continue to be monitoring and alarm follow-up. The business operates in Sweden, Norway, Finland, the Netherlands, France, Spain and Portugal. Developments are taking place across many areas such as products, systems, services, organization and communication. The consumer concept is less than three years old in most countries and the main challenges are to recruit the right people and create local support structures.

Third party monitoring

Third party monitoring targets the classic installer. Installers design, sell and maintain alarms while Direct provides monitoring and intervention services. Such partnerships require a joint long-term commitment to provide top quality service. The model is gradually developing along the lines of the professional unit. There are third-party monitoring operations in France, Belgium and the Netherlands. We aim to develop the partner model and expand and qualify the network.

Focus on organic startups

Local presence is a key factor for market development. Price is important but customers’ willingness to subscribe depends on their perception of the quality and content of the service.

The Securitas Direct Business School trains people in sales, service, installation and best business practices. It is an important tool in the expansion of our operations locally. More than 500 new students are expected to attend sales training sessions during 2004. The school and training teams are local to each market but training modules and methods are consistently applied.

Product development is carried out in partnership with selected suppliers. Direct is now experienced in the integration of new features and functions in both businesses and systems. Co-operation with telecom and utility companies will increase our understanding of interactive services and how security services can be a part of everyday life.

Movability of the business concept has been improved in recent years. Portugal and the Netherlands are recent examples of relatively quick implementations and startups in new markets. There is an ongoing process to improve movability by standardizing and conforming products, systems, procedures, sales methods and training in the professional and consumer units.

Net organic portfolio sales growth is expected to remain strong with a steady improvement in margins. The main challenge is to attract, recruit, train and qualify new local partners and management. Hence our focus on the Securitas Direct Business School as a means to maintain growth.

Facts

The market for Direct

Market: The European market[1] for small alarm systems is worth approximately MSEK 25,500, one third of which is residential alarms. The long term annual growth rate is estimated at 20 percent[2]. Small alarm systems are the fastest growing area for Securitas.

Largest markets: USA, Great Britain, France and Spain.

Largest competitors: Facts Largest competitors: Group 4 Falck, ADT/Tyco, Prosegur, as well as a number of local national competitors such as Crédit Mutuel, Hafslund, Sector and Segurmap.

Securitas’ market share: Securitas’ European market share for home and small alarm systems is about 9 percent, with an emphasis on the Nordic countries, where Securitas has a market share of 27 percent.

[1]Excluding non-monitored alarms.
[2]Consumer segment.

Sales and market shares

Country	Sales MSEK	Sales local currency	Market-share, %
Sweden	359	359	30
Norway	215	189	27
Denmark	158	129	23
Finland	37	4	19
France	449	49	16
Spain	695	76	30
Switzerland	39	7	10
Portugal	25	3	4
Belgium	131	14	10
The Netherlands	69	8	4
Total	**2,177**		

Facts about Direct

MSEK	2003	2002
Total sales	2,177	1,816
Organic sales growth, %	*18*	*18*
Operating income before amortization of goodwill	196	148
Operating margin, %	*9.0*	*8.1*
Amortization of goodwill	–49	–39
Operating income after amortization of goodwill	147	109
Operating capital employed	686	546
Operating capital employed as % of sales	*32*	*30*
Goodwill	527	539
Capital employed	1,213	1,085
Return on capital employed, %	*16*	*14*
Number of full year employees	2,500	2,300

Adjusted to conform to RR 25 Segment Reporting.

No. of installations	2003	2002	Change, %
Direct (excl. Third party)			
Installations during the period	109,500	83,000	32
Total number of connected alarms	430,700	336,500	28
Direct (incl. Third party)			
Installations during the period	125,600	103,000	22
Total number of connected alarms	565,500	468,300	21

“Our combined divisional structure will allow us to take advantage of cost synergies, risk management and joint concept development.”

CLAS THELIN
DIVISIONAL PRESIDENT
CASH HANDLING SERVICES

JOHAN ERIKSSON
EXECUTIVE VICE PRESIDENT
CASH HANDLING SERVICES

Anna Thyrberg and Hussein Hussein on their daily route serving bank and retail customers in Gothenburg, Sweden.

“During 2003 significant steps have been taken to improve risk management and the business risk evaluation process in Cash Handling Services.”

Securitas Cash Handling Services transports, processes and handles cash on behalf of financial institutions and retailers. The division aims to provide end-to-end cash management service and we are a market leader in both Europe and the USA. In 2003, the business experienced a number of challenges, especially in Germany. We have now put these challenges behind us. With the European and the U.S. operations now joined in one division and with a renewed management team we are ready to leverage our strong position.

The Market

Cash handling started as a pure transportation activity within the banks’ branch networks. Later on transportation was also done for retailers, delivering their daily cash to bank branches.

Over the last decade the cash handling industry has developed and specialized into an industry of its own. Even though transportation is still the base, the growing parts of the business are processing of cash and the connected clearing in cash centers on behalf of retailers and banks as well as taking on management responsibilities for ATM networks. With these three activities Cash Handling Services has the ability to provide total end-to-end solutions to both banks and retailers.

The market growth has two components. The existing business develops in line with the growth of cash outstanding in the society. Even if non-cash payment methods grow faster, cash is also growing. Over the last decade the cash connected growth has been around five percent annually. The other component of market growth comes from the desire from banks to outsource more and more of cash handling, like processing centers and the responsibility for ATM networks. This opens new opportunities and gives new challenges to the cash handling industry. This component of the growth could come up to and exceed five percent, taken the total growth up to 10 percent or more.

The cash handling industry is rather concentrated. In each market there is typically two to three major players and some smaller local players. Securitas main competitors are Brinks in the USA, and in Europe, Prosegur and Securicor.

Europe

The euro currency was introduced during the end of 2001 and beginning of 2002. All planning and implementation activities overshadowed other cash handling activities in retailers, banks and our industry before, during and after the euro introduction. This meant that the outsourcing of cash centers and ATM networks came to a temporary halt before the planning of the euro introduction and that 2002 and 2003 to a large extent has dealt with the aftermath in the euro countries. Thus sales peaked during the euro introduction and then fell back to recover during the second half of 2003. Organic sales growth was in the last quarter of 2003 around 6-7 percent in Securitas’ “business-as-usual” countries.

The focus in Europe during 2003 has been on the operational problems in Germany, the German WELO loss, risk handling and finally the operational efficiency of the UK cash management business.

In the German operational restructuring we reached break even in December 2003 and have now a stable operation with improved quality performance. The German WELO project was terminated and handed back to the bank. The remaining loss is being claimed under the relevant insurance policies. The risk organization has been changed and improved. In the UK cash management business work is progressing towards a break even result in the second quarter 2004 and normalized margin later in 2004.

Thereby, Cash Handling Services in Europe is putting a difficult year behind and is looking forward to substantial improvements in growth and margin in 2004.

USA

Organic growth in the USA was hampered by the loss of one significant contract and a slowdown in the general economy. Total sales rose, thanks to two acquisitions made during the year. The business also benefited from strong operating discipline and risk management. Costs were cut and the operating margin was improved, resulting in an increase in operating income.

In 2003, Loomis focused on the deployment of advanced new technology designed to enhance customer service via e-commerce. As in Europe, U.S. financial institutions are becoming increasingly aware of the benefits of outsourcing cash processing activities.

Risk Management

During 2003 significant steps have been taken to improve risk management and the business risk evaluation process in Cash Handling Services.

A central team has been established to support and follow up on local activities. Main areas of activities are Cash Audits to ensure routines for reconciliation and documentation of vault balances and Security Audits to ensure relevant security levels of our vaults, cash centers and vehicles. The result of this work so far is a significant reduction of losses and a clear inventory of the division’s total exposure on a regular basis.

Outlook

Cash Handling Services looks forward to 2004 with confidence.

A difficult year has ended and the building blocks are in place for a period of development, growth and increasing margins. We are focused on leveraging the nationwide infrastructures in the USA and Europe by developing new concepts together with customers. We have a value-added business model, designed to accelerate the transformation of our business from cash transportation to cash management and processing. Our combined divisional structure will allow us to take advantage of cost synergies, risk management and joint concept development. We expect Cash Handling Services to improve substantially in 2004.

Facts

The market for Cash Handling Services

Market: The European market for cash handling services is worth MSEK 37,000 and the U.S. market MSEK 18,000. Long-term growth is estimated at 10 percent.

Largest markets: USA, Great Britain, France and Germany.

Largest competitors: USA: Brink’s. Europe: Securicor, Group 4 Falck, Prosegur.

Securitas’ market share: Securitas has a market share in Europe as a whole of about 17 percent. In the Nordic countries, its market share is about 46 percent. In the USA, the market share is 21 percent.

Sales and market shares

Country	Sales MSEK	Sales local currency	Market-share, %[1]
USA	3,702	463	21
Sweden	684	684	>50
Norway	197	174	31
Denmark	104	85	>50
Finland	154	17	32
Germany	773	85	21
France	228	25	5
Great Britain	2,110	160	20
Spain	874	96	42
Switzerland	94	16	31
Austria	150	16	35
Portugal	137	15	25
Total	**9,207**		

[1] Excluding sales in connection with the introduction of the euro.

Facts about Cash Handling Services

MSEK	2003	2002
Total sales	9,207	10,447
Organic sales growth, %	*–4*	*12*
Operating income before amortization of goodwill	514	925
Operating margin, %	*5.6*	*8.9*
Amortization of goodwill	–198	–196
Operating income after amortization of goodwill	316	729
Operating capital employed	2,348	1,952
Operating capital employed as % of sales	*25*	*19*
Goodwill	2,620	3,021
Capital employed	4,968	4,973
Return on capital employed, %	*10*	*19*
Number of full year employees	17,500	18,000

Adjusted to conform to RR 25 Segment Reporting.

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 2003 financial year.

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Jörgen Salkert has been a security guard at the National Museum in Stockholm, Sweden for three years. Securitas has a long-standing relationship with the museum where Securitas conduct patrolling services in the building and permanent guarding for access control in the entrance.

Securitas AB is a public Swedish company with its registered office in Stockholm, Sweden. Securitas AB, which has been listed on the Stockholm Stock Exchange since 1991, follows the Swedish Companies Act and Swedish stock exchange rules.

Shareholders

The Company responds to queries from shareholders as they arise during the year. The Annual General Meeting provides shareholders with an opportunity to ask questions directly to the Chairman of the Board, the Board of Directors and the President and CEO. An invitation to the Annual General Meeting in 2004, which will be held in Stockholm on April 6, will be sent to shareholders at least four weeks prior to this date. A capital market day is held annually to which investors, analysts and journalists interested in Securitas are invited. Public information and press releases are available on the Group's website, www.securitasgroup.com

Ownership structure

The principal shareholders in Securitas AB are Investment AB Latour, which together with Förvaltnings AB Wasatornet and SäkI AB hold 11.9 percent (12.0) of the share capital and 30.3 percent (33.0) of the votes, and Melker Schörling AB, with 4.2 percent (4.2) of the capital and 10.7 percent (8.1) of the votes. These shareholders are represented on the Board of Directors by Gustaf Douglas and Melker Schörling.

The company's share capital consisted of 17,142,600 Series A shares and 347,916,297 Series B shares as of December 31, 2003. Each Series A share carries 10 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.

Board of Directors

The work 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. The activities of the Board of Directors and the delegation of responsibility between the Board and Group Management is governed by formal rules of procedures adopted by the Board each year after the Annual General Meeting. According to these rules, the Board decides 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 Board's rules of procedures are documented in a written instruction. The Board of Directors has nine regular members, three employee representatives and three deputy employee representatives. The Board meets a minimum of five times annually. Minimum one meeting per year involves visiting the operations in a division.

In 2003, the Board held 10 meetings. The Group's auditors participate in the meeting of the Board of Directors in conjunction with the yearly closing of the books.

Audit Committee

The Board of Directors has established an audit committee that meets with Securitas' auditors at least four times per year. The committee presents its findings and proposals to the Board, which can then make its decision. The members of the committee are Melker Schörling (Chairman) and Anders Frick. The committee met four times in 2003. The committee is focused on accounting matters and the presentation of financial information as well as overseeing risk matters.

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 committee so decides. The committee presents its proposals to the Board, which can then make its decision. The members of this committee are Gustaf Douglas (Chairman), Berthold Lindqvist and the President and CEO Thomas Berglund (Thomas Berglund will not participate in discussions involving his own compensation). The committee held three meetings during 2003.

Nomination Committee

At the Annual General Meeting held on April 8, 2003, a nomination committee was elected consisting of Gustaf Douglas and Melker Schörling, representing the principal owners of Securitas AB. Further, the Annual General Meeting decided that the Nomination Committee would appoint two candidates from the larger institutional owners for consultations in the nomination procedure during the autumn 2003. For this, the Nomination Committee has appointed Marianne Nilsson, Robur and Thomas Halvorsen, Fourth Swedish National Pension Fund.

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 2003 comprised of the President and CEO, the Executive vice president and CFO and four executives, each representing their division.

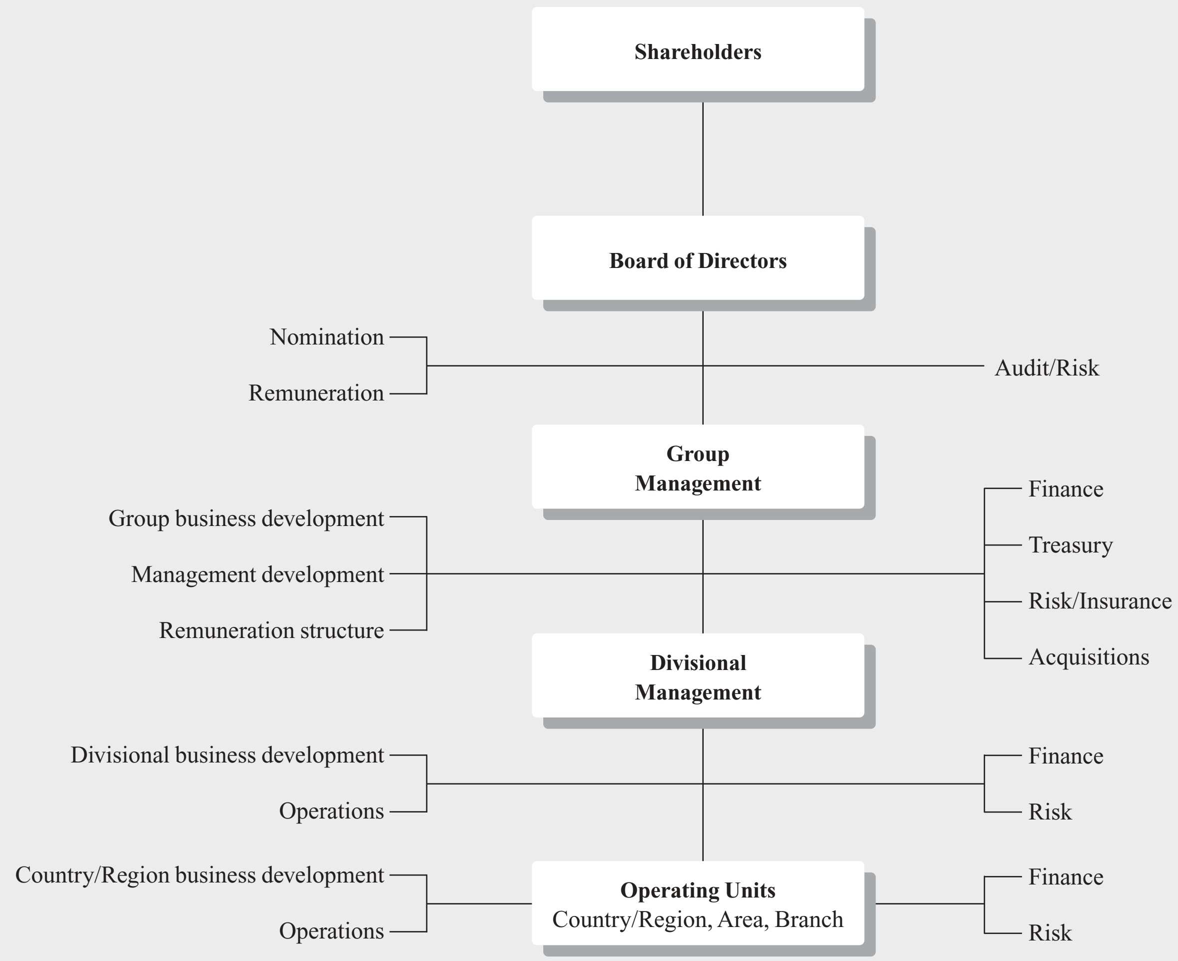
European Group Council

Since 1996, Securitas has a European Group Council that serves as a forum for information and consultation between Group Management and the employees in Securitas' European countries of operation. The European Group Council convened once during the year.

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 labor and 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 in contact with the operations, including clients, workforce, investors and the general public.

Securitas' corporate organizational structure



FINANCIAL OVERVIEW

Operations

Securitas provides security solutions comprising guarding services, alarm systems and cash handling services. The Group has more than 200,000 employees and operates in more than 20 countries in Europe and in the USA.

Sales and income

Sales amounted to MSEK 58,850 (65,685). Organic sales growth adjusted for acquisitions and divestitures as well as changes in exchange rates amounted to –3 percent (8).

Underlying organic sales growth was 1 percent (6) adjusted to reflect the non-recurring effects of the introduction of the euro, which took place primarily in the fourth quarter 2001 and first quarter 2002, and the now federalized airport security operations in the USA.

Sales, January–December

MSEK	2003	2002	%
Total sales	**58,850**	**65,685**	*–10*
Acquisitions/divestitures	–964	–354	
Currency change from 2002	5,791	–	
Organic sales	**63,677**	**65,331**	*–3*
Euro introduction	–	–270	
Federalized airport operations	–	–1,735	
Underlying organic sales	**63,677**	**63,326**	*1*

Operating income before amortization of goodwill amounted to MSEK 3,732 (4,458), which adjusted for changes in exchange rates of MSEK 319 corresponds to a decrease of 9 percent. Adjusted for the now federalized airport security operations in the USA the decrease is 6 percent. The operating margin was 6.3 percent (6.8 and 6.8 in the underlying business during 2002).

Income before taxes amounted to MSEK 1,998 (2,512). Adjusted for changes in exchange rates, this corresponds to a decrease of 17 percent. Adjusted for the euro introduction and the now federalized airport security operations in the USA the underlying decrease in income before taxes was 11 percent. The decrease should be seen in context of the general economic slowdown as well as organic sales growth being unusually high in the first half of 2002 due to substantial temporary volumes post September 11, 2001 in both Security Services USA and Security Services Europe.

Income, January-December

MSEK	2003	2002	%
Income before taxes	**1,998**	**2,512**	*–20*
Currency change from 2002	95	–	
Organic income	**2,093**	**2,512**	*–17*
Euro introduction	–	–25	
Federalized airport operations	–	–125	
Underlying income	**2,093**	**2,362**	*–11*

The restructuring in the German cash handling business together with the WELO investigation and the UK cash management business (SCM UK) have also impacted the income and has burdened the income before taxes with losses and restructuring costs of MSEK 322.

The Group's full tax rate was 37.7 percent (39.7). Earnings per share after full taxes and full conversion was SEK 3.45 (4.14).

DEVELOPMENT IN THE GROUP'S DIVISIONS

The development in the Group's divisions below has been adjusted to conform to RR 25 Segment Reporting. Comparatives have been adjusted. Further information on the impact of RR 25 can be found in Note 1 Accounting principles and Note 5 Segment reporting.

Divisional Overview January–December 2003

MSEK	Security Services USA 2003	Security Services USA 2002	Security Services Europe 2003	Security Services Europe 2002	Security Systems 2003	Security Systems 2002	Direct 2003	Direct 2002	Cash Handling Services 2003	Cash Handling Services 2002	Other and Eliminations 2003	Other and Eliminations 2002	Group 2003	Group 2002
Sales, external	20,881	27,360	22,876	22,594	3,868	3,592	2,132	1,786	9,093	10,353	–	–	58,850	65,685
Sales, intra-group	–	–	483	355	73	49	45	30	114	94	–715	–528	–	–
Total sales	**20,881**	**27,360**	**23,359**	**22,949**	**3,941**	**3,641**	**2,177**	**1,816**	**9,207**	**10,447**	**–715**	**–528**	**58,850**	**65,685**
Organic sales growth, %	*–9*	*8*	*3*	*8*	*5*	*6*	*18*	*18*	*–4*	*12*	–	–	*–3*	*8*
Operating income before amortization of goodwill	**1,169**	**1,733**	**1,699**	**1,611**	**428**	**301**	**196**	**148**	**514**	**925**	**–274**	**–260**	**3,732**	**4,458**
Operating margin, %	*5.6*	*6.3*	*7.3*	*7.0*	*10.9*	*8.3*	*9.0*	*8.1*	*5.6*	*8.9*	–	–	*6.3*	*6.8*
Amortization of goodwill	–452	–533	–380	–342	–58	–54	–49	–39	–198	–196	–	–	–1,137	–1,164
Operating income after amortization of goodwill	717	1,200	1,319	1,269	370	247	147	109	316	729	–274	–260	2,595	3,294
Operating capital employed	1,150[2]	992[2]	1,893	2,169	703	799	686	546	2,348	1,952	–1,259	–1,567	5,521	4,891
Operating capital employed as % of sales[1]	*5*[2]	*4*[2]	*8*	*9*	*18*	*22*	*32*	*30*	*25*	*19*	–	–	*9*	*7*
Goodwill	6,427	8,134	4,617	4,377	587	601	527	539	2,620	3,021	–	–	14,778	16,672
Capital Employed	**7,577**[2]	**9,126**[2]	**6,510**	**6,546**	**1,290**	**1,400**	**1,213**	**1,085**	**4,968**	**4,973**	**–1,259**	**–1,567**	**20,299**	**21,563**
Return on capital employed, %	*15*	*19*	*26*	*25*	*33*	*22*	*16*	*14*	*10*	*19*	–	–	*18*	*21*

[1] Adjusted for full year sales of acquired entities.
[2] Calculated after the reversal of the sale of accounts receivable of MSEK 1,637 (1,989).

Security Services USA

For the full year 2003, total organic sales growth was -9 percent (8). Organic sales growth adjusted for the now federalized airport security operations (MSEK 1,735 for the full year of 2002) was -3 percent. The operating margin was 5.6 percent (6.3). Operating margin in the 10 guarding regions increased with 0.2 percentage points for the full year. The federalized airport security operations impacted the income in the same period 2002 by MSEK 125.

Security Services USA had weaker sales and income in 2003 compared to 2002. This is due to short-term sales in 2002 with higher margins than average as a result of September 11, loss of the now federalized airport security operations as well as to the loss of sales and income caused by major bankruptcies that occurred during the second half of 2002.

The contract portfolio, which generates approximately 90 percent of sales, grew with 3 percent during 2003. Price increases were 2 percent and wages increased by 1.5 percent during 2003. Client retention remains at 89 percent and employee turnover was 58 percent.

The re-branding of the U.S. guarding business, where 100,000 employees changed uniforms and all operations were brought together under the Securitas name, was successfully finalized during the year. Securitas now has a nationwide cost efficient and focused organization operating under one name with 650 branch offices, which are broken down into 472 geographical branch offices and 178 specialized branch offices.

Going forward, Security Services USA is expected to start generating sales growth at least in line with the contract portfolio development. The margins are expected to remain under pressure during the first half of 2004, but to improve during the course of the full year. The restructured Consulting and Investigation operations will contribute to this development, as would an improved general economy.

Sales and organic sales growth [1]

MUSD	Q1	Q2	Q3	Q4	Full year
2003	639	646	658	665	2,608
	–10%	*–13%*	*–10%*	*–2%*	*–9%*
2002	707	735	728	668	2,838
	9%	*14%*	*13%*	*–4%*	*8%*
2001	651	644	643	698	2,636
	3%	*1%*	*2%*	*7%*	*3%*

[1] Adjusted to conform to RR 25 Segment Reporting.

Operating income and operating margin [1]

MUSD	Q1	Q2	Q3	Q4	Full year
2003	35	36	38	37	146
	5.4%	*5.5%*	*5.7%*	*5.6%*	*5.6%*
2002	43	44	48	44	179
	6.0%	*6.1%*	*6.5%*	*6.6%*	*6.3%*
2001	33	34	36	47	150
	5.1%	*5.3%*	*5.6%*	*6.7%*	*5.7%*

[1] Adjusted to conform to RR 25 Segment Reporting.

Security Services Europe

Organic sales growth amounted to 3 percent (8). The decline compared to 2002 is due to the slowdown in the general economy and the resulting lower extra sales. Spain, Sweden, Finland and Austria show stronger development than average in organic sales growth.

Operating margin was 7.3 percent (7.0). Norway, Sweden, Finland, Spain and Portugal show stronger development than average in operating margin.

France still has strong development in organic sales growth but with lower operating margins than last year due to lower price increases than planned. The situation has improved in France but not to the extent that was previously expected. The UK shows good organic sales growth and is now making profit.

The contract portfolio, which is approximately 90 percent of sales, grew by 5 percent in 2003. Both wage and price increases amounted to 4 percent in 2003. The client retention rate was stable above 90 percent. Employee turnover was stable around 30 percent.

Going forward Security Services in Europe has a strong position in all markets. The ongoing specialization towards specific customer segments, combined with an increased utilization of electronics in guarding services and combined solutions, is expected to continue to drive organic sales growth and margins.

Sales and organic sales growth[1]

MSEK	Q1	Q2	Q3	Q4	Full year
2003	5,773	5,895	5,817	5,874	23,359
	5%	*5%*	*1%*	*3%*	*3%*
2002	5,516	5,704	5,883	5,846	22,949
	8%	*11%*	*9%*	*3%*	*8%*
2001	4,618	4,864	5,149	5,366	19,997
	5%	*5%*	*9%*	*10%*	*7%*

[1] Adjusted to conform to RR 25 Segment Reporting.

Operating income and operating margin[1]

MSEK	Q1	Q2	Q3	Q4	Full year
2003	382	402	432	483	1,699
	6.6%	*6.8%*	*7.4%*	*8.2%*	*7.3%*
2002	347	369	439	456	1,611
	6.3%	*6.5%*	*7.5%*	*7.8%*	*7.0%*
2001	288	323	354	395	1,360
	6.2%	*6.6%*	*6.9%*	*7.4%*	*6.8%*

[1] Adjusted to conform to RR 25 Segment Reporting.

Security Systems

Organic sales growth amounted to 5 percent (6). This is a slight decrease compared to last year but the division is performing well in relation to the overall market in Europe, which is estimated to have zero growth in 2003. The U.S. operation is showing positive organic sales growth in 2003.

The operating margin was 10.9 percent (8.3). The improvement is due to the stabilization of the U.S. portion of the business that is now showing positive operating margin, combined with further conceptual and organizational development in Europe.

In the USA a flat organizational structure has been created and the installation and service operations have been split. In Europe all operations are organized with separate units for installation, maintenance and monitoring.

A platform in Germany has been established through the acquisition of Südalarm Wachtel. Securitas is now present in some of the main hubs of Germany such as Stuttgart, Frankfurt, Düsseldorf and Munich.

Going forward, Security Systems will continue to benefit from its increased organizational and conceptual focus on installation and maintenance. The utilization of high-end security products in alarm concepts and the increased cooperation with Security Services in major markets is expected to drive sales growth and margins. The effect from the slowdown in the general economy might continue to cause some pressure on the speed in organic sales growth during the first half of 2004.

Sales, organic sales growth, operating income and operating margin[1]

MSEK	Q1	Q2	Q3	Q4	Full year
Sales	934	990	903	1,114	3,941
Organic sales growth, %	*6*	*5*	*6*	*3*	*5*
Operating income	83	125	85	135	428
Operating margin, %	*8.9*	*12.6*	*9.4*	*12.1*	*10.9*

[1] Adjusted to conform to RR 25 Segment Reporting.

Direct

Organic sales growth amounted to 18 percent (18). The organic sales growth in Direct's traditional operations amounted to 28 percent (18).

The operating margin was 9.0 percent (8.1).

In Direct's traditional operations, a new wireless consumer concept has been introduced in the majority of its major markets. This concept generates more than 75 percent of total new systems sold. During 2003, 109,500 (83,000) new alarms were installed in Direct's traditional operations, an increase of 32 percent. This raised the number of connected alarms by 28 percent to 430,700 (336,500). In Belgacom and the French operations, 16,100 (20,000) new alarms were installed for a total of 134,800 (131,800) connected alarms. The total number of new installations by Direct thus amounts to 125,600 (103,000) and the number of connected alarms to 565,500 (468,300), an increase by 21 percent compared to 2002.

Going forward, the focus is on introducing Direct in new markets through organic startups. Margins are expected to show strong development in 2004.

Sales, organic sales growth, operating income and operating margin[1]

MSEK	Q1	Q2	Q3	Q4	Full year
Sales	508	538	554	577	2,177
Organic sales growth, %	*20*	*17*	*19*	*14*	*18*
Operating income	32	44	60	60	196
Operating margin, %	*6.3*	*8.2*	*10.8*	*10.4*	*9.0*

[1] Adjusted to conform to RR 25 Segment Reporting.

Cash Handling Services

Organic sales growth amounted to -4 percent (12). Adjusted for the euro introduction, organic sales growth was -1 percent (12). The operating margin was 5.6 percent (8.9). During 2003 the restructuring in the German cash handling business, the WELO investigation and SCM UK have burdened the income before taxes with losses and restructuring charges of MSEK 322. Excluding these projects and the euro introduction, the organic sales growth was 2 percent and the operating margin was 9.1 percent.

In Cash Handling Services USA, organic sales growth has been slower than expected in 2003. The loss of a major customer contract and lower short-term sales than last year due to the general economic slowdown have not been fully compensated. For the fourth quarter the operating margin has improved to 11.9 percent, which is higher both than last year and the previous quarters of this year. The acquisition of AMSA has been successfully integrated and is contributing to the high margins.

In Germany the combination of the heavy workload resulting from the introduction of the euro and new business volumes from assisting two major banks with cash management have caused the division operational inefficiencies and major losses during 2003. These operations are now in all relevant parts terminated. The restructuring program for the ongoing business is developing according to plan and the German cash handling business has reached break even at the end of 2003 and is expected to continue to improve during 2004.

The rest of Cash Handling Services in Europe is in general improving the performance. Organic sales growth excluding the above mentioned projects was 7 percent in the fourth quarter and the operating margin was 6.1 percent, which is better than in previous quarters and improving. The euro countries are in general recovering from the temporary slower activity after the euro introduction.

The SCM UK operations have due to regulatory changes, project complexity and increasing volumes not developed satisfactorily. In order to reach a break even result the level of activities has been intensified. The operating loss was MSEK 15 in the fourth quarter and MSEK 53 for the full year 2003. The project is expected to reach profitability during the second quarter 2004.

In Sweden, a letter of intent has been signed regarding Pengar i Sverige AB (PSAB), a wholly owned subsidiary of the Swedish National Bank for cash services. The intention is that Securitas will take over the majority of the operations from PSAB and that a final agreement between the parties should be signed during February 2004, providing that the Swedish Competition Authority gives necessary authorization.

During 2001 Securitas 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 of MEUR 40.4 developed with a major customer. Following the discovery of this loss, the customer and Securitas Germany, with the assistance of its professional advisors, conducted an intensive investigation in an effort to determine the source of the loss. In 2003, the investigation costs were MSEK 48. As a result of the investigation the amount of the loss has now been verified. The amount of the loss is being advanced by Securitas Germany to the customer in two payments in accordance with the relevant contract (one paid during 2003 and one to be paid during the first quarter 2004) and the equivalent is being claimed against the relevant insurance policies. No provision for the loss has been made as it is anticipated to be covered by insurance. The WELO operations conducted by Securitas Germany were terminated during the fourth quarter 2003 and these operations will cause no further losses. No exposures of similar nature to WELO exist in other parts of the Cash Handling Services division.

During 2003 significant steps have been taken to improve risk management and the business risk evaluation process in Cash Handling Services. A central team has been established to support and follow up on local activities. Main areas of activities are Cash Audits to ensure routines for reconciliation and documentation of vault balances and Security Audits to ensure relevant security levels of our vaults, cash centers and vehicles. The result of this work so far is a reduction of losses during the second half of 2003 and a clear inventory of the divisions total exposure on a regular basis.

In order to further strengthen the management of Securitas Cash Handling Services, a joint management for Cash Handling Services USA and Cash Handling Services Europe has been formed.

Going forward Cash Handling Services has a more stable operational position. With the German restructuring and the WELO project terminated, the organization in Europe will have an undivided focus on business as usual and improving performance. By leveraging the infrastructure new concepts can be developed together with the banks and retail customers. The joint division will, during 2004, begin to take advantage of both operational and cost synergies to drive sales growth and margins.

Sales, organic sales growth, operating income and operating margin[1]

MSEK	Q1	Q2	Q3	Q4	Full year
Sales	2,343	2,196	2,357	2,311	9,207
Organic sales growth, %	*–10*	*–4*	*–1*	*–1*	*–4*
Operating income	162	38	119	195	514
Operating margin, %	*6.9*	*1.7*	*5.0*	*8.4*	*5.6*

[1] Adjusted to conform to RR 25 Segment Reporting.

CASH FLOW

Operating income before amortization of goodwill amounted to MSEK 3,732 (4,458).

Net investments in fixed assets after depreciation totaled MSEK –155 (–253). Changes in accounts receivable amounted to MSEK –368 (808) and changes in other operating capital employed amounted to MSEK –282 (174). The average number of days of sales outstanding in the Group, calculated in local currencies, was 43 (43).

The negative changes in operating capital employed includes non-recurring payments of uniforms in the Security Services USA division.

Cash flow from operating activities was MSEK 2,927 (5,188), equivalent to 78 percent (116) of operating income before amortization of goodwill. Adjusted for a non-recurring payment of MSEK 195 in Cash Handling Services Germany the cash flow from operating activities was MSEK 3,122 equivalent to 84 percent of operating income before goodwill amortization.

The reduction in current taxes paid compared to last year is the result of bringing forward tax-deductible charges in the USA on insurance-related claim reserves in connection with the Group's internal reinsurance of these risks through a newly established reinsurance company in Ireland. This one-time effect, which occurred in the fourth quarter 2002, has resulted in lower income tax payments during the first quarter 2003.

Free cash flow was MSEK 1,801 (3,715), equivalent to 73 percent (122) of adjusted income. Free cash flow, excluding the above mentioned non-recurring payment of MSEK 195, was MSEK 1,996, equivalent to 81 percent of adjusted income.

Condensed statement of cash flow according to Securitas' financial model

MSEK	2003	2002	2001
Operating income before amortization of goodwill	**3,732.0**	**4,458.4**	**3,854.5**
Investments in fixed assets	–1,718.6	–1,746.1	–1,764.3
Reversal of depreciation (excl. amortization of goodwill)	1,564.1	1,493.5	1,377.2
Net investments in fixed assets	**–154.5**	**–252.6**	**–387.1**
Change in accounts receivable	–368.1	808.6	–373.0
Change in other operating capital employed	–282.2	173.8	209.0
Cash flow from operating activities	**2,927.2**	**5,188.2**	**3,303.4**
Net financial items paid	–615.0	–794.6	–774.6
Current taxes paid	–510.9	–678.2	–575.5
Free cash flow	**1,801.3**	**3,715.4**	**1,953.3**

Securitas' financial model is described on pages 18–20. Operating items are labeled in green, net debt-related items in red and goodwill, taxes and non-operating items in yellow.

BALANCE SHEET

Capital employed and financing

The Group's operating capital employed was MSEK 5,521 (4,891) corresponding to 9 percent (7) of sales adjusted for full-year sales of acquired units.

Acquisitions have increased operating capital employed by MSEK 137 during 2003. Restructuring provisions amounted to MSEK 49 (54).

Acquisitions increased consolidated goodwill by MSEK 1,144 during 2003. After amortization of MSEK 1,137 and negative translation differences of MSEK 1,901 total goodwill for the Group amounted to MSEK 14,778 (16,672).

The Group's total capital employed was MSEK 20,299 (21,563). The translation of foreign capital employed to Swedish kronor reduced the Group's capital employed by MSEK 1,967 during 2003. The return on capital employed was 18 percent (21).

The Group's net debt decreased by MSEK 804 to MSEK 9,083 (9,887). Acquisitions during 2003 increased the Group's net debt by MSEK 1,308, of which purchase payments accounted for MSEK 1,223, assumed net debt MSEK 58 and restructuring costs paid for MSEK 27. The Group's net debt decreased by MSEK 834 during 2003 due to the translation of net debt in foreign currency to Swedish kronor.

The interest cover ratio amounted to 5.3 (5.3).

Interest expense for the year on the outstanding convertible debenture loans amounted to MSEK 108 (102).

Shareholders' equity amounted to MSEK 11,201 (11,663). The translation of foreign assets and liabilities to Swedish kronor reduced shareholders' equity by MSEK 1,133 during 2003. The net debt to equity ratio amounted to 0.81 (0.85).

Conversions of convertible debentures have increased the Group's shareholders' equity by MSEK 159, of which MSEK 2 pertains to share capital and MSEK 157 to restricted reserves. As a result of conversions, the number of outstanding shares increased by 2,002,991 to 365,058,897 as of December 31, 2003. The 1998/2003 convertible debenture loan has been converted per March 31, 2003 except for MSEK 5 that was not converted. The total number of shares after full conversion of all outstanding convertible debenture loans is 382,408,810.

The annual dividend for 2002 of MSEK 730 was paid during the second quarter.

Condensed balance sheet according to Securitas' financial model

MSEK	2003	2002	2001
Operating capital employed	5,521.4	4,890.9	5,854.1
Goodwill	14,777.8	16,672.2	18,639.9
Shares in associated companies	–	–	42.4
Total capital employed	**20,299.2**	**21,563.1**	**24,536.4**
Net debt	9,082.5	9,886.8	12,582.6
Minority interests	15.6	13.2	17.5
Shareholders' equity	11,201.1	11,663.1	11,936.3
Total financing	**20,299.2**	**21,563.1**	**24,536.4**

Securitas' financial model is described on pages 18–20. Operating items are labeled in green, net debt-related items in red and goodwill, taxes and non-operating items in yellow. Items related to shareholders' equity are labeled in blue.

ACQUISITIONS

Acquisitions January-December 2003

MSEK	Company	Division [1]	Annual sales [2]	Purchase price [3]	Enterprise value [4]	Goodwill [5]	Of which provisions for restructuring
Opening balance						**16,672**	**54**
	Respond Inc, USA	Cash Handling Services	125	64	64	57	–
	Lincoln Security, USA	Security Services USA	229	110	134	116	9
	VNV, Netherlands [6]	Security Services Europe	–	632	632	632	–
	Ebro Vigilancia & Seguridad, Spain	Security Services Europe	85	24	25	18	3
	Armored Motor Services of America, USA	Cash Handling Services	440	288	288	136	2
	Südalarm Wachtel GmbH, Germany	Security Systems	128	2	44	44	5
	Argus, USA	Security Services USA	80	33	33	33	–
	Other acquisitions [7]		135	70	61	108	8
Total acquisitions January – December 2003			**N/A**	**1,223**	**1,281**	**1,144**	**27**
Amortization of goodwill/utilization of provisions for restructuring						–1,137	–27
Translation differences						–1,901	–5
Closing balance						**14,778**	**49**

[1] Refers to division with main responsibility for the acquisition.
[2] Estimated annual sales at the time of the acquisition in SEK at the exchange rate at the time of the acquisition.
[3] Price paid to the seller.
[4] Purchase price plus acquired net debt.
[5] Total increase in consolidated goodwill incl. existing goodwill in acquired companies.
[6] Additional payment.
[7] Pharmacia Security, Sweden, Södra Norrlands Bevakning, Sweden (additional payment), Garm Larmcentral, Sweden (additional payment) Förenade Vakt, Sweden (additional payment), Sambox, Sweden, Vestjysk Vagtservice, Denmark, contract portfolio, Denmark, Äänekosken Vartiointi, Finland, Inter Security, Finland, Varkauden Teleasennus, Finland, Joensuun Turvatalo, Finland, Rühl, Germany, CSI 13, France, Belgacom, Belgium, Koetter Security Hungaria KFT (additional payment), Hungary, contract portfolio, Poland, IRG, USA, Great Lakes Armored, USA, Loomis, USA (deferred consideration).

Acquisitions raised sales by MSEK 964 during 2003 and Group goodwill by MSEK 1,144, leading to an increase of MSEK 95 in annual goodwill amortization.

Respond Inc., USA

In January 2003, Cash Handling Services USA acquired Respond Inc., with 440 employees and annual sales of MUSD 15 (MSEK 125). Respond is an ATM services company with activities in seven states. The acquisition has strengthened Securitas' operations in the western USA. The enterprise value (purchase price and assumed net debt) was MUSD 7.5 (MSEK 64). Goodwill from the acquisition amounts to MUSD 6.7 (MSEK 57) and will be amortized over five years.

The acquisition, which is consolidated from January 1, 2003, has contributed positively to the income of the Securitas Group in 2003.

Lincoln Security, USA

In March 2003, Security Services USA acquired Lincoln Security in California, with 2,900 employees and annual sales in 2002 of MUSD 27 (MSEK 229). The company provides guard services in California, Nevada and Oregon. The acquisition has strengthened Securitas' position in the southern California region and provided access to new market segments.

The enterprise value (purchase price and assumed net debt) was MUSD 15.6 (MSEK 134). Goodwill from the acquisition amounts to MUSD 13.5 (MSEK 116) and will be amortized over 10 years. The acquisition, which is consolidated as from April 1, 2003, has contributed positively to the income of the Securitas Group in 2003.

VNV, Netherlands

In April 2003, a planned deferred purchase price payment of MSEK 632, based on the development of the income 2002, was made for the VNV acquisition. In January 2004, a further planned deferred purchase price payment of MEUR 13.5, based on the development of the income 2003, has been made. A final deferred purchase price payment will be made in April 2004 and is expected to be MEUR 3.4.

Ebro Vigilancia & Seguridad SA, Spain

In June 2003, Security Services Europe acquired Ebro Vigilancia & Seguridad SA in Zaragoza, Spain in order to strengthen its operations in the Aragon region. Ebro Vigilancia & Seguridad SA has annual sales in guarding of MEUR 9 (MSEK 85), 300 employees and an operating margin of 7 percent.

The enterprise value (purchase price and assumed net debt) was MEUR 2.8 (MSEK 25). The goodwill of MEUR 1.9 (MSEK 18) will be amortized over five years.

The acquisition, which is consolidated from June 1, 2003, has contributed positively to the income of the Securitas Group in 2003.

Armored Motor Services of America, USA

In June 2003, Securitas Cash Handling Services USA has, through Loomis, acquired Armored Motor Services of America

(AMSA). AMSA, which is a leading privately held cash handling services company, has strengthened and extended Securitas' U.S. Cash Handling Services network in the key Northeastern market, primarily in New England and upstate New York. AMSA has annual sales of MUSD 55 (MSEK 440), 1,300 employees and activities in eight Northeastern states. The company's sales are split between transportation (46 percent), cash processing (20 percent), ATM related services (21 percent) and other services (13 percent), mainly coin wrapping and courier services. The majority of the company's customers are financial institutions. There are synergies both in operational efficiency and cost structure.

The net enterprise value (purchase price and assumed net debt) was MUSD 32.0 (MSEK 250) including tax effects on goodwill amortization of MUSD 4.0 (MSEK 38). Goodwill amounts to MUSD 16.9 (MSEK 136) to be amortized over 10 years.

AMSA, which is consolidated from June 30, 2003, has contributed positively to the income of the Securitas Group in 2003.

Südalarm Wachtel, Germany

In July 2003, Security Systems acquired Südalarm Wachtel in Stuttgart with annual sales of MEUR 14 (MSEK 128) and 120 employees. The company, which was founded in 1945, is mainly active in installation and maintenance of security systems for large and middle-sized companies and has created a platform for Security Systems in Germany.

The enterprise value (purchase price and assumed net debt) was MEUR 4.9 (MSEK 44). The goodwill of MEUR 4.9 (MSEK 44) will be amortized over 10 years. The acquisition, which is consolidated from August 1, 2003, has had little impact on the income of the Securitas Group in 2003.

Argus, USA

In September 2003 Security Services USA acquired certain contracts of Argus Services Inc. in the Rocky Mountains region. These contracts represent annual sales of MUSD 10 (MSEK 80) mainly in guarding services. The enterprise value (purchase price and assumed net debt) was MUSD 3.7 (MSEK 28). The goodwill of MUSD 3.7 (MSEK 28) will be amortized over five years and the acquisition will contribute positively to the income of the Securitas group in 2004.

As a second step, certain Argus contracts have been acquired during the fourth quarter 2003. These contracts relate to security services with government entities in the Rocky Mountains region and represent annual sales of MUSD 8.3 (MSEK 60). The total enterprise value amounts to MUSD 3.1 (MSEK 23). The goodwill amounts to MUSD 3.1 (MSEK 23) and is amortized over five years. This amount has been paid with MUSD 0.6 (MSEK 5) in the fourth quarter 2003 and the remaining amounts of MUSD 1.1 will be paid in the second quarter 2004 (subject to contract renewal) and MUSD 1.4 in the second quarter 2005 (subject to contract renewal).

SIGNIFICANT EVENTS

Changes in the Board of Directors

The Annual General Meeting held on April 8, 2003 decided that the Board would have nine members. Annika Bolin was elected a new board member.

Nomination Committee

At the Annual General Meeting, a nomination committee was elected consisting of Gustaf Douglas and Melker Schörling, representing the principal owners of Securitas AB. Further, the Annual General Meeting decided that the nomination committee would appoint two candidates from the larger institutional owners for consultations in the nomination procedure during the autumn 2003. For this, the nomination committee has appointed Marianne Nilsson, Robur and Thomas Halvorsen, Fourth Swedish National Pension Fund.

Changes in Group Management

In order to further strengthen the management of Securitas Cash Handling Services operations and to form a joint management for Cash Handling Services in USA and Europe, the following appointments have been made and announced on December 22, 2003.

Clas Thelin has been appointed divisional President of the joint Securitas Cash Handling Services division as well as President and CEO of Loomis, Fargo & Co (the U.S. part of Securitas Cash Handling Services). He will become a member of Group Management in Securitas AB. For 10 years Clas Thelin was President for the operations of Assa Abloy in North and South America. He has led the organization since it was formed in 1994. Assa Abloy Americas has grown from MUSD 30 in sales and 300 employees to MUSD 1,000 in sales with 10,000 employees. In the years 1989-1993 Clas Thelin was the President of Securitas Security Systems in Sweden.

Johan Eriksson has been appointed Executive Vice President of the joint Securitas Cash Handling Services division. Johan Eriksson is presently President of Securitas Cash Handling Services Europe and remains also in this position.

James B. Mattly has been appointed Chairman of the joint Securitas Cash Handling Services division. James Mattly has since 1991 lead the rebuilding and development of Loomis, Fargo & Co from a loss making regional cash carrier to the leading cash transportation and cash management company in the USA.

Long term incentive program for the President and CEO

In 1998 the Board of Directors established a long-term incentive program based on the market performance of the Securitas share for the Group Management members.

In 1999 this program was discontinued and the balance was transferred to a single-premium insurance policy whereafter Securitas has not or will not incur further expenses in this respect. The insurance policy entitles the President and CEO, Thomas Berglund, to receive an amount corresponding to 1,222,709 Securitas B-shares, with a deduction for social security charges and taxes.

Following the decision by the Board of Directors on February 6, 2004, the insurance company will pay out the amount during March 2004. Thomas Berglund will at the same time acquire 500,000 Securitas B-shares over the stock market. Thomas Berglund has made a commitment not to dispose of these shares earlier than 18 months after termination of employment and in any case not before June 30, 2007.

New syndicated loan facility

In December 2003 Securitas AB signed a five-year loan agreement (Multi Currency Revolving Credit Facility) of MUSD 800, with a syndicate of international banks. The facility replaced the MEUR 400 syndicated facility maturing December 2004. It will be used for general corporate purposes and secure a reasonable maturity profile of Securitas' funding. The interest margin will be 40 bps based on ratings of BBB+/Baa1 from Standard & Poor's and Moody's, currently applicable to Securitas.

The facility has been arranged by Bank of America Securities Limited, BNP Paribas and Citigroup. The syndicate consists of 20 banks.

Reclassification of shares

The main owner of Securitas, SäkI AB, has on December 12, 2003 reclassified 1,500,000 shares of series A in Securitas AB to series B. At the same time Melker Schörling AB has reclassified 1,500,000 shares of series B to series A. After the reclassification SäkI AB has 24.6 percent of the votes (previously 27.3 percent) and 3.9 percent of the capital (unchanged) of Securitas AB. Melker Schörling has directly and indirectly 10.7 percent of the votes (previously 8.1 percent) and 4.2 percent of the capital (unchanged).

Update on the events of September 11, 2001

The developments surrounding the events of September 11, 2001 have been presented in press releases, as well as interim and annual reports for 2001 and updated 2002 and 2003. Further information can be found in Note 28, page 72.

ACCOUNTING PRINCIPLES AND TRANSITION TO IFRS

The Group's accounting principles can be found in Note 1. The accounting principles also include information on the effects of the implementation of RR 29 Employee Benefits, which comes into effect on January 1, 2004 as well as information regarding Securitas' handling of the transition to International Financial Reporting Standards (IFRS) in 2005.

THE GROUP'S DEVELOPMENT

The European businesses are expected to show both improved sales growth and margins. The Cash Handling Services division is expected to show a substantial improvement of growth and margins as the restructuring of the German operation now is completed.

For Security Services in the USA the challenge is primarily to continue the positive development of sales and to speed up the margin improvement.

For the whole Group 2004 is expected to be a good year.

PARENT COMPANY OPERATIONS

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

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 6, 2004.

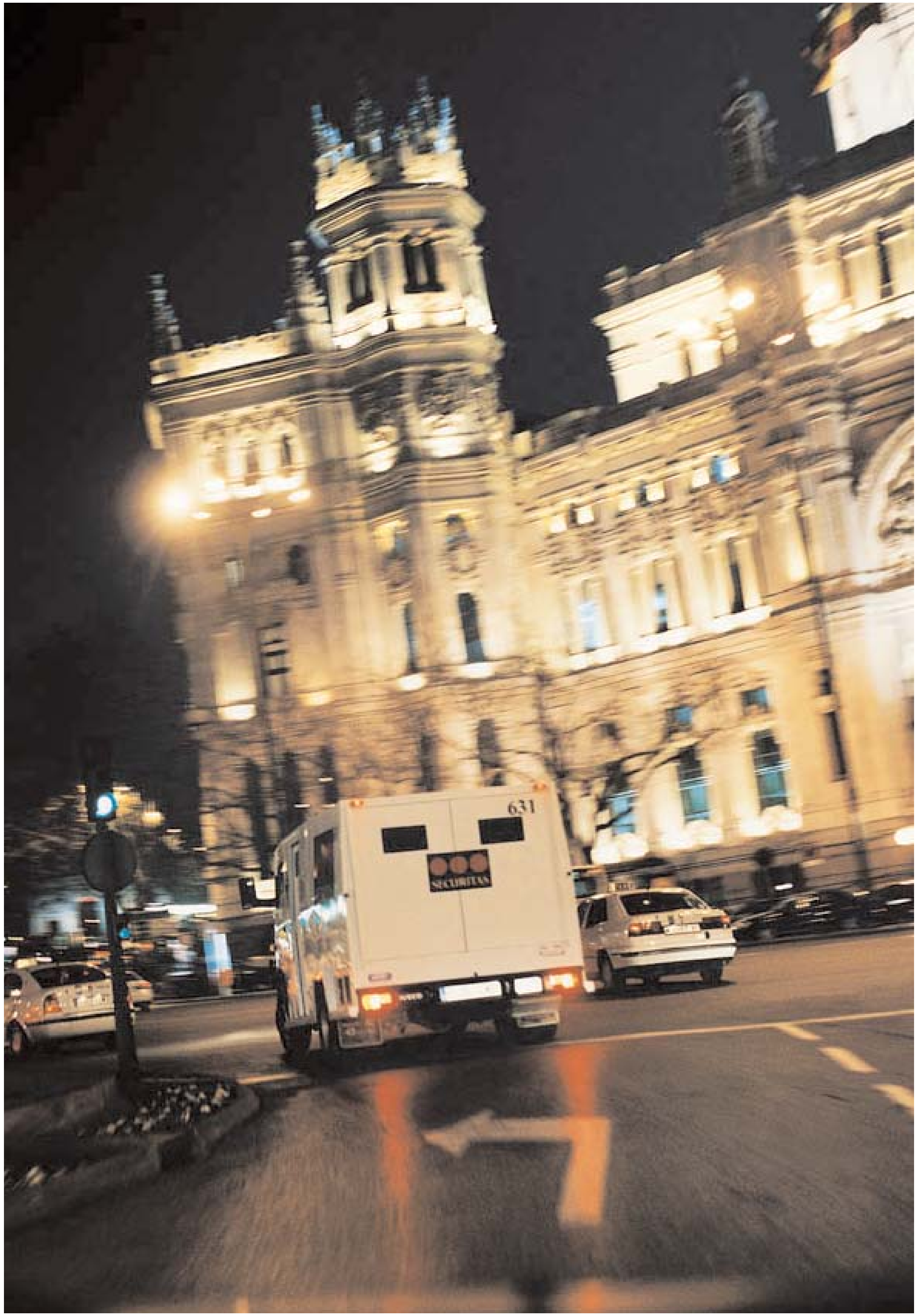
The Group's non-restricted shareholders' equity according to the Consolidated balance sheet amounts to MSEK 3,380.2. No transfer to restricted shareholders' equity in the Group is required.

Funds in the Parent Company available for distribution:

Retained earnings	SEK 11,587,574,708
Net income for the year	SEK 2,958,093,502
Total	**SEK 14,545,668,210**

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

SEK 2.00 per share	SEK 730,117,794
To be carried forward	SEK 13,815,550,416
Total	**SEK 14,545,668,210**



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A Cash Handling Services van on duty in Madrid; Spain.

MSEK	NOTE	2003	2002	2001
Sales, continuing operations		57,886.3	61,580.8	47,999.5
Sales, acquired business		964.0	4,104.5	12,364.1
Total sales	5	**58,850.3**	**65,685.3**	**60,363.6**
Production expenses	6, 8	–45,491.5	–50,625.0	–46,601.1
Gross income		**13,358.8**	**15,060.3**	**13,762.5**
Selling and administrative expenses	6, 8	–9,626.8	–10,601.9	–9,908.0
Amortization of goodwill	5, 13	–1,137.0	–1,164.5	–1,089.8
Operating income	5, 7	**2,595.0**	**3,293.9**	**2,764.7**
Result of financial investments				
Interest income		222.3	202.2	329.5
Interest expense and similar items	9	–819.1	–984.5	–1,221.7
Share in income of associated companies	9	–	–	29.4
Income before taxes		**1,998.2**	**2,511.6**	**1,901.9**
Taxes	10	–754.1	–997.0	–718.3
Minority share in net income		–1.8	–28.8	–0.9
Net income for the year		**1,242.3**	**1,485.8**	**1,182.7**
Interest expense for convertible loans, net 28% tax		77.8	73.7	10.2
Income used in data per share calculation after full conversion		1,320.1	1,559.5	1,192.9
Average number of shares		364,808,523	362,068,889	358,098,487
Average number of shares after full conversion		382,416,866	376,689,957	365,123,348
Earnings per share after full taxes, before full conversion (SEK)		**3.41**	**4.10**	**3.30**
Earnings per share after full taxes, after full conversion (SEK)		**3.45**	**4.14**	**3.27**
Proposed/paid dividend per share (SEK)		**2.00**	**2.00**	**1.50**

Supplementary information

SECURITAS' FINANCIAL MODEL – CONSOLIDATED STATEMENT OF INCOME

MSEK	2003	2002	2001
Sales, continuing operations	57,886.3	61,580.8	47,999.5
Sales, acquired business	964.0	4,104.5	12,364.1
Total sales	**58,850.3**	**65,685.3**	**60,363.6**
Organic sales growth, %	*–3*	*8*	*7*
Production expenses	–45,491.5	–50,625.0	–46,601.1
Gross income	**13,358.8**	**15,060.3**	**13,762.5**
Gross margin, %	*22.7*	*22.9*	*22.8*
Expenses for branch offices	–4,435.2	–5,344.6	–5,377.0
Other selling and administrative expenses	–5,191.6	–5,257.3	–4,531.0
Total expenses	**–9,626.8**	**–10,601.9**	**–9,908.0**
Operating income before amortization of goodwill	**3,732.0**	**4,458.4**	**3,854.5**
Operating margin, %	*6.3*	*6.8*	*6.4*
Amortization of goodwill	–1,137.0	–1,164.5	–1,089.8
Operating income after amortization of goodwill	**2,595.0**	**3,293.9**	**2,764.7**
Net financial items	–596.8	–782.3	–862.8
Income before taxes	**1,998.2**	**2,511.6**	**1,901.9**
Net margin, %	*3.4*	*3.8*	*3.2*
Taxes	–754.1	–997.0	–718.3
Minority share in net income	–1.8	–28.8	–0.9
Net income for the year	**1,242.3**	**1,485.8**	**1,182.7**

Securitas' financial model is described on pages 18–20. Operating items are labeled in green, net debt-related items in red and goodwill, taxes and non-operating items in yellow. Items related to shareholders' equity are labeled in blue.

MSEK	NOTE	2003	2002	2001
Operations				
Operating income		2,595.0	3,293.9	2,764.7
Reversal of depreciation (including amortization of goodwill)	8, 13	2,701.1	2,658.0	2,467.0
Net financial items paid		–615.0	–794.6	–774.6
Current taxes paid		–510.9	–678.2	–575.5
Change in accounts receivable		–368.1	808.6	–373.0
Payments from provisions for restructuring		–27.0	–103.9	–349.9
Change in other operating capital employed		–282.2	173.8	209.0
Cash flow from operations		**3,492.9**	**5,357.6**	**3,367.7**
Investing activities				
Investments in fixed assets		–1,718.6	–1,746.1	–1,764.3
Acquisition of subsidiaries	11	–1,280.8	–1,605.8	–2,651.6
Cash flow from investing activities		**–2,999.4**	**–3,351.9**	**–4,415.9**
Financing activities				
Dividend paid		–730.1	–542.0	–427.6
Conversion of convertible debenture loans		159.2	157.0	378.7
Securitization		47.7	0.5	2,380.5
Change in interest-bearing net debt excluding liquid assets		2,095.5	414.0	–2,452.7
Cash flow from financing activities		**1,572.3**	**29.5**	**–121.1**
Cash flow for the year		**2,065.8**	**2,035.2**	**–1,169.3**
Liquid assets at beginning of year		2,851.2	978.6	2,024.6
Translation differences on liquid assets		–441.3	–162.6	123.3
Liquid assets at year-end	12	**4,475.7**	**2,851.2**	**978.6**

Change in interest-bearing net debt in 2003

	Opening balance 2003	Cash flow for the year	Change in loans	Translation differences	Closing balance 2003
Liquid assets	2,851.2	2,065.8	–	–441.3	4,475.7
Other net debt	–12,738.0	–	–2,095.5	1,275.3	–13,558.2
Interest-bearing net debt	**–9,886.8**	**2,065.8**	**–2,095.5**	**834.0**	**–9,082.5**

Supplementary information

SECURITAS' FINANCIAL MODEL – CONSOLIDATED STATEMENT OF CASH FLOW

MSEK	2003	2002	2001
Operating income before amortization of goodwill	**3,732.0**	**4,458.4**	**3,854.5**
Investments in fixed assets	–1,718.6	–1,746.1	–1,764.3
Reversal of depreciation (excluding amortization of goodwill)	1,564.1	1,493.5	1,377.2
Net investments in fixed assets	**–154.5**	**–252.6**	**–387.1**
Change in accounts receivable	–368.1	808.6	–373.0
Change in other operating capital employed	–282.2	173.8	209.0
Cash flow from operating activities	**2,927.2**	**5,188.2**	**3,303.4**
Cash flow from operating activities as % of operating income before amortization of goodwill	*78*	*116*	*86*
Net financial items paid	–615.0	–794.6	–774.6
Current taxes paid	–510.9	–678.2	–575.5
Free cash flow	**1,801.3**	**3,715.4**	**1,953.3**
Free cash flow as % of adjusted income	*73*	*122*	*80*
Acquisition of subsidiaries	–1,280.8	–1,605.8	–2,651.6
Payments from provisions for restructuring	–27.0	–103.9	–349.9
Cash flow from financing activities	1,572.3	29.5	–121.1
Cash flow for the year	**2,065.8**	**2,035.2**	**–1,169.3**

Securitas' financial model is described on pages 18–20. Operating items are labeled in green, net debt-related items in red and goodwill, taxes and non-operating items in yellow.

CONSOLIDATED BALANCE SHEET

MSEK	NOTE	2003	2002	2001
ASSETS				
Fixed assets				
Goodwill	13	14,777.8	16,672.2	18,639.9
Other intangible fixed assets	14	384.7	263.0	295.4
Buildings and land	15	988.7	1,227.0	1,454.5
Machinery and equipment	15	4,080.3	4,029.5	3,727.7
Shares in associated companies	16	–	–	42.4
Deferred tax assets	10	1,491.8	1,691.6	2,295.0
Interest-bearing financial fixed assets		138.7	147.3	83.9
Other long-term receivables	17	963.4	1,042.6	1,190.0
Total fixed assets		**22,825.4**	**25,073.2**	**27,728.8**
Current assets				
Inventories	18	484.2	422.7	417.1
Accounts receivable		6,736.0	6,759.5	7,656.5
Other current receivables	19	2,433.4	2,370.4	2,294.3
Short-term investments	20	3,435.9	2,094.6	308.3
Cash and bank deposits	20	1,039.8	756.6	670.3
Total current assets		**14,129.3**	**12,403.8**	**11,346.5**
TOTAL ASSETS		**36,954.7**	**37,477.0**	**39,075.3**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Restricted equity				
Share capital		365.1	363.1	361.1
Restricted reserves		7,455.8	7,460.6	8,091.2
Total restricted equity		**7,820.9**	**7,823.7**	**8,452.3**
Non-restricted equity				
Non-restricted reserves		2,137.9	2,353.6	2,301.3
Net income for the year		1,242.3	1,485.8	1,182.7
Total non-restricted equity		**3,380.2**	**3,839.4**	**3,484.0**
Total shareholders' equity		**11,201.1**	**11,663.1**	**11,936.3**
Minority interests		**15.6**	**13.2**	**17.5**
Provisions				
Provisions for pensions and similar commitments	23	32.6	34.8	33.6
Deferred tax liability	10, 23	465.0	493.2	528.5
Other provisions	23	1,607.5	1,940.7	2,600.8
Total provisions		**2,105.1**	**2,468.7**	**3,162.9**
Long-term liabilities				
Long-term convertible debenture loans	22, 24	3,992.9	3,996.2	321.3
Other long-term loan liabilities	24	7,212.8	7,401.3	11,081.6
Other long-term liabilities	24	231.2	231.2	352.8
Total long-term liabilities		**11,436.9**	**11,628.7**	**11,755.7**
Current liabilities				
Short-term convertible debenture loan	22	–	164.4	–
Other short-term loan liabilities	25	2,458.6	1,288.6	2,208.6
Accounts payable		1,254.7	1,336.5	1,698.8
Other current liabilities	26	8,482.7	8,913.8	8,295.5
Total current liabilities		**12,196.0**	**11,703.3**	**12,202.9**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**36,954.7**	**37,477.0**	**39,075.3**
Pledged assets	27	16.0	84.9	39.3
Contingent liabilities	28	157.1	162.4	493.7

Supplementary information

SECURITAS' FINANCIAL MODEL – CONSOLIDATED CAPITAL EMPLOYED AND FINANCING

MSEK	2003	2002	2001
Operating capital employed			
Other intangible fixed assets	384.7	263.0	295.4
Buildings and land	988.7	1,227.0	1,454.5
Machinery and equipment	4,080.3	4,029.5	3,727.7
Inventories	484.2	422.7	417.1
Accounts receivable	6,736.0	6,759.5	7,656.5
Other current receivables	2,433.4	2,370.4	2,294.3
Deferred tax assets	1,491.8	1,691.6	2,295.0
Other long-term receivables	963.4	1,042.6	1,190.0
Total assets	**17,562.5**	**17,806.3**	**19,330.5**
Deferred tax liability	465.0	493.2	528.5
Other provisions	1,607.5	1,940.7	2,600.8
Other long-term liabilities	231.2	231.2	352.8
Accounts payable	1,254.7	1,336.5	1,698.8
Other current liabilities	8,482.7	8,913.8	8,295.5
Total liabilities	**12,041.1**	**12,915.4**	**13,476.4**
Total operating capital employed	**5,521.4**	**4,890.9**	**5,854.1**
Goodwill	14,777.8	16,672.2	18,639.9
Shares in associated companies	–	–	42.4
Total capital employed	**20,299.2**	**21,563.1**	**24,536.4**
Operating capital employed as % of sales	*9*	*7*	*9*
Return on capital employed, %	*18*	*21*	*16*
Net debt			
Interest-bearing financial fixed assets	138.7	147.3	83.9
Short-term investments	3,435.9	2,094.6	308.3
Cash and bank deposits	1,039.8	756.6	670.3
Total interest-bearing assets	**4,614.4**	**2,998.5**	**1,062.5**
Provisions for pensions and similar commitments	32.6	34.8	33.6
Long-term convertible debenture loans	3,992.9	3,996.2	321.3
Other long-term loan liabilities	7,212.8	7,401.3	11,081.6
Short-term convertible debenture loan	–	164.4	–
Other short-term loan liabilities	2,458.6	1,288.6	2,208.6
Total interest-bearing liabilities	**13,696.9**	**12,885.3**	**13,645.1**
Total net debt	**9,082.5**	**9,886.8**	**12,582.6**
Net debt equity ratio, multiple	*0.81*	*0.85*	*1.05*
Minority interests	**15.6**	**13.2**	**17.5**
Shareholders' equity			
Share capital	365.1	363.1	361.1
Restricted reserves	7,455.8	7,460.6	8,091.2
Non-restricted reserves	2,137.9	2,353.6	2,301.3
Net income for the year	1,242.3	1,485.8	1,182.7
Total shareholders' equity	**11,201.1**	**11,663.1**	**11,936.3**
Total financing	**20,299.2**	**21,563.1**	**24,536.4**

Securitas' financial model is described on pages 18–20. Operating items are labeled in green, net debt-related items in red and goodwill, taxes and non-operating items in yellow. Items related to shareholders' equity are labeled in blue.

MSEK	NOTE	Share capital	Restricted reserves	Non-restricted reserves	Total
Opening balance according to adopted balance sheet 2001		356.3	7,414.0	2,184.9	9,955.2
Effect of change in accounting principle	21	–	–	104.0	104.0
Opening balance adjusted in accordance with new principle 2001		**356.3**	**7,414.0**	**2,288.9**	**10,059.2**
Translation differences	21	–	697.6	45.7	743.3
Transfer between restricted and non-restricted reserves		–	–394.3	394.3	–
Net income for the year		–	–	1,182.7	1,182.7
Dividend paid		–	–	–427.6	–427.6
Conversion of convertible debenture loans		4.8	373.9	–	378.7
Opening balance 2002		**361.1**	**8,091.2**	**3,484.0**	**11,936.3**
Translation differences	21	–	–1,185.9	–188.1	–1,374.0
Transfer between restricted and non-restricted reserves		–	400.3	–400.3	–
Net income for the year		–	–	1,485.8	1,485.8
Dividend paid		–	–	–542.0	–542.0
Conversion of convertible debenture loans		2.0	155.0	–	157.0
Opening balance 2003		**363.1**	**7,460.6**	**3,839.4**	**11,663.1**
Translation differences	21	–	–1,105.4	–28.0	–1,133.4
Transfer between restricted and non-restricted reserves		–	943.4	–943.4	–
Net income for the year		–	–	1,242.3	1,242.3
Dividend paid		–	–	–730.1	–730.1
Conversion of convertible debenture loans		2.0	157.2	–	159.2
Closing balance 2003		**365.1**	**7,455.8**	**3,380.2**	**11,201.1**

NOTE 1 ACCOUNTING PRINCIPLES

Securitas' Annual Report has been prepared in accordance with the Swedish Annual Accounts Act and the recommendations (RR) and statements issued by the Swedish Financial Accounting Standards Council.

Reference to Notes in the Accounting principles relate to notes that provide further disclosure and comment over and above information in the Statement of income, Statement of cash flow, Balance sheet and Changes in shareholders' equity.

Implementation and effects of new recommendations from the Swedish Financial Accounting Standards Council for 2003
The following new recommendations from the Swedish Financial Accounting Standards Council came into effect on January 1, 2003. RR 22 Presentation of Financial Statements, RR 24 Investment Property, RR 25 Segment Reporting, RR 26 Events After the Balance Sheet Date, RR 27 Financial Instruments: Disclosure and Presentation and RR 28 Accounting for Government Grants and Disclosure of Government Assistance.

RR 22 Presentation of Financial Statements
This recommendation is intended to offer guidance on the structure of financial reports, the disclosure of accounting and fundamental principles applied, ensuring that any variances from the Swedish Financial Accounting Standards Council's recommendations are limited to isolated instances and stating the standards applicable in order to be able to declare that financial reports are consistent with the Swedish Financial Accounting Standards Council's recommendations. The implementation of RR 22 has not resulted in any amendment to Securitas' accounting principles, or any adjustments to previously reported periods. However, one consequence of RR 22 is a change in the presentation of Changes in shareholders' equity – previously accounted in a note to the Balance sheet – now being accounted as a separate statement. Nevertheless, the layout has not been changed because the previous year's note regarding Changes in shareholders' equity was prepared for RR 22.

RR 24 Investment Property
Because the Group does not possess real estate for any purpose other than use in ongoing operations, RR 24 Investment Property is not applicable to Securitas.

RR 25 Segment Reporting (Note 5)
This recommendation is intended to define principles on how information on various products, services and various geographical regions is disclosed. Securitas has accounted financial information by division since the implementation of its divisional structure. The implementation of RR 25 does not affect Securitas' organization of the reporting of its divisions, which equals segments according to RR 25. However, Securitas' principles for the preparation of information by division have previously been to allocate all central expenses and balance sheet items to the divisions. RR 25 stipulates that costs in any particular segment (division) should not encompass general administrative expenses, expenses for head offices and other central expenses. The implication is that these expenses are accounted under the heading Other. Moreover, the segment's assets and liabilities should exclusively include 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. Thus RR 25 has lead to an amendment of the principles for the allocation of expenses, assets and liabilities. The divisional financial information has been adjusted accordingly.

RR 26 Events After the Balance Sheet Date
This recommendation has not resulted in any change to Securitas' accounting principles, or any adjustments to previously reported periods.

RR 27 Financial Instruments: Disclosure and Presentation (Note 2)
This recommendation 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. RR 27 has not resulted in any amendment to Securitas' accounting principles, or any amendment to previously accounted periods.

RR 28 Accounting for Government Grants and Disclosure of Government Assistance
Securitas as well as other employers are eligible to a number of grants in relation to employees. Grants relate to training, incentive 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. RR 28 has not resulted in any adjustment of Securitas' accounting principles or to any previously accounted periods.

Implementation and effects of new recommendations from the Swedish Financial Accounting Standards Council for 2004
RR 29 Employee Benefits
The accounting of defined benefit plans for pension plans and other employee remuneration, primarily encompassing healthcare benefits, is for 2003 and previous periods pursuant to Swedish and local accounting standards and recommendations. The new recommendation RR 29 Employee Benefits comes into effect on January 1, 2004. This means that defined benefit plans will be accounted for with consistent principles throughout the whole Group. The opening balance of the net liability for pensions and other remuneration to employees will be restated as of January 1, 2004 without the comparatives being changed, which is in accordance with the transition rules of RR 29. The opening balance of the net liability is estimated to be BSEK 0.8 higher than the previous net liability calculated according to previously used accounting principles. The previous net liability was BSEK 0.0. The difference is attributable mainly to different dates of application of RR 29 and local accounting standards and the different market conditions on those dates. The transition to RR 29 means a change to accounting principles, according to RR 5 Changes in Accounting Principles, resulting in a negative adjustment of opening balance of the shareholders' equity estimated to be BSEK 0.5 after considering estimated tax effects of BSEK 0.3.

Transition to International Financial Reporting Standards in 2005 (IFRS/IAS)
Securitas will be reporting according to International Financial Reporting Standards (formerly IAS) from 2005. Although the Swedish Financial Accounting Standards Council's recommendations have progressively converged with IFRS, a number of differences remain. Securitas will be monitoring progress on an ongoing basis in order to harmonize with the new regulatory structure. In terms of the information available at present, the only major difference from current accounting principles and IFRS concerns the accounting of acquisitions, goodwill and the recognition and measurement of financial instruments. The difference in current accounting principles for employee benefits and IFRS will disappear with the transition to RR 29 Employee Benefits, which equals the current form of IAS 19, on January 1, 2004. Securitas' efforts relating to the implementation of IFRS are closely monitored by a dedicated implementation organization and Securitas' auditors. Securitas will provide relevant information in more detail regarding the effects on the Group's financial statements during 2004 as this information becomes available.

Scope of the Consolidated financial statements
The Consolidated financial statements include the Parent Company Securitas AB and all companies in which Securitas AB, directly or indirectly, holds more than 50 percent of the voting rights, or exerts a decisive influence in any other manner.

Purchase method of accounting (Note 37)
The Consolidated financial statements have been prepared in accordance with the purchase method of accounting, which means that the acquisition values of shares in subsidiaries are eliminated against subsidiaries' shareholders' equity at the time of acquisition including share of equity in untaxed reserves. The estimated tax liability from untaxed reserves in acquired companies has been accounted as a provision at the percentage applicable in the relevant country. Shareholders' equity of acquired companies is based on a market valuation of assets and liabilities at the time of acquisition. To the extent restructuring programs that directly follow an acquisition result in future expenses, such expenses are accounted as an appropriation to restructuring provisions. When the cost of shares of the acquired subsidiary exceeds the market value of the acquired company's net assets, consolidated goodwill arises. With this method, only that portion of the shareholders' equity of subsidiaries created after the time of acquisition is included in consolidated shareholders' equity. The Consolidated statement of income includes companies acquired during the year from the time of acquisition onwards. Companies divested during the year are excluded from the time of divestiture onwards.

Joint ventures (Note 3)
The proportional method is applied to joint ventures where there is a shared controlling interest. According to this method, all Statement of income and Balance sheet items are posted to the Consolidated statement of income and Consolidated balance sheet in proportion to ownership.

Shares in associated companies (Note 16)
The equity method is used to account shareholdings that are neither subsidiaries nor joint ventures, but where Securitas can exert a significant influence, and where its ownership constitutes a permanent relationship. The income share of associated companies is included in the Consolidated statement of income under income before taxes. In cases where the cost of shares of associated companies exceeds the share of

equity in the acquired company at the time of acquisition, the difference has been amortized according to the same principles as consolidated goodwill, and has been charged to the Share of income in associated companies item after an analysis of the nature of such surplus. The share of income tax of associated companies is included in the consolidated tax expense. In the Consolidated balance sheet, shareholdings in associated companies are accounted at acquisition value, adjusted for dividends and the share of income after the acquisition date. In determining the equity value, untaxed reserves have been allocated to shareholders' equity after deduction of estimated tax liabilities.

Restatement of foreign subsidiaries (Note 21)
All foreign subsidiaries are considered as independent foreign operations; the translation of their financial statements is effected pursuant to the current 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 year-end exchange rates. Translation differences arising in the conversion of Balance sheets are posted directly to shareholders' 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 year-end rates, is posted directly to non-restricted equity. Where loans have been raised to reduce the Group's foreign exchange/translation exposure in foreign net assets, exchange rate differences on such loans are offset against exchange rate differences arising in the translation of foreign net assets.

Intra-group transactions (Note 30)
Pricing of deliveries among Group companies is determined using normal business principles. Intra-group receivables and liabilities, transactions between Group companies and the resulting internal income have been eliminated.

Revenue recognition
The Group's revenue is generated from various types of security services and the sale of alarm products. Revenue from security services is accounted 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 accounted 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 utilized in relation to the total estimated. Interest income and cost of borrowing are accounted in the Statement of income in the period to which they are attributable.

Taxes (Note 10)
Provisions have been made for all taxes that are expected to be levied on income for the year, including deferred tax. Deferred tax is calculated in accordance with the liability method. Deferred tax is based on net changes in temporary differences between the book value and taxable value of assets and liabilities. The calculation of deferred tax liabilities and deferred tax claims is accounted in the same way as the underlying transactions were accounted as of the balance sheet date and refers to all taxable temporary differences, provided they do not pertain to non-deductible goodwill or subsidiary shares. Anticipated tax rates are applied in the years that the temporary differences are likely to be reversed.

A deferred tax asset is accounted 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 accounted 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 due to 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. Details of deferred tax liabilities that can be expected to arise on the remaining disposable income in subsidiaries are provided in the note.

Statement of cash flow
The Statement of cash flow has been prepared in accordance with the indirect method. Payments from provisions for restructuring, which were previously included in Cash flow from investing activities have been reclassified to Cash flow from operations. This reclassification does not change the Statement of cash flow according to Securitas' financial model. The classification in the Statement of cash flow has also been revised to include changes to accrued financial items under Net Financial items paid and changes to current tax assets and liabilities under Current taxes paid. The offset to these amendments is included under Change in other operating capital employed. Moreover, the change in accounts receivable is accounted separately, whereas it was previously included in Change in other operating capital employed. Comparatives have been adjusted.

Foreign currency receivables and liabilities
When preparing the financial statements of individual companies, foreign currency-denominated receivables and liabilities have been translated using year-end exchange rates.

Where forward contracts are used to hedge commercial receivables and liabilities, the relevant forward rate is used. The premium or discount on the contract, which is the difference between the forward rate and the spot rate, is accounted in operating income.

Impairment (Notes 13–15 and Notes 35–36)
Book values are considered as of the balance sheet date to determine whether accounted values exceed the recoverable value of assets. If recoverable values are less than book value, a write-down to recoverable values is effected. Coincident with assessments of whether previous write-downs should be reversed, an assessment as to whether the assumptions underlying the determination of the recovery value have changed is undertaken. Specific ordinances apply to goodwill, implying that the reversal of previous write-downs should not be effected apart from in those cases where the write-down was caused by a particular, and unusual, external circumstance, which could not be expected to be repeated, and that a later occurrence arose that cancels the effect of the first circumstance that elicited the decision to effect a write-down. Write-downs and reversed write-downs are accounted separately.

Goodwill (Note 13)
In cases where the acquisition value of the shares in an acquired subsidiary exceeds the acquired shareholders' equity as per acquisition analysis performed at the time of acquisition, goodwill arises. Goodwill is accounted in the Balance sheet at cost less accumulated amortization according to plan and any write-downs. Consolidated goodwill is amortized at 5 to 20 percent annually, depending on the type of acquired goodwill. Goodwill arising in smaller acquisitions that are largely integrated into existing organizational structures is amortized at 20 percent annually. Goodwill in well-established companies with independent, recognized brands is amortized at a rate of 10 percent annually. Goodwill in strategic acquisitions of companies with an established market position and infrastructure with an estimated life in excess of 20 years is amortized at 5 percent annually. All amortization is linear. The need for write-downs is evaluated on a continuous basis, and any write-downs are accounted separately.

Other fixed assets (Notes 14–15 and Notes 35–36)
Intangible and tangible fixed assets are accounted on the asset side of the Balance sheet at acquisition value less deductions for accumulated amortization and depreciation according to plan.

Amortization and depreciation according to plan is based on historical acquisition values and estimated economic life-span. Linear depreciation is used for all asset classes, as follows:

Intangible assets	5–25 percent
Machinery and equipment	10–25 percent
Buildings and land improvements	1.5–4 percent
Land	0 percent

Leasing contracts (Note 6)
When a leasing contract means that the Group, as the lessee, essentially derives the economic benefits and bears the economic risk attributable to the leased asset – termed financial leasing – the asset is accounted as a fixed asset in the Consolidated balance sheet. The corresponding obligation to pay leasing fees in the future is accounted as a liability. In the Consolidated statement of income, leasing is divided between depreciation and interest. The Group has no financial leasing contracts where it is the lessor.

Operational leasing contracts, where the Group is the lessee, are accounted in the Statement of income as an operating expense. 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. Payments received in advance are accounted under Other current liabilities.

Accounts receivable that have been securitized through their sale are not accounted as receivables in the Balance sheet. De-recognition is based on when criteria for legal isolation and surrender of control have been fulfilled. Provisions are made for anticipated bad debts in accordance with the same principles as accounts receivable and reduce the accounts receivable that can be securitized.

Inventories (Note 18)
Inventories are valued at the lower of cost and market at year-end according to the FIFO (first-in, first-out) principle. The necessary deductions for obsolescence have been made.

Short-term investments (Note 20 and Note 39)
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 (Note 22 and Note 24)
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 both convertible debenture loan 2002/2007 series 1-4 and convertible debenture loan 1998/2003 were issued at market interest, the related shareholders' equity-related instrument constituted an insignificant portion of the issue proceeds, whereupon the convertible debenture loans were classified as financial liabilities in their entirety.

Bond loans issued (Note 24)
Bond loans issued are accounted at amortized cost, which means the present value of future payments discounted by the effective historical rate of interest at the time of issue.

Commercial paper issued (Note 25)
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 (Note 2)
Loan receivables and loan liabilities hedged through forward currency contracts are valued at the spot rate on the day the hedge was entered. Forward premiums and discounts, i.e. 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 gain or loss from interest rate derivatives comprises 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.

Claim reserves (Note 23)
Claim 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.

Exchange rates used in the Consolidated financial statements 2001–2003

Country	Currency		Weighted average 2003	Dec 2003	Weighted average 2002	Dec 2002	Weighted average 2001	Dec 2001
Norway	NOK	100	113.48	108.05	122.24	125.95	115.73	118.35
Denmark	DKK	100	122.68	122.15	122.92	123.75	124.86	126.65
Finland	FIM	100	–	–	–	–	156.40	158.50
Germany	DEM	100	–	–	–	–	475.55	481.58
France	FRF	100	–	–	–	–	141.70	143.60
Great Britain	GBP	1	13.17	12.91	14.51	14.15	15.06	15.48
Spain	ESP	100	–	–	–	–	5.59	5.66
Switzerland	CHF	100	598.62	582.84	622.97	632.34	616.98	636.00
Austria	ATS	100	–	–	–	–	67.64	68.45
Portugal	PTE	100	–	–	–	–	4.64	4.70
Belgium	BEF	100	–	–	–	–	23.04	23.35
The Netherlands	NLG	100	–	–	–	–	422.09	427.41
Hungary	HUF	100	3.59	3.48	3.76	3.90	3.63	3.82
Poland	PLN	1	2.06	1.94	2.36	2.30	2.55	2.69
Estonia	EEK	1	0.58	0.58	0.58	0.59	0.59	0.60
Czech Republic	CZK	1	0.29	0.28	0.30	0.29	0.28	0.29
USA	USD	1	8.01	7.28	9.64	8.83	10.44	10.58
Canada	CAD	1	5.75	5.56	6.13	5.63	6.72	6.69
Mexico	MXN	1	0.74	0.65	0.99	0.86	1.12	1.17
Argentina	ARS	1	2.69	2.49	3.05	2.61	10.54	10.59
	EUR	1	9.12	9.09	9.15	9.19	–	–

NOTE 2 FINANCIAL RISK MANAGEMENT

Financial risk factors
The Group's business activities expose it to financial risks, for example interest rate risk and foreign currency risks.

The Group's overall financial risk management program focuses on the unpredictability of the financial markets and seeks 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 through a focus on profitability in the business operations, reduction of capital tied-up in accounts receivable and inventories, a balanced capital expenditure program and efficient 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 cashpooling solutions. In addition, Securitas operates an overall euro cashpooling structure for countries in the euro zone and an overall cashpooling structure in U.S. 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 management of the financial risks in one location, in GTC in Dublin, the Group can readily monitor and control them and benefit from the skills of dedicated treasury personnel. Also by concentrating internal and external financing through GTC economies of scale can be utilized in the pricing of investments and loans. GTC is further utilized to match local liquidity surpluses and deficits between countries and cashpools.

GTC identifies, evaluates and hedges financial risks in co-operation with the operating units. The Board of Directors of Securitas AB provides 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 utilised for three main reasons, 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. The details of long term borrowings are disclosed in Note 24. The Group uses interest swap rates, interest rate caps and floors, and cross currency swaps to convert the interest rate profile of this debt. Since income is tied to the customer contracts with an annual price review and this impact usually follows each country's economic development and inflation rate, interest rate risks are deemed to be minimised through short interest rate periods. Strong cash flows from operations reduce the Group's dependency on external financing and thereby also minimise 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 taking into consideration the Group's goal for interest coverage and net debt to equity ratio. Details of the Group's debt profile is set out below followed by a disclosure with regard to interest rate fixings, see tables 1A and 1B.

The Group's interest coverage ratio, a measure of its ability to pay interest costs, was 5.3 at December 31, 2003 (5.3). The Group has a target ratio of 6.0.

The ratio of the Group's net debt to shareholders' equity, the net debt to equity ratio, is a key ratio for the Group. The Group aims for the ratio never to exceed 1.35. The long-term strategy is to operate with a net debt to equity ratio, measured by balance sheet value, in the range of 0.8–1.0. Per December 31, 2003 the net debt equity ratio was 0.81 (0.85). Adjusted for securitization of accounts receivable, which is an off-balance-sheet form of financing, the net debt to equity ratio was 0.96 (1.02).

Table 1A
December 2003 Total Group Interest-bearing liabilities and assets

Currency	Size MSEK	Duration (days)	Current book cost (incl. credit margin)	Interest rates +1%	Interest rates –1%
USD liabilities	–5,160	795	4.71	4.70	4.62
EUR liabilities	–5,573	80	2.77	3.91	2.25
SEK liabilities	–6,122	27	3.28	4.35	2.35
Other currencies liabilities	–1,246	19	3.78	4.78	2.78
Total liabilities	**–18,101**	**262**	**3.56**	**4.34**	**2.99**
USD assets	1,388	27	1.49	2.49	0.49
EUR assets	1,644	21	2.47	3.47	1.47
SEK assets	5,580	53	3.36	4.31	2.41
Other currencies assets	406	12	3.27	4.27	2.27
Total Assets	**9,018**	**41**	**2.90**	**3.87**	**1.94**
Total excluding securitization	**–9,083**		**4.22**	**4.81**	**4.04**
Securitization on MUSD 225 (MSEK 1,637)		**30**	**1.59**	**2.59**	**0.59**
Including securitization			**3.82**	**4.47**	**3.52**

Table 1B
Interest rate fixing
It is the policy of Securitas to use interest rate derivatives to manage its interest rate risk and as a consequence the cost of finance in the Group. The maturity of any such derivative is normally between three and four years. Group policy allows for the use of both options based and fixed rate products, however as at December 31, 2003 the derivatives portfolio did not contain any options products.

Ccy	Dec 31, 2003 Amount MSEK	MLOC	Rate* %	Dec 31, 2004 Amount MSEK	MLOC	Rate* %	Dec 31, 2005 Amount MSEK	MLOC	Rate* %	Dec 31, 2006 Amount MSEK	MLOC	Rate* %	Final maturity
USD	4,758	654	4.88	3,543	487	4.45	3,543	487	4.45	728	100	4.53	April 2007
EUR	855	94	5.39	–	N/A	N/A	–	N/A	N/A	–	N/A	N/A	August 2004
Total	**5,613**			**3,543**			**3,543**			**728**			

*Average interest rate; includes credit margins.

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 at December 31, 2003 was MSEK 19,207. 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. Because of this, a translation risk can arise, since unfavourable changes in exchange rates could have a negative effect on the Group's foreign net assets when translated to SEK.

However, Securitas has established a long-term presence in the countries in question and intends to develop these operations, which makes it important to have equity in foreign currency. From a financing perspective, it is more important that the Group's ratio of net debt to shareholders' equity (net debt to equity ratio) is not affected by changes in exchange rates. By keeping the net debt to equity ratio in its most important currencies, USD and EUR, at about the same level as its total net debt to equity ratio, the Group achieves a level of protection for this ratio against currency fluctuations. Adjustments in the currencies are made using derivatives.

The table below shows how the Group's capital employed is distributed by currency and its financing:

Table 2A

MSEK	EUR	USD	Other currencies	Total foreign currencies	SEK	Total Group
Capital employed	8,823	8,379	2,005	19,207	1,092	20,299
Net debt	3,929	3,772	840	8,541	542	9,083
Minority interests	0	0	–2	–2	17	15
Net exposure	4,894	4,607	1,167	10,668	533	11,201
Net debt equity ratio (excl. securitization)	*0.80*	*0.82*	*0.72*	*0.80*	*1.02*	*0.81*

The Consolidated statement of income is affected by the translation to SEK of the statements of income of foreign subsidiaries. Since 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 relation to dividends, trademarks and interest 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 exposure arises from the export and import of goods and components in the security systems operations and payments of central insurance premiums. The size of the exposure, as indicated in the table below, is limited. Hedging is done on a continuous basis over the course of the year. An average of six months of flows is hedged.

Table 2B Net transaction exposure per currency

Currency	Equivalent value in MSEK
EUR	41
USD	15
GBP	–40
NOK	–10
Other currencies	–14
Net Total	**–8**

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 5 percent of consolidated annual sales. Per December 31, 2003 the short-term liquidity reserve corresponded to 16 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, convertible debenture loans with maturities of at least one year, long-term committed loan facilities and long-term bond loans) at least matches the Group's capital employed. Per December 31, 2003 long-term financing corresponded to 142 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. Per December 31, 2003 the average maturity was three years and three months.

The table below shows the maturity structure of the Group's committed loan facilities per December 31, 2003.

Table 3A Maturity structure of issued bonds and committed loan facilities

Maturity	<1 yr.	<2 yrs.	<3 yrs.	<4 yrs.	<5 yrs.	Total
Amount, MSEK	4,667	0	3,183	4,033	10,367	22,250
Unutilized	4,667	0	0		5,820	10,487

(including the securitization back up line)

Long-term committed loan facilities consist of a MUSD 800 Multi Currency Revolving Credit Facility established December 2003 with a syndicate of international banks and maturing in December 2008. Securitas also has bilateral committed credit limits with three Swedish banks amounting to MSEK 3,000 and renewed annually for a period of 12 months. Drawings on these facilities are priced at the relevant prevailing market interest rate for the term selected. Availability of drawings on these bank facilities are subject to two covenants being maintained; Group interest cover ratio should always be above 3 and Group net debt to equity ratio should never exceed 1.35.

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.

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 in the international capital markets. Per December 31, 2002 there were two outstanding bond loans: a MEUR 350 Eurobond maturing in January 2006 and a MEUR 500 Eurobond issue maturing in March 2008. Both bonds carry a coupon of 6.125 percent and the entire proceeds were swapped into floating rate funding using cross currency and interest rate swaps with matching maturity dates. Both loans are listed on the Luxembourg Stock Exchange.

On June 21, 2001, Securitas entered into a securitization agreement in the USA to sell on a continuous basis undivided interests in certain eligible trade accounts receivables, to a maximum amount of MUSD 225. Securitas has a committed credit facility of MUSD 225 available only as a back up for this securitization program. The agreement, and related credit facility, expire on June 20, 2004 with one or three year renewal options. Drawings and renewals under the facility are priced based on prevailing 60 day market interest rate.

In January 2002, Securitas established a short-term Swedish commercial paper program with three Swedish banks 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 history. 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 at December 31, 2003 the weighted average credit rating of these institutions was short-term A1/P1. The largest weighted exposure for all instrument types to any one institution was MSEK 1,505. Derivative contracts are only entered into with relationship financial institutions with a high credit rating.

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 the rating from Moody's is Baa1. 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 i.e. the fair values stated exclude 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.

MSEK	Total fair value Group	Total book value Group
Net debt		
Cash and bank deposits	**1,039.8**	**1,039.8**
Short-term investments	**3,435.9**	**3,435.9**
Interest-bearing financial fixed assets	**138.5**	**138.7**
Bank overdraft facilities	–476.6	–476.6
Short-term loan liabilities	–2,024.2	–2,024.2
Foreign currency forward contracts[1]	42.3	42.2
Total other short-term loan liabilities	**–2,458.5**	**–2,458.6**
Provisions for pensions and similar commitments	**–32.6**	**–32.6**
Long-term loan liabilities	–13,480.1	–12,866.5
Foreign currency forward contracts[1]	1,663.9	1,660.8
Total long-term loan liabilities	**–11,816.2**	**–11,205.7**
Total net debt	**–9,693.1**	**–9,082.5**
Other capital employed		
Accrued interest income and prepaid financial expenses	544.5	544.5
Accrued interest and financial expenses	–503.0	–504.9
Total other capital employed	**41.5**	**39.6**
Off balance sheet instruments		
Cross currency interest rate swaps	378.2	–
Interest rate swaps	–78.2	–
Interest rate options	–	–
Foreign currency forward contracts	4.4	–
Total off balance sheet instruments	**304.4**	
Total	**–9,347.2**	**–9,042.9**

[1] Cross currency interest rate swaps were used to convert the currency of the proceeds received from Securitas' two bond issues and adjust the interest rate profile from fixed to floating. Included in the calculation above of Long-term loan liabilities is the valuation of these bonds. Please note that part of the change in value relating to the bonds reflects the tightening of Securitas' credit spread since issue date. The marked to market value is estimated at MSEK –244.1 as at December 31, 2003. Securitas enters into all financial instruments assuming a going concern principle.
All financial instruments seek to minimise potential adverse effects on the Group's profitability due to volatility in the financial markets.

NOTE 3 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.

Other

Information on remuneration to the Board of Directors and Senior Management is given in Note 4. Information on total payroll expenses for the Board of Directors and the Presidents of the Group is reported in Note 7.

For information on the Parent Company's transactions with affiliated parties, refer to Note 30 and Note 32.

NOTE 4 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. No separate fees are paid for committee work. Neither the President and CEO nor the employee representatives receive directors' fees.

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 150 percent of his base salary. As from 2004 his variable compensation is maximized to 50 percent of the base salary. For the other members of Group Management, the bonus is maximized at 50–75 percent of their base salaries. The variable compensation is based on performance relative to earnings improvement (and in certain cases cash flow improvements) for the individual responsibility level (Group or division).

The total compensation further includes long-term incentive programs and compensation in case of termination of the employment.

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 Gustaf Douglas (chairman), Berthold Lindqvist and the President and CEO (Thomas Berglund does however not participate in discussions involving his own compensation). The committee has held three meetings during 2003.

Remuneration during the year

Current Group Management remuneration related to 2003

MSEK	Base salary	Other benefits	Variable compens-ation	Long-term incentive	Pension	Total remu-neration
Chairman of the Board	0.8	–	–	–	–	0.8
Other Directors	2.6	–	–	–	–	2.6
President and CEO	9.0	0.0	0.0	0.0	–	9.0
Other members of Group Management (5 persons)	21.1	4.3	4.8	2.9	2.7	35.8
Total	**33.5**	**4.3**	**4.8**	**2.9**	**2.7**	**48.2**

Above information refers to full year remuneration for current Group Management and not for the four members leaving March 12, 2003. Other benefits include housing, school and insurance costs.
The Board of Directors and the President and CEO have no pension benefits.
Long-term incentive relates to 2003 cost for other Group Management members.

Board of Directors

For the 2003 financial year, the Chairman Melker Schörling received a director's fee of MSEK 0.8. The other Directors received an aggregate fee of MSEK 2.6. The Board of Directors is not entitled to any other compensation except for travel and lodging expenses.

President and Chief Executive Officer

During the 2003 financial year, Thomas Berglund received a salary equivalent to MSEK 9.0 and a variable compensation for the year 2002 equivalent to MSEK 9.4. No variable compensation is provided for or will be paid for the financial year of 2003.

The President and CEO has no pension benefits from the Company and the Company pays no pension insurance for the President and CEO.

If the employment is terminated by the Company, the President and CEO is entitled to compensation equivalent to 12 months salary as from the date of termination. He is also entitled to payment from the insurance company under the policy specified below under long term incentive programs.

Other members of Group Management

After changes in the Group Management on March 12, 2003 the other members of Group Management are; Håkan Winberg (Executive Vice President), Tore K. Nilsen, Juan Vallejo, Santiago Galaz and Dick Seger. During the financial year 2003 their aggregated fixed salaries were MSEK 21.1, other salary benefits MSEK 4.3 and the aggregate variable compensation for 2002 was MSEK 14.9. An aggregate variable compensation of MSEK 4.8 for 2003 performance will be paid out in 2004.

These five members of the Group Management have different pension plans. Two members have a Swedish defined benefit plan (ITP plan). The ITP plans guarantee a lifetime pension from age 65. The pension amount is a certain percentage of the final salary. This pension benefit is funded through annual premiums paid by the Company during the term of employment. Three members have defined contribution pension plans for which pension premiums are paid by the Company during the term of employment. During 2003 the pension costs for these members of Group Management amounted to MSEK 2.7.

If the employment is terminated by the Company these members of Group Management are entitled to compensation equivalent to 12-24 months salary as from the date of termination and in relevant cases the portion of long-term incentive program.

Until March 12, 2003 the Group Management consisted of four additional members. Amund Skarholt has left the Group and has during the financial year 2003 received severance pay and salary of MSEK 23.9 and a variable compensation for the year 2002 equivalent to MSEK 9.8. Pension costs amounted to MSEK 3.9. The three other previous members are still employed within the Group and no compensation was paid as a result of this change.

Incentive programs

Long-term incentive

In 1998 the Board of Directors established a long-term incentive program based on the market performance of the Securitas share for the Group Management members.

In 1999 this program was discontinued and the balance was transferred to a single-premium insurance policy whereafter Securitas has not or will not incur further expenses in this respect. The insurance policy entitles the President and CEO Thomas Berglund to receive an amount corresponding to 1,222,709 Securitas B-shares, with a deduction for social security charges and taxes.

Following the decision by the Board of Directors on February 6, 2004, the insurance company will pay out the amount during March 2004. Thomas Berglund will at the same time acquire 500,000 Securitas B-shares over the stock market. Thomas Berglund has made a commitment not to dispose of these shares earlier than 18 months after termination of employment and in any case not before June 30, 2007.

The bonus reserve and insurance policy in respect of the President and CEO amounts to MSEK 147.0.

An insurance agreement of the same type as described above exists for two other members of Group Management. Provided that these two members will remain employed by Securitas at least until December 31, 2004, the value of this policy, corresponding to 554,364 Securitas shares, will be paid out in January 2005. The bonus reserve and insurance policy for these two members amounts to MSEK 66.7.

For two other members of the Group Management a long-term incentive plan exist in which the maximum compensation is limited to three or five years base salary.

The compensation is based on the earnings development in the divisions for which the members are responsible. One plan was earned up to the end of 2002 and will be paid out in 2004. Two plans started in 2003 for a period until 2005 and 2006 respectively. Any payment will be received in 2006 or 2007 respectively. The accumulated provision for these plans amounted to MSEK 6.2 as per December 31, 2003.

Convertible debenture loans

The Group Management has participated in Securitas' convertible debenture loan program 2002/07 Series 1–4 by acquiring shares in Securitas Employee Convertible 2002 Holding S.A. The shares have been acquired to market price according to an offer to all employees in April 2002. The strike price of the option is SEK 184.53 – 294.52 (denominated in EUR 20.30 – 32.40) per share. Any funding cost for participating in the program is carried by the employee. See further description in Note 22.

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]		Other[3]	
	2003	2002	2003	2002	2003	2002
Thomas Berglund	1,608	1,608	126,756	126,756	500,000	500,000
Håkan Winberg	525,000	350,000	126,756	126,756		
Juan Vallejo	103,000	67,000	126,756	126,756		
Tore K. Nilsen	20,013	10,013	126,756	126,756		
Santiago Galaz[4]	175,000	–	126,756	126,756		
Dick Seger	26	26	126,756	126,756		

[1] Information refers to shareholdings as of February 2004 and February 2003.

[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. See above under Convertible debenture loans and Note 22.

[3] Refers to futures contracts corresponding to 500,000 B shares.

[4] Securitas' U.S. subsidiary has guaranteed a bank loan of MSEK 6.8 for the benefit of Santiago Galaz to finance part of his investment in Securitas B shares. The guarantee is given in accordance with U.S. law.

NOTE 5 SEGMENT REPORTING

The Securitas Group's operations are divided into five divisions that provide the operational structure for internal controls, follow-ups and reporting. Both for internal and external reporting, each division comprises a primary segment. The secondary segments are made up of the three main geographical areas in which the Group is active: Nordic region, Europe excluding Nordic region and USA. In addition to this the operations outside these regions are included in Rest of world. **Security Services USA** provides specialized services for permanent guarding and time-sharing services. Services are developed for small, medium sized and large regional customers. The organization is divided into 100 guarding regions, 100 areas and 650 geographical branches whereof 178 branches are organized to meet with specialized customers such as Government, Energy, Consulting & Investigation and time-sharing customers. **Security Services Europe** provides specialized services for permanent guarding, time-sharing services and combined solutions (manned guarding and electronics). Services are developed for all kinds of corporations and industries from small local customers to large national accounts. The division is active in 22 countries with more than 1,200 local branch offices. **Security Systems** supply custom designed technical systems built on modern technology to customers with high security demands. Concepts include high security for banks, integrated alarm systems for large customers and alarm-to-response solutions for centralized chains. The division has operations in 10 European countries and in the USA. **Direct** offers standardized systems for homes and small businesses. The complete alarm-to-response concept includes installation and customer services, technical maintenance and call-out services. Its concept consists of both wired and wireless systems connected to central monitoring and monitoring of third party alarms. The division has operations in 10 European countries. **Cash Handling Services** offer transport, cash processing and ATM services. Customers are mainly banks and retailers and through nationwide infrastructures with high density, Securitas can offer complete cash services to customers covering the entire monetary flow. The division has operations in 11 countries in Europe and in the USA. **Other** comprises the general administrative expenses, head-office expenses and other expenses that arise at the consolidated level and relate to the Group as a whole.

The geographical split represents various levels of market development in terms of wages, employee turnover, product mix, market growth and profitability.

All segments follow the accounting principles presented in Note 1. The segment reporting follows the format of the Securitas' financial model since this is the basis for financial planning and reporting from Branch office level up to the Board of Directors. Acquisitions of subsidiaries are thus excluded from the Operating cash flow. Acquisitions are for all material purchases broken down by division and presented in the Financial overview under the heading Acquisitions.

PRIMARY SEGMENTS AND DIVISIONAL OVERVIEW

Income

MSEK	Security Services USA 2003	2002	Security Services Europe 2003	2002	Security Systems 2003	2002	Direct 2003	2002	Cash Handling Services 2003	2002	Other 2003	2002	Eliminations 2003	2002	Group 2003	2002
Sales, external	20,881	27,360	22,876	22,594	3,868	3,592	2,132	1,786	9,093	10,353	–	–	–	–	58,850	65,685
Sales, intra-group	–	–	483	355	73	49	45	30	114	94	–	–	–715	–528	–	–
Total sales	**20,881**	**27,360**	**23,359**	**22,949**	**3,941**	**3,641**	**2,177**	**1,816**	**9,207**	**10,447**	**–**	**–**	**–715**	**–528**	**58,850**	**65,685**
Organic sales growth, %	*–9*	*8*	*3*	*8*	*5*	*6*	*18*	*18*	*–4*	*12*	–	–	–	–	*–3*	*8*
Operating income before amortization of goodwill	1,169	1,733	1,699	1,611	428	301	196	148	514	925	–274	–260	–	–	3,732	4,458
Operating margin, %	*5.6*	*6.3*	*7.3*	*7.0*	*10.9*	*8.3*	*9.0*	*8.1*	*5.6*	*8.9*	–	–	–	–	*6.3*	*6.8*
Amortization of goodwill	–452	–533	–380	–342	–58	–54	–49	–39	–198	–196	–	–	–	–	–1,137	–1,164
Operating income	717	1,200	1,319	1,269	370	247	147	109	316	729	–274	–260	–	–	2,595	3,294
Financial income and expenses	–	–	–	–	–	–	–	–	–	–	–597	–782	–	–	–597	–782
Income before taxes	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,998	2,512
Taxes	–	–	–	–	–	–	–	–	–	–	–754	–997	–	–	–754	–997
Minority share in net income	–	–	–	–	–	–	–	–	–	–	–2	–29	–	–	–2	–29
Net income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,242**	**1,486**

Operating cash flow

MSEK	Security Services USA 2003	2002	Security Services Europe 2003	2002	Security Systems 2003	2002	Direct 2003	2002	Cash Handling Services 2003	2002	Other 2003	2002	Eliminations 2003	2002	Group 2003	2002
Investments in fixed assets	–182	–177	–536	–557	–98	–76	–366	–310	–534	–588	–3	–38	–	–	–1,719	–1,746
Depreciation	137	131	534	504	95	74	213	162	555	545	30	77	–	–	1,564	1,493
Cash flow from operating activities	674	2,172	1,676	1,911	468	259	40	6	337	1,093	–268	–253	–	–	2,927	5,188
Cash flow from operating activities, %	*58*	*125*	*99*	*119*	*109*	*86*	*20*	*4*	*66*	*118*	*98*	*97*	–	–	*78*	*116*

Capital employed and financing

MSEK	Security Services USA[1] 2003	2002	Security Services Europe 2003	2002	Security Systems 2003	2002	Direct 2003	2002	Cash Handling Services 2003	2002	Other 2003	2002	Eliminations[2] 2003	2002	Group 2003	2002
Operating fixed assets	914	992	1,957	2,136	367	378	745	596	2,401	2,509	260	88	–227	–137	6,417	6,562
Accounts receivable	2,727	3,042	3,705	3,784	889	862	281	276	933	941	–	–	–1,799	–2,146	6,736	6,759
Other assets	277	243	532	676	348	342	253	207	753	469	2,467	2,986	–221	–438	4,409	4,485
Other liabilities	2,768	3,285	4,301	4,427	901	783	593	533	1,739	1,967	2,349	2,652	–610	–732	12,041	12,915
Total operating capital employed	**1,150**	**992**	**1,893**	**2,169**	**703**	**799**	**686**	**546**	**2,348**	**1,952**	**378**	**422**	**–1,637**	**–1,989**	**5,521**	**4,891**
Goodwill	6,427	8,134	4,617	4,377	587	601	527	539	2,620	3,021	–	–	–	–	14,778	16,672
Total capital employed	**7,577**	**9,126**	**6,510**	**6,546**	**1,290**	**1,400**	**1,213**	**1,085**	**4,968**	**4,973**	**378**	**422**	**–1,637**	**–1,989**	**20,299**	**21,563**
Operating capital employed as % of sales	*5*	*4*	*8*	*9*	*18*	*22*	*32*	*30*	*25*	*19*	–	–	–	–	*9*	*7*
Return on capital employed, %	*15*	*19*	*26*	*25*	*33*	*22*	*16*	*14*	*10*	*19*	–	–	–	–	*18*	*21*
Net debt	–	–	–	–	–	–	–	–	–	–	9,083	9,887	–	–	9,083	9,887
Minority interests	–	–	–	–	–	–	–	–	–	–	15	13	–	–	15	13
Shareholders' equity	–	–	–	–	–	–	–	–	–	–	11,201	11,663	–	–	11,201	11,663
Total financing	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**20,299**	**21,563**	**–**	**–**	**20,299**	**21,563**
Net debt equity ratio, multiple	–	–	–	–	–	–	–	–	–	–	–	–	–	–	*0.81*	*0.85*

[1] Accounts receivable shown after the reversal of the sale of accounts receivable of 1,637 (1,989).
[2] The Elimination column shows the net of all intra-group eliminations as well as the effect of reversing the sale of accounts receivable in Security Services USA. The securitization amount corresponds to –1,637 (–1,989).

SECONDARY SEGMENTS AND GEOGRAPHICAL INFORMATION

MSEK	Total sales 2003	2002	Assets 2003	2002	Investments in fixed assets 2003	2002
Nordic region	8,384	8,007	4,802	4,448	–545	–501
Europe excluding Nordic region	24,255	24,358	19,283	17,561	–890	–916
USA	24,997	31,996	12,500	15,038	–271	–313
Rest of world	1,214	1,324	370	430	–13	–16
Group	**58,850**	**65,685**	**36,955**	**37,477**	**–1,719**	**–1,746**

NOTE 6 OPERATING EXPENSES

Audit fees and reimbursements

MSEK	2003	2002	2001
PricewaterhouseCoopers			
– audit assignments	29.3	33.7	24.8
– other assignments[1]	73.6	56.3	15.2
Total, PricewaterhouseCoopers	**102.9**	**90.0**	**40.0**
Other auditors			
– audit assignments	7.8	7.2	4.5
Total	**110.7**	**97.2**	**44.5**

[1] Other assignments by PricewaterhouseCoopers includes fees for audit related advice on accounting, IT, tax, acquisitions and treasury matters. During 2003 it also included special fees in connection with the investigation surrounding the WELO project in Germany. During 2002 it also included fees in connection with a major acquisition that did not materialize.

Operating leasing contracts and rental contracts

Fees paid during the year for operating leases for buildings, vehicles and machinery and equipment amounted to MSEK 746.8 (641.4 and 526.2). The nominal value of contractual future leasing fees is distributed as follows:

MSEK	2003	2002	2001
Maturity < 1 year	712.3	590.8	414.6
Maturity 1–5 years	1,797.9	1,234.9	1,098.3
Maturity > 5 years	1,695.1	1,088.1	1,043.6

The increase in future leasing fees is explained mainly by the renewal of rental contracts for offices in Norway, Germany, Belgium, Portugal and in connection with acquisitions.

Exchange rate differences, net[1]

MSEK	2003	2002	2001
Exchange rate differences included in Operating income amounted to:	–0.6	–0.2	–0.3

[1] Exchange rate differences included in financial items are reported in Note 9.

NOTE 7 PERSONNEL

Average number of yearly employees; distribution between women and men

	Women			Men			Total		
	2003	2002	2001	2003	2002	2001	2003	2002	2001
Nordic region	3,313	3,440	3,060	10,497	10,322	9,083	13,810	13,762	12,143
Europe excl. Nordic Region	13,984	14,853	12,428	65,244	64,760	63,155	79,228	79,613	75,583
USA	27,294	24,999	28,254	81,183	75,099	82,888	108,477	100,098	111,142
Rest of world	1,089	1,126	873	8,380	8,471	8,058	9,469	9,597	8,931
Total	**45,680**	**44,418**	**44,615**	**165,304**	**158,652**	**163,184**	**210,984**	**203,070**	**207,799**

In 2003, the number of Board members and Presidents were 186 of which 18 were women.

Staff costs for Board of Directors and Presidents

	2003			2002			2001			Of which bonuses		
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)	2003	2002	2001
Nordic region	36.7	8.9	(2.1)	54.4	16.3	(2.3)	44.0	13.8	(3.2)	14.2	12.7	10.0
Europe excl. Nordic Region	118.0	17.3	(3.5)	113.5	24.5	(3.1)	90.3	31.0	(5.9)	44.1	35.4	23.4
USA	90.1	13.8	(5.7)	63.0	5.9	(3.5)	23.7	3.5	(1.9)	7.9	34.7	7.3
Rest of world	3.4	0.5	(0.0)	3.0	0.2	(0.0)	4.5	1.5	(1.2)	0.2	0.0	0.8
Total	**248.2**	**40.5**	**(11.3)**	**233.9**	**46.9**	**(8.9)**	**162.5**	**49.8**	**(12.2)**	**66.4**	**82.8**	**41.5**

Staff costs for other employees

	2003			2002			2001		
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)
Nordic region	3,770.9	1,049.0	(190.2)	3,618.6	1,075.7	(206.2)	3,224.5	1,037.7	(230.1)
Europe excl. Nordic Region	11,752.5	4,249.3	(172.1)	11,925.8	4,121.3	(234.1)	10,797.6	3,649.9	(129.5)
USA	15,314.1	2,597.6	(–31.8)	19,984.1	3,219.0	(13.4)	22,764.2	3,446.5	(54.6)
Rest of world	796.0	179.1	(10.3)	854.3	172.8	(6.7)	925.6	195.6	(9.1)
Total	**31,633.5**	**8,075.0**	**(340.8)**	**36,382.8**	**8,588.8**	**(460.4)**	**37,711.9**	**8,329.7**	**(423.3)**

Total staff costs: Board of Directors, Presidents and other employees

	2003			2002			2001		
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)
Nordic region	3,807.6	1,057.9	(192.3)	3,673.0	1,092.0	(208.5)	3,268.5	1,051.5	(233.3)
Europe excl. Nordic Region	11,870.5	4,266.6	(175.6)	12,039.3	4,145.8	(237.2)	10,887.9	3,680.9	(135.4)
USA	15,404.2	2,611.4	(–26.1)	20,047.1	3,224.9	(16.9)	22,787.9	3,450.0	(56.5)
Rest of world	799.4	179.6	(10.3)	857.3	173.0	(6.7)	930.1	197.1	(10.3)
Total	**31,881.7**	**8,115.5**	**(352.1)**	**36,616.7**	**8,635.7**	**(469.3)**	**37,874.4**	**8,379.5**	**(435.5)**

A complete list of the average number of yearly employees and salary costs by country is reported in the annual report submitted to the Swedish Patent and Registration Office.

Approximately 55,000 of the Group's employees are covered by some form of pension solution, the structure of which varies between countries. In four of Securitas' countries – the USA, Great Britain, Switzerland and Norway – pension funds are used. The U.S. pension funds, which comprise around 1,200 employees, are closed to new members. In the USA, the Group also has a Defined Contribution 401 (k) plan for around 11,000 employees. In other countries, insurance solutions are primarily used such as pension solutions. No further financing needs other than ongoing commitments apply with regard to the existing pension plans in the Group as of December 31, 2003. Pension plans are reported in accordance with Swedish and local rules.

NOTE 8 DEPRECIATION AND AMORTIZATION

MSEK	2003	2002	2001
Intangible rights	63.9	43.2	38.8
Other intangible assets	9.1	7.7	9.8
Buildings	42.3	47.5	77.4
Machinery and equipment	1,448.8	1,395.1	1,251.2
Total depreciation and amortization	**1,564.1**	**1,493.5**	**1,377.2**

Depreciation/amortization for the year is distributed in the statement of income between Production expenses MSEK 934.3 (869.2) and Selling and administrative expenses MSEK 629.8 (624.3).

Amortization of goodwill is reported in Note 13.

NOTE 9 RESULT OF FINANCIAL INVESTMENTS

Interest expense and similar items

MSEK	2003	2002	2001
Interest expenses	–743.4	–879.7	–1,143.0
Dividends	0.1	0.1	0.3
Exchange rate differences, net[1]	–2.0	–4.2	3.2
Securitization costs	–32.9	–51.3	–59.8
Other financial income and expenses, net	–40.9	–49.4	–22.4
Interest expence and similar items	**–819.1**	**–984.5**	**–1,221.7**

[1] Exchange rate differences included in operating income are reported in Note 6.

Share in income of associated companies

The share in income in 2001 consists of the Group's interest in Loomis until the remaining 51 percent of its shares were acquired on May 15, 2001.

NOTE 10 TAXES

Statement of income

Tax expense

MSEK	2003	%	2002	%	2001	%
Tax on income before taxes						
– current taxes	–675.2	–33.8	–620.8	–24.7	–548.3	–28.8
– deferred taxes	–78.9	–3.9	–376.2	–15.0	–170.0	–9.0
Total tax expense	**–754.1**	**–37.7**	**–997.0**	**–39.7**	**–718.3**	**–37.8**

The Swedish corporate tax rate was 28 percent in 2003, 2002 and 2001.
The total tax rate on income before taxes was 37.7 percent (39.7 and 37.8).

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

MSEK	2003	%	2002	%	2001	%
Tax based on Swedish tax rate	–559	–28.0	–703	–28.0	–533	–28.0
Difference between tax rate in Sweden and weighted tax rates for foreign subsidiaries	83	4.2	–3	–0.1	64	3.3
Non-deductible/ tax-exempt items						
Amortization of goodwill, non-deductible	–370	–18.5	–371	–14.8	–365	–19.2
Other non-deductible/ tax exempt, net	92	4.6	80	3.2	46	2.4
Tax loss carryforwards utilized but not valued			–	–	70	3.7
Actual tax charge	**–754**	**–37.7**	**–997**	**–39.7**	**–718**	**–37.8**

Provisions have been allocated in the Group for estimated taxes on expected dividends from subsidiaries to the Parent Company in the subsequent year. No allocations have been made for tax expenses that may arise from the distribution of the remaining disposable income in subsidiaries and are estimated at MSEK 4 (primarily Canada).

Balance sheet

Deferred tax assets and deferred tax liabilities were attributable to:

Deferred tax assets	2003	2002	2001
Pension provisions and staff-related liabilities	390.2	466.7	627.0
Liability insurance-related claims reserves	25.2	64.6	475.2
Tax loss carryforwards	414.8	429.8	432.1
Tax-deductible goodwill	331.6	272.1	292.5
Machinery and equipment	55.6	65.3	58.0
Other temporary differences	274.4	393.1	410.2
Total deferred tax assets	**1,491.8**	**1,691.6**	**2,295.0**

Deferred tax liabilities	2003	2002	2001
Pension provisions and staff-related liabilities	182.9	197.5	192.7
Machinery and equipment	163.7	188.3	159.5
Other temporary differences	118.4	107.4	176.3
Total deferred tax liabilities	**465.0**	**493.2**	**528.5**
Deferred tax assets/liabilities, net	**1,026.8**	**1,198.4**	**1,766.5**

Current tax assets/liabilities	2003	2002	2001
Current tax assets	420.7	591.6	404.4
Current tax liabilities	501.4	526.3	396.5
Current tax assets/liabilities, net	**–80.7**	**65.3**	**7.9**

Tax loss carryforwards

The Parent Company in Sweden and certain subsidiaries, primarily in Germany and Mexico, had tax loss carryforwards of MSEK 1,268 (1,379 and 1,470) as of December 31, 2003. These tax loss carryforwards expire as follows:

2004	6
2005	14
2008	13
Unlimited duration	1,235
Total tax loss carryforwards	**1,268**

On December 31, 2003, the total tax loss carryforwards generated deferred tax assets of MSEK 415 (430 and 432). The tax loss carryforwards can be utilized 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 82 (82 and –71).

NOTE 11 ACQUISITION OF SUBSIDIARIES

MSEK	Purchase price[1]	Acquired net debt	Enterprise value[2]	Goodwill[3]	Operating capital employed	Provisions for restructuring	Total capital employed
Respond Inc, USA	–63.7	–	–63.7	–56.8	–6.9	–	–63.7
Lincoln Security, USA	–109.5	–24.4	–133.9	–115.9	–27.4	9.4	–133.9
VNV, Netherlands[4]	–631.9	–	–631.9	–631.9	–	–	–631.9
Ebro Vigilancia & Seguridad, Spain	–24.0	–1.3	–25.3	–17.9	–10.3	2.9	–25.3
Armored Motor Services of America, USA	–288.1	–	–288.1	–136.4	–153.9	2.2	–288.1
Südalarm Wachtel GmbH, Germany	–2.5	–41.4	–43.9	–44.1	–4.5	4.7	–43.9
Argus, USA	–32.8	–	–32.8	–32.8	–	–	–32.8
Other acquisitions[5]	–70.4	9.2	–61.2	–107.8	38.3	8.3	–61.2
Total acquisitions	**–1,222.9**	**–57.9**	**–1,280.8**	**–1,143.6**	**–164.7**	**27.5**	**–1,280.8**
Liquid assets according to acquisition analyses	9.4	–	–	–	–	–	–
Total effect on the Group's liquid assets	**–1,213.5**	–	–	–	–	–	–

[1] Price paid to seller.

[2] Purchase price plus acquired net debt.

[3] Total increase in consolidated goodwill including existing goodwill in acquired companies.

[4] Additional payment.

[5] Pharmacia Security, Sweden, Södra Norrlands Bevakning, Sweden (additional payment), Garm Larmcentral, Sweden (additional payment), Förenade Vakt, Sweden (additional payment), Sambox, Sweden, Vestjysk Vagtservice, Denmark, contract portfolio, Denmark, Äänekosken Vartiointi, Finland, Inter Security, Finland, Varkauden Teleasennus, Finland, Joensuun Turvatalo, Finland, Rühl, Germany, CSI 13, France, Belgacom, Belgium, Koetter Security Hungaria KFT, Hungary (additional payment), contract portfolio, Poland, IRG, USA, Great Lakes Armored, USA, Loomis, USA (deferred consideration).

NOTE 12 LIQUID ASSETS

Liquid assets include Cash and bank deposits and Short-term investments with a maximum duration of 90 days.

NOTE 13 GOODWILL

MSEK	2003	2002	2001
Opening balance	20,624.6	21,630.2	16,878.3
Capital expenditures/divestitures	1,143.6	1,499.7	3,271.7
Translation difference	–2,023.7	–2,505.3	1,480.2
Closing accumulated balance	**19,744.5**	**20,624.6**	**21,630.2**
Opening amortization	–3,952.4	–2,990.3	–1,744.6
Amortization for the year	–1,137.0	–1,164.5	–1,089.8
Translation difference	122.7	202.4	–155.9
Closing accumulated amortization	**–4,966.7**	**–3,952.4**	**–2,990.3**
Closing residual value	**14,777.8**	**16,672.2**	**18,639.9**

NOTE 14 OTHER INTANGIBLE FIXED ASSETS

MSEK	Intangible rights 2003	Intangible rights 2002	Intangible rights 2001	Other intangible assets 2003	Other intangible assets 2002	Other intangible assets 2001
Opening balance	338.0	312.1	275.2	100.6	125.4	98.2
Capital expenditures	121.6	55.2	33.7	14.2	2.6	15.7
Sales/disposals	–15.9	–7.4	–13.0	–10.8	–0.6	–1.9
Reclassification	87.5	–14.4	7.8	–35.0	–19.7	8.1
Translation difference	–10.6	–7.5	8.4	–0.8	–7.1	5.3
Closing accumulated balance	**520.6**	**338.0**	**312.1**	**68.2**	**100.6**	**125.4**
Opening amortization	–117.7	–89.1	–52.3	–57.9	–53.0	–35.8
Sales/disposals	10.2	6.2	9.6	6.3	0.2	0.9
Reclassification	–1.8	3.5	–2.9	24.9	1.0	–6.2
Amortization for the year	–63.9	–43.2	–38.8	–9.1	–7.7	–9.8
Translation difference	4.6	4.9	–4.7	0.3	1.6	–2.1
Closing accumulated amortization	**–168.6**	**–117.7**	**–89.1**	**–35.5**	**–57.9**	**–53.0**
Closing residual value	**352.0**	**220.3**	**223.0**	**32.7**	**42.7**	**72.4**

NOTE 15 TANGIBLE FIXED ASSETS

MSEK	Buildings and land[1] 2003	Buildings and land[1] 2002	Buildings and land[1] 2001	Machinery and equipment[1, 2] 2003	Machinery and equipment[1, 2] 2002	Machinery and equipment[1, 2] 2001
Opening balance	1,561.8	1,813.9	1,201.2	8,279.3	7,258.2	5,120.2
Capital expenditures	52.7	191.5	611.6	1,843.6	1,645.9	2,133.0
Sales/disposals	–69.4	–151.5	–53.7	–695.6	–530.0	–626.9
Reclassification	–140.2	–252.4	–34.7	–17.6	197.3	275.8
Translation difference	–80.8	–39.7	89.5	–572.4	–292.1	356.1
Closing accumulated balance	**1,324.1**	**1,561.8**	**1,813.9**	**8,837.3**	**8,279.3**	**7,258.2**
Opening depreciation	–334.8	–359.4	–239.5	–4,249.8	–3,530.5	–2,390.1
Sales/disposals	24.8	52.8	21.5	520.8	293.7	507.6
Reclassification	0.0	–13.8	–40.6	82.2	98.5	–207.3
Depreciation for the year	–42.3	–47.5	–77.4	–1,448.8	–1,395.1	–1,251.2
Translation difference	16.9	33.1	–23.4	338.6	283.6	–189.5
Closing accumulated depreciation	**–335.4**	**–334.8**	**–359.4**	**–4,757.0**	**–4,249.8**	**–3,530.5**
Closing residual value	**988.7**	**1,227.0**	**1,454.5**	**4,080.3**	**4,029.5**	**3,727.7**
Tax assessment value of properties in Sweden	–	–	–			

[1] Financial leasing is limited in scope, due to which it is not reported separately above.

[2] Machinery and equipment comprises vehicles, equipment, security equipment (including alarm systems) and IT and telecom equipment.

NOTE 16 SHARES IN ASSOCIATED COMPANIES

Holding 2001

Company	Domicile	Share of equity	Book value
Belgacom Alert Services Holding N.V.	Brussels	5 %	42.4
Total shares in associated companies			**42.4**

The difference between the consolidated book value and the Group's share in the shareholders' equity of associated companies amounted to MSEK 9.

The holding in Belgacom Alert Services Holding N.V. was per December 31, 2001 classified as shares in associated companies because of the agreement to aquire additional shares leading to representation on the Board of Directors and involvment in the decision making process of the company. The second step of this acquisition was completed during the first quarter of 2002 after which a 72 percent majority holding was secured.

NOTE 17 OTHER LONG-TERM RECEIVABLES

MSEK	2003	2002	2001
Pension balances[1]	599.8	671.1	737.2
Receivable for Group Management bonus[2]	213.7	213.7	311.5
Other long-term receivables	149.9	157.8	141.3
Total other long-term receivables	**963.4**	**1,042.6**	**1,190.0**

[1] Pension balances refer to assets related to post employment benefits in Security Services USA and Cash Handling Services (Loomis). These plans are closed to new members.

[2] The receivable for Group Management bonus refers to insurance taken out when the bonus program for Group Management was terminated in 1999, at which time the balance was transferred to this single-premium policy. For further information, refer to Note 4.

NOTE 18 INVENTORIES

MSEK	2003	2002	2001
Material and consumables	318.7	302.5	287.7
Work in progress	148.8	102.3	108.1
Advance payments to suppliers	16.7	17.9	21.3
Total inventories	**484.2**	**422.7**	**417.1**

NOTE 19 OTHER CURRENT RECEIVABLES

MSEK	2003	2002	2001
Current tax assets	420.7	591.6	404.4
Prepaid expenses and accrued income	730.6	767.0	709.8
Accrued interest income and prepaid financial expenses	544.5	448.2	440.8
Insurance-related receivables[1]	472.5	208.6	137.7
Other items	265.1	355.0	601.6
Total other current receivables	**2,433.4**	**2,370.4**	**2,294.3**

[1] Insurance-related receivables in 2003 includes MSEK 362.7 relating to the WELO project in Cash Handling Services Germany.

NOTE 20 INTEREST-BEARING CURRENT ASSETS

The net position in Group country cashpool accounts is reported as Cash and bank deposits where netting reflects the legal structure of the arrangement. Short-term investments refer to fixed interest rate bank deposits valued at cost.

NOTE 21 CHANGES IN SHAREHOLDERS' EQUITY

Translation differences

MSEK	Translation difference in restricted reserves 2003	2002	2001	Translation difference in non-restricted reserves 2003	2002	2001	Total translation difference 2003	2002	2001
Opening balance	–369.3	816.6	119.0	–44.3	143.8	98.1	–413.6	960.4	217.1
Translation differences	–1,105.4	–1,185.9	697.6	–28.0	–188.1	45.7	–1,133.4	–1,374.0	743.3
Closing balance	**–1,474.7**	**–369.3**	**816.6**	**–72.3**	**–44.3**	**143.8**	**–1,547.0**	**–413.6**	**960.4**

Translation differences for the year have been reduced by MSEK 3.4 (1.4) through hedging.

Number of shares outstanding December 31, 2003

Series A	17,142,600	each with a par value of SEK 1.00	17.1
Series B	347,916,297	each with a par value of SEK 1.00	348.0
Total	**365,058,897**		**365.1**

The number of outstanding shares in series B has during 2003 increased by 2,002,991, as a result of conversions of convertible debentures.

Effect of change in accounting principle
Recommendation RR9 of the Swedish Financial Accounting Standards Council on income taxes has been implemented as of 2001. The change in principle has led to an increase in the opening shareholder's equity balance of MSEK 104.0.

Proposed dividend
The Board of Directors and the President propose a dividend to the shareholders of SEK 2.00 per share.

NOTE 22 CONVERTIBLE DEBENTURE LOANS

Loan 1998/2003
The loan carried a variable interest rate equivalent to the 12-month STIBOR less 0.25 percentage points and was in issue between April 24, 1998 to February 28, 2003. Interest expense on the loan was charged against net income for the year in the amount of MSEK 0.0 (7.4 and 14.2). The conversion price was 79.50 SEK per share and conversions could be requested during the period May 30, 2001 to January 31, 2003. In 2003, a total of MSEK 159.2 corresponding to 2,002,991 shares was converted. As per March 31, 2003 the loan, originally of MSEK 700, was fully converted except for MSEK 5 that was not converted.

Loan 2002/2007 Series 1–4
The loan was issued within the framework of Securitas' new employee incentive program on May 2, 2002 to a special purpose company, Securitas Employee Convertible 2002 Holding S.A. in Luxembourg, 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 after the loan's maturity. The loans carry a variable interest rate equivalent to 90 percent of the 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 108.0 (94.6).

The reference price for the Securitas share, measured as the average closing price during the period April 24–30, 2002, was set at SEK 186.90. The EUR–SEK exchange rate was set 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 a conversion rate of EUR 24.30 (20 percent premium), EUR 28.40 (40 percent premium) and EUR 32.40 (60 percent premium), respectively.

The loan amounts and conversion rates are as follows:

	Outstanding amount, EUR	Conversion rate EUR	SEK[1]	No. of new B shares
Loan 2002/2007 series 1	110,870,000	20.30	184.53	5,461,576
Loan 2002/2007 series 2	110,870,000	24.30	220.89	4,562,551
Loan 2002/2007 series 3	110,870,000	28.40	258.16	3,903,873
Loan 2002/2007 series 4	110,870,000	32.40	294.52	3,421,913
Total	**443,480,000**			**17,349,913**

[1] Equivalent values in SEK are based on the exchange rate on December 31, 2003, (9.09).

NOTE 23 PROVISIONS

MSEK	Provisions for pensions and similar commitments	Deferred tax liabilities	Other provisions	Total
Opening balance	34.8	493.2	1,940.7	2,468.7
Reclassification	–	–5.5	–9.3	–14.8
New/increased provisions	–	83.6	111.2	194.8
Provisions utilized	–1.3	–58.7	–91.8	–151.8
Reversal of unutilized provisions	–0.4	–0.1	–21.3	–21.8
Translation differences	–0.5	–47.5	–322.0	–370.0
Closing balance	**32.6**	**465.0**	**1,607.5**	**2,105.1**

Other provisions

MSEK	2003	2002	2001
Liability insurance-related claims reserves[1]	799.0	960.7	1,209.4
Provisions for taxes[2]	588.6	679.6	825.1
Provision for restructuring	48.5	53.7	158.3
Other items	171.4	246.7	408.0
Total other provisions	**1,607.5**	**1,940.7**	**2,600.8**

[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] Provisions for taxes relate primarily to tax liabilities that have arisen before the acquisition of certain companies. Provisions were allocated in connection with these acquisitions and thereafter have not materially changed in local currency.

NOTE 24 LONG-TERM LIABILITIES

MSEK	2003	2002	2001
Convertible debenture loans SEK, 1998/2003[1,2,3]	–	–	321.3
Convertible debenture loans EUR, 2002/2007, Series 1–4[1,3]	3,992.9	3,996.2	–
Total convertible debenture loans	**3,992.9**	**3,996.2**	**321.3**
EMTN Nom MEUR 350, 2000/2006, 6.125 %[1,3]	3,142.9	2,954.2	3,278.8
EMTN Nom MEUR 500, 2001/2008, 6.125 %[1,3]	3,982.8	4,289.8	4,862.9
Other long-term loans[4]	87.1	157.3	2,939.9
Total other long-term loan liabilities	**7,212.8**	**7,401.3**	**11,081.6**
Long-term liability, Group Management bonus[5]	213.7	213.7	311.5
Other long-term liabilities	17.5	17.5	41.3
Total other long-term liabilities	**231.2**	**231.2**	**352.8**
Total long-term liabilities	**11,436.9**	**11,628.7**	**11,755.7**

[1] Bond loans (Euro Medium Term Notes – EMTN) and convertible debenture loans are issued by the Parent Company. Interest on bond loans refers to the coupon rate of interest for the entire loan period.

[2] Convertible debenture loans SEK, 1998/2003, matured on February 28, 2003 and are reported in 2002 under Current liabilities. Other information on convertible debenture loans is reported in Note 22.

[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. When applicable, book value is adjusted for currency hedges.

[4] Other long-term loans include loans raised within the framework of a MUSD 800 (MEUR 400 and MEUR 600) Multi Currency Revolving Credit Facility maturing in December 2008 (December 2004).

[5] For further information on Long-term liability, Group Management bonus, refer to Note 4.

Long-term liabilities fall due for payment as follows

MSEK	2003	2002	2001
Maturity < 5 years	11,436.9	7,338.9	3,976.8
Maturity > 5 years	–	4,289.8	7,778.9
Total long-term liabilities	**11,436.9**	**11,628.7**	**11,755.7**

NOTE 25 OTHER SHORT-TERM LOAN LIABILITIES

MSEK	2003	2002	2001
Commercial paper issued[1]	1,751.6	338.8	–
Other short-term loans[2]	707.0	949.8	2,208.6
Total other short-term loan liabilities	**2,458.6**	**1,288.6**	**2,208.6**

[1] Commercial paper is issued by the Parent Company within the framework of a MSEK 5,000 Swedish commercial paper program.

[2] Other short-term loans include loans raised within the framework of a MUSD 800 (MEUR 400 and MEUR 600) Multi Currency Revolving Credit Facility maturing in December 2008 (December 2004).

NOTE 26 OTHER CURRENT LIABILITIES

MSEK	2003	2002	2001
Staff-related items	4,724.9	5,084.1	4,986.0
Current tax liabilities	501.4	526.3	396.5
Accrued interest and financial expenses	504.9	537.7	542.6
Other accrued expenses and prepaid income	1,136.6	944.5	786.0
Advance payments from customers	277.4	308.3	260.4
Other items	1,337.5	1,512.9	1,324.0
Total other current liabilities	**8,482.7**	**8,913.8**	**8,295.5**

NOTE 27 PLEDGED ASSETS

MSEK	2003	2002	2001
Real estate mortgages	16.0	84.9	39.3

NOTE 28 CONTINGENT LIABILITIES

MSEK	2003	2002	2001
Sureties and guarantees	7.9	11.6	14.6
Other contingent liabilities[1]	149.2	150.8	479.1
Total contingent liabilities	**157.1**	**162.4**	**493.7**
(Of which bonus commitments)	(–)	(–)	(56.0)

[1] The item Other contingent liabilities includes a contingent liability related to ongoing tax litigations.

The events of September 11, 2001

The developments surrounding the events of September 11, 2001 have been presented in press releases and interim and annual reports since the events of that day.

On September 11, 2001, terrorists hijacked four commercial flights in the USA. Globe Aviation Services Corp. (Globe), a subsidiary of Securitas, provided pre-board screening services at the terminal in Logan Airport, Boston from which one of the hijacked flights departed.

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 transfer 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, 2001 would be limited to the amount of liability insurance coverage maintained.

In addition to the insurance coverage maintained by Globe on September 11, additional insurance coverage may be available to Globe for the events of September 11 through utilization of the Securitas Group's insurance. The insurer which provided the Group insurance on September 11 has denied coverage in respect of any potential liabilities arising out of the events of that day and Securitas has commenced an arbitration proceeding in Sweden in order to confirm its rights to coverage under the policy.

Together with American Airlines and other parties, Globe is a defendant in 69 lawsuits pertaining to the events of September 11. In 62 of these suits, other Securitas companies are named as defendants; however 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. 61 suits pertain to persons who died and eight relate to damage to property and businesses owing to the events of September 11. Globe and the other companies in the Group named as defendants plan to challenge these suits.

None of these lawsuits is expected to impact Securitas' operations or financial position.

As previously disclosed, a special fund has been established by the U.S. Government to compensate victims of the September 11 tragedy. Preliminary indications, which are subject to change, are that over 95 percent of persons claiming on behalf of World Trade Center deceased victims have elected to obtain compensation from the victims compensation fund rather than pursue litigation. Claimants under the fund waive their right to seek compensation through litigation.

Plaintiffs have until March 11, 2004 to file wrongful death claims and September 11, 2004 to file bodily injury and property damage claims.

Any liabilities arising out of such proceedings are not expected to impact Securitas' business operations or financial position.

WELO

During 2001 Securitas 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 of MEUR 40.4 developed with a major customer. Following the discovery of this loss, the customer and Securitas Germany, with the assistance of its professional advisors, conducted an intensive investigation in an effort to determine the source of the loss. In 2003, the investigation costs were MSEK 48. As a result of the investigation the amount of the loss has now been verified. The amount of the loss is being advanced by Securitas Germany to the customer in accordance with the relevant contract in two payments (one paid during 2003 and one to be paid during the first quarter 2004) and the equivalent is being claimed against the relevant insurance policies. No provision for the loss has been made as it is anticipated to be covered by insurance. The WELO operations conducted by Securitas Germany were terminated during the fourth quarter 2003 and these operations will cause no further losses. No exposures of a similar nature exist in other parts of the Cash Handling Services division.

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 the Federal Aviation Administration (FAA) becoming the party responsible for pre-board screening and contracting with private security companies for these services (the transition period). The second step, which occurred in November 2002, consisted of the FAA directly providing these services by federal government employees. Globe had been requested by the FAA to provide pre-board screening services during the 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, Globe increased at the request of the FAA the number of airports which Globe was servicing under its contract with the FAA. During the transition period, the FAA compensated Globe based on the governing contract and the invoices submitted.

After the services had been substantially completed, the FAA indicated that it wished to renegotiate the pricing under the contract and stopped making payments under the contract. Globe and the FAA have commenced negotiations with respect to the amounts in dispute. If such negotiations are unsuccessful, Globe will commence a proceeding against the FAA in order to recover monies due it under the contract.

Any liabilities arising out of such proceedings are not expected to be material to the business operations or the financial position of the Group.

Other Proceedings

During the last 15 years, Securitas has made a number of acquisitions in different countries. As a result of such acquisitions, certain contingent liabilities of the businesses being 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.

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Statement of income

MSEK	NOTE	2003	2002	2001
Administrative contribution and other revenues	30	331.9	298.0	211.1
Gross income		**331.9**	**298.0**	**211.1**
Administrative expenses	31	–327.9	–361.7	–230.6
Operating income/loss	32	**4.0**	**–63.7**	**–19.5**
Result of financial investments				
Result of sale of shares in subsidiaries	30	1,582.8	–	–
Dividend	30	2,311.8	1,224.0	620.4
Interest income	30	895.5	882.3	833.2
Interest expenses	30	–1,304.5	–1,473.6	–1,290.4
Other financial income and expenses, net	33	–534.6	157.8	–446.1
Total financial income and expenses		**2,951.0**	**790.5**	**–282.9**
Income/loss after financial items		**2,955.0**	**726.8**	**–302.4**
Appropriations				
Allocation to tax allocation reserve		3.8	–	12.1
Difference between book depreciation and depreciation according to plan		–0.7	–4.3	–1.5
Total appropriations		**3.1**	**–4.3**	**10.6**
Income/loss before taxes		**2,958.1**	**722.5**	**–291.8**
Current taxes	10	–	–	–
Net income/loss for the year		**2,958.1**	**722.5**	**–291.8**

Statement of cash flow

MSEK	NOTE	2003	2002	2001
Operations				
Operating income/loss		4.0	–63.7	–19.5
Reversal of depreciation/amortization		9.6	6.8	2.7
Net financial items received/paid		2,880.3	696.4	–121.0
Change in other operating capital employed		–366.4	–0.7	–284.6
Cash flow from operations		**2,527.5**	**638.8**	**–422.4**
Investing activities				
Investments in fixed assets		–8.8	–26.7	–0.6
Shares in subsidiaries		–1,235.7	–1,312.0	–337.6
Cash flow from investing activities		**–1,244.5**	**–1,338.7**	**–338.2**
Financing activities				
Dividend paid		–730.1	–542.0	–427.6
Conversion of convertible debenture loans		159.2	157.0	378.7
Change in interest-bearing net debt, excluding liquid assets		–793.3	1,284.1	846.6
Cash flow from financing activities		**–1,364.2**	**899.1**	**797.7**
Cash flow for the year		**–81.2**	**199.2**	**37.1**
Liquid assets at beginning of year		236.3	37.1	0.0
Liquid assets at year-end	34	**155.1**	**236.3**	**37.1**

MSEK	NOTE	2003	2002	2001
ASSETS				
Fixed assets				
Intangible rights	35	32.6	32.9	13.8
Buildings and land	36	–	–	–
Machinery and equipment	36	3.2	3.2	2.5
Shares in subsidiaries	37	29,722.9	28,487.2	27,175.2
Interest-bearing long-term receivables from subsidiaries		–	11.8	–
Interest-bearing financial fixed assets		80.7	81.6	–
Other long-term receivables		263.3	262.5	355.7
Total fixed assets		**30,102.7**	**28,879.2**	**27,547.2**
Current assets				
Current receivables from subsidiaries		1,608.8	1,439.6	1,562.3
Interest-bearing current receivables from subsidiaries		12,017.8	7,857.1	4,709.8
Other current receivables		0.1	119.8	4.7
Tax assets		30.4	16.3	13.7
Prepaid expenses and accrued income	38	534.3	542.3	505.8
Short-term investments	39	155.1	226.9	11.8
Cash and bank deposits	39	0.0	9.4	25.3
Total current assets		**14,346.5**	**10,211.4**	**6,833.4**
TOTAL ASSETS		**44,449.2**	**39,090.6**	**34,380.6**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Restricted equity				
Share capital		365.1	363.1	361.1
Legal reserve and premium reserve		7,362.6	7,205.4	7,050.4
Total restricted equity		**7,727.7**	**7,568.5**	**7,411.5**
Non-restricted equity				
Retained earnings		11,587.6	11,595.2	12,429.0
Net income/loss for the year		2,958.1	722.5	–291.8
Total non-restricted equity		**14,545.7**	**12,317.7**	**12,137.2**
Total shareholders' equity		**22,273.4**	**19,886.2**	**19,548.7**
Untaxed reserves				
Tax allocation reserve		12.9	16.6	16.6
Accumulated accelerated depreciation		13.1	12.3	8.0
Total untaxed reserves		**26.0**	**28.9**	**24.6**
Long-term liabilities	42			
Long-term liabilities to subsidiaries		142.9	142.9	142.9
Long-term convertible debenture loans	41	3,992.9	3,996.2	321.3
Other long-term loan liabilities		7,175.3	7,244.0	10,141.7
Total long-term liabilities		**11,311.1**	**11,383.1**	**10,605.9**
Current liabilities				
Current liabilities to subsidiaries		109.9	321.1	545.1
Interest-bearing current liabilities to subsidiaries		7,321.6	4,141.2	2,469.4
Short-term convertible debenture loan	41	–	164.4	–
Group account bank overdraft		870.8	1,119.3	263.6
Other short-term loan liabilities		1,897.6	1,238.5	182.8
Accounts payable		2.3	2.9	5.5
Accrued expenses and prepaid income	43	623.1	692.5	734.0
Other current liabilities		13.4	112.5	1.0
Total current liabilities		**10,838.7**	**7,792.4**	**4,201.4**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**44,449.2**	**39,090.6**	**34,380.6**
Pledged assets		None	None	None
Contingent liabilities	44	3,598.2	2,947.3	3,457.3

MSEK	Share capital*	Legal reserve	Premium reserve	Non-restricted equity	Total
Opening balance 2001	**356.3**	**695.2**	**5,981.3**	**12,856.6**	**19,889.4**
Net income for the year	–	–	–	–291.8	–291.8
Dividend paid	–	–	–	–427.6	–427.6
Conversion of convertible debenture loans	4.8	–	373.9	–	378.7
Opening balance 2002	**361.1**	**695.2**	**6,355.2**	**12,137.2**	**19,548.7**
Net income for the year	–	–	–	722.5	722.5
Dividend paid	–	–	–	–542.0	–542.0
Conversion of convertible debenture loans	2.0	–	155.0	–	157.0
Opening balance 2003	**363.1**	**695.2**	**6,510.2**	**12,317.7**	**19,886.2**
Net income for the year	–	–	–	2,958.1	2,958.1
Dividend paid	–	–	–	-730.1	-730.1
Conversion of convertible debenture loans	2.0	–	157.2	–	159.2
Closing balance 2003	**365.1**	**695.2**	**6,667.4**	**14,545.7**	**22,273.4**

*For information regarding the numbers of shares outstanding refer to Note 40.

NOTE 29 ACCOUNTING PRINCIPLES

Reference is made to the Group's and Parent Company's shared accounting principles in Note 1.

NOTE 30 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	2003	2002	2001
Administrative contributions and other revenues from subsidiaries	330.7	296.7	209.8
Result of sale of shares in subsidiaries[1]	1,582.8	–	–
Dividends from subsidiaries	2,311.8	1,224.0	620.4
Interest income from subsidiaries	309.5	286.7	260.2
Interest expenses to subsidiaries	–165.1	–236.9	–127.1

[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 4 and 7 to the Consolidated financial statements and Note 32.

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 Note 44.

NOTE 31 OPERATING EXPENSES

Audit fees and reimbursements

MSEK	2003	2002	2001
PricewaterhouseCoopers			
– audit assignments	6.3	4.0	2.2
– other assignments	16.8	25.3	0.9
Total, PricewaterhouseCoopers	**23.1**	**29.3**	**3.1**
Other auditors			
– audit assignments	–	–	–
Total	**23.1**	**29.3**	**3.1**

NOTE 32 PERSONNEL

Average number of employees; distribution between women and men

	Women			Men			Total		
	2003	2002	2001	2003	2002	2001	2003	2002	2001
Sweden	12	8	13	12	13	11	24	21	24

In 2003, the number of Board members and Presidents were 12 of which one was a woman.

Staff costs

	2003			2002			2001			Of which bonuses		
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)	2003	2002	2001
Board of Directors and Presidents	3.8	1.0	(–)	28.6	5.3	(1.1)	24.0	9.0	(2.2)	–	6.7	3.8
Other employees	57.5	24.7	(10.1)	22.3	11.3	(3.8)	25.1	11.1	(2.3)	12.1	–	–
Total	**61.3**	**25.7**	**(10.1)**	**50.9**	**16.6**	**(4.9)**	**49.1**	**20.1**	**(4.5)**	**12.1**	**6.7**	**3.8**

In 2003 Salaries for other employees includes a severance payment of MSEK 21.3 to one previous Executive Vice President.

In connection with changes in Group Management March 12, 2003, employees with previous title Executive Vice Presidents are for 2003 included in Other employees. Please also see Note 4.

Sick leave

	2003
Total number of hours reported as sick leave among employees	**479.9**
Men, split on age:	75.0
<30 years	22.5
30-49 years	52.5
>49 years	0.0
Women, split on age:	404.9
<30 years	210.0
30-49 years	63.7
>49 years	131.2

	2003
Normal working hours annualized per person:	
Employees total normal working hours	**46,800**
Men	23,400
Women	23,400
Sick leave in percent of normal working hours:	
Men	0.32%
Women	1.73%

NOTE 33 OTHER FINANCIAL INCOME AND EXPENSES, NET

MSEK	2003	2002	2001
Write-down of shares in subsidiaries[1]	–759.5	–15.8	–95.6
Exchange rate differences, net	181.9	163.0	–198.5
Bank costs and similar profit/loss items	–26.8	–25.5	–22.0
Other items, net	69.8	36.1	–130.0
Total other financial income and expenses, net	**–534.6**	**157.8**	**–446.1**

[1] Shares in subsidiaries have been written down when the Parent Company receives dividends from subsidiaries.

NOTE 34 LIQUID ASSETS

Liquid assets include Cash and bank deposits and Short-term investments with a maximum duration of 90 days.

NOTE 35 INTANGIBLE RIGHTS

MSEK	2003	2002	2001
Opening balance	42.3	17.2	17.2
Capital expenditures	8.2	25.1	–
Closing accumulated balance	**50.5**	**42.3**	**17.2**
Opening amortization	–9.4	–3.4	–1.7
Amortization for the year	–8.5	–6.0	–1.7
Closing accumulated amortization	**–17.9**	**–9.4**	**–3.4**
Closing residual value	**32.6**	**32.9**	**13.8**

NOTE 36 TANGIBLE FIXED ASSETS

	Buildings and land			Machinery and equipment		
MSEK	2003	2002	2001	2003	2002	2001
Opening balance	–	–	9.8	10.4	8.9	8.3
Capital expenditures	–	–	–	0.5	1.5	0.6
Sales/disposals	–	–	–9.8	–	–	–
Closing accumulated balance	**–**	**–**	**–**	**10.9**	**10.4**	**8.9**
Opening depreciation	–	–	–1.0	–7.2	–6.4	–5.4
Sales/disposals	–	–	1.1	0.6	–	–
Depreciation for the year	–	–	–0.1	–1.1	–0.8	–1.0
Closing accumulated depreciation	**–**	**–**	**–**	**–7.7**	**–7.2**	**–6.4**
Closing residual value	**–**	**–**	**–**	**3.2**	**3.2**	**2.5**
Tax assessment value of properties in Sweden	–	–	–			

NOTE 37 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		Parsippany	100	100	100	3,355.7
Securitas Nordic Holding AB	556248-3627	Stockholm	1,000,000	100	100	3,990.5
Securitas Cash Handling Services Holding AB	556620-8095	Stockholm	1,000	100	100	1,080.1
Securitas Deutschland Finanzholding GmbH		Düsseldorf	1	100	100	2,345.2
Securitas France Holding S.A.		Paris	1,010,143	100	100	1,726.3
Securitas Seguridad Holding SL		Madrid	301	100	100	0.0
Securitas Services Holding Ltd		London	502,000	100	100	349.8
Securitas Services International B.V.		Amsterdam	25,000	100	100	572.2
Protectas S.A.		Lausanne	25,000	100	100	32.8
Securitas Sicherheitsdienstleistungen GmbH		Vienna	100	100	100	58.3
Securitas Servicos e Tecnologia Seguranca S.A.		Lisbon	350,000	100	100	79.6
Securis N.V.		Brussels	1,000	100	100	272.8
Securitas Hungária RT		Budapest	47,730	100	100	51.8
Securitas Polska Sp z o o		Warsaw	29,700	100	100	15.7
Securitas C I T Sp z o o		Warsaw	38,472	100	100	8.4
Securitas Eesti AS		Tallinn	1,371	100	100	32.1
Securitas CR s r o		Prague	100	100	100	8.8
Securitas Canada Ltd		Montreal	4,004	100	100	85.6
Grupo Securitas Mexico, S.A. de C.V.		Monterrey	5,000	100	100	14.5
Organizacion Fiel S.A.		Buenos Aires	1,412,000	100	100	67.6
Securitas Direct International AB	556222-9012	Linköping	109,000	100	100	89.1
Securitas Toolbox Ltd		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	15,477.2
Other holdings						5.2
Total shares in subsidiaries						**29,722.9**

[1] A complete specification of subsidiaries can be obtained from the Parent Company.

NOTE 38 PREPAID EXPENSES AND ACCRUED INCOME

MSEK	2003	2002	2001
Prepaid rents	2.0	1.7	0.2
Prepaid financial expenses[1]	86.6	92.8	52.3
Other prepaid expenses[1]	5.9	6.4	18.1
Accrued interest income	439.8	441.4	435.2
Total prepaid expenses and accrued income	**534.3**	**542.3**	**505.8**

[1] A reclassification between Other prepaid expenses and Prepaid financial expenses has been made with MSEK 52,7 in 2002.

NOTE 39 INTEREST-BEARING CURRENT ASSETS

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 valued at cost.

NOTE 40 CHANGES IN SHAREHOLDERS' EQUITY

Number of shares outstanding December 31, 2003

Series A	17,142,600	each with a par value of SEK 1.00	17.1
Series B	347,916,297	each with a par value of SEK 1.00	348.0
Total	**365,058,897**		**365.1**

The number of outstanding shares in series B has during 2003 increased by 2,002,991, as a result of conversions of convertible debentures.

Proposed dividend

The Board of Directors and the President propose a dividend to the shareholders of SEK 2.00 per share.

NOTE 41 CONVERTIBLE DEBENTURE LOANS

For information on convertible debenture loans, refer to the information for the Group and Parent Company in Note 22.

NOTE 42 LONG-TERM LIABILITIES

Long-term liabilities fall due for payment as follows

MSEK	2003	2002	2001
Maturity < 5 years[1]	11,311.1	7,093.3	3,743.1
Maturity > 5 years	–	4,289.8	6,862.8
Total long-term liabilities	**11,311.1**	**11,383.1**	**10,605.9**

[1] Group account bank overdraft previously included in long-term liabilites has been reclassified to current liabilities. Comparatives have been adjusted.

NOTE 43 ACCRUED EXPENSES AND PREPAID INCOME

MSEK	2003	2002	2001
Staff-related items	19.2	13.7	10.9
Accrued financial expenses	86.5	153.0	198.6
Accrued interest expenses	508.0	520.0	521.8
Other accrued expenses	9.4	5.8	2.7
Total accrued expenses and prepaid income	**623.1**	**692.5**	**734.0**

NOTE 44 CONTINGENT LIABILITIES

MSEK	2003	2002	2001
Sureties and guaranties[1]	3,294.1	2,642.1	2,913.0
Other contingent liabilities[2]	304.1	305.2	544.3
Total contingent liabilities	**3,598.2**	**2,947.3**	**3,457.3**
(Of which bonus commitments)	(213.7)	(213.7)	(354.6)
(Of which on behalf of subsidiaries)	(3,384.5)	(2,642.1)	(2,907.1)

[1] The Parent Company carries guaranties for loan liabilities at full value even if the underlying facilities in the subsidiaries are not fully utilized.

[2] In 2001 the item Other contingent liabilities includes a contingent liability related to ongoing tax litigation.

Stockholm, February 18, 2004

Melker Schörling
Chairman

Gustaf Douglas
Vice Chairman

Annika Bolin

Carl Douglas

Philippe Foriel-Destezet

Anders Frick

Berthold Lindqvist

Fredrik Palmstierna

Ulf Jarnefjord
Employee Representative

Rune Lindblad
Employee Representative

Göran Norberg
Employee Representative

Thomas Berglund
President and Chief Executive Officer

Our audit report has been submitted on February 20, 2004
PricewaterhouseCoopers AB

Göran Tidström
Authorized Public Accountant
Auditor in charge

Anders Lundin
Authorized Public Accountant

To the general meeting of the shareholders of Securitas AB (publ.)

Corporate registration 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 for the year 2003. These accounts and the administration of the company are the responsibility of the Board of Directors and the President. 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, 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 and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

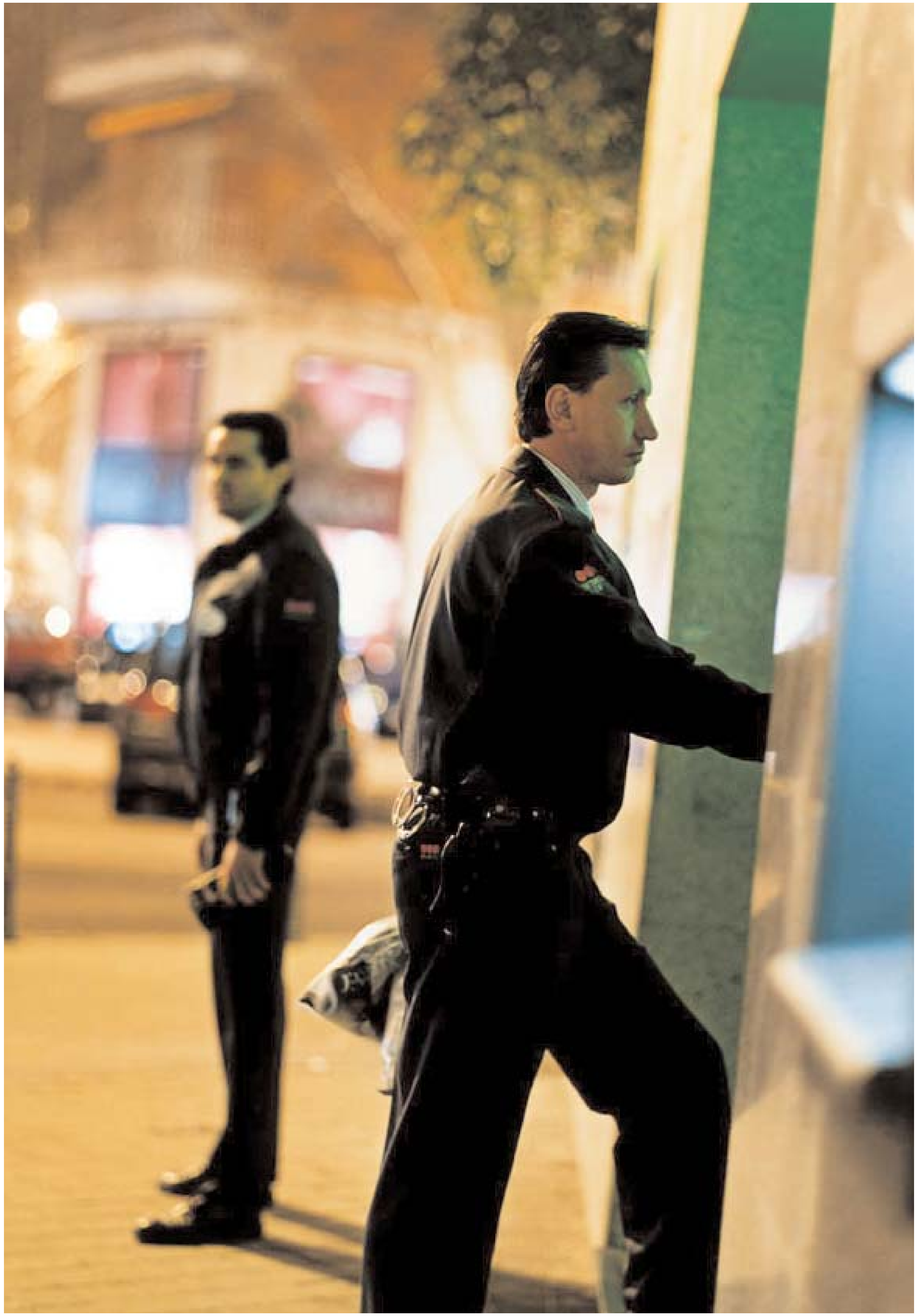
We recommend to the general meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit for Parent Company be dealt with in accordance with the proposal in Report of the Board of Directors and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, February 20, 2004

PricewaterhouseCoopers AB

Göran Tidström
Authorized Public Accountant
Auditor in charge

Anders Lundin
Authorized Public Accountant



84 Dividend, the share and shareholders

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88 Invitation to the Annual General Meeting

Gabriel Serrano Salazar and Armando Mata Rojas servicing ATMs in Madrid, Spain.

The Securitas share has been listed and traded on the Stockholm Stock Exchange since 1991. The Securitas share is included in the SAX and OMX index linked to the Stockholm Stock Exchange. Securitas weight in the SAX index was 2.12 percent and in the OMX index 2.89 percent at the beginning of 2003. During the year a total of 752 million (516) Securitas shares were traded on the Stockholm Stock Exchange corresponding to a value of MSEK 68,467. The market capitalization by year-end 2003 was MSEK 35,411.

Share price performance

The market price of the Securitas share declined by 6.7 percent in 2003. The SAX index increased 25 percent and the OMX index rose by 29 percent. The lowest price paid for a Securitas share in 2003 was SEK 69.50 and the highest was SEK 116.00. Market capitalization at year-end 2003 was MSEK 35,411 at closing price SEK 97.00, December 30.

Dividend and dividend policy

The Board of Directors proposes a dividend of SEK 2.00 (2.00) per share. Future dividends will depend on consolidated earnings and are expected to correspond to at least one third of net income.

Shareholder structure

As of December 31, 2003 Securitas had 27,677 (24,544) shareholders, an increase of 12.8 percent since 2002. The principal shareholders are Investment AB Latour, which together with Förvaltnings AB Wasatornet and SäkI AB hold 11.9 percent (12.0) of the capital and 30.3 percent (33.0) of the votes, and Melker Schörling AB, which holds 4.2 percent (4.2) of the capital and 10.7 percent (8.1) of the votes. During December 2003 SäkI AB reclassified 1,500,000 A shares into B shares and at the same time Melker Schörling AB reclassified 1,500,000 B shares into A shares.

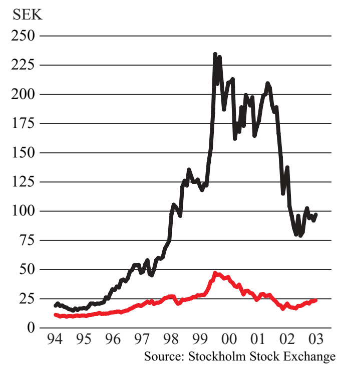
At year-end institutional investors accounted for more than 90 percent of total share capital. Investors outside Sweden accounted for 60 percent (56) of the capital and 42 percent (39) of the votes.

Data per share [1]

SEK/share	2003	2002	2001	2000	1999
Earnings after current taxes, after full conversion [2]	3.66	5.14	3.73	2.81	2.25
Earnings after full taxes (method) after full conversion [2]	3.45	4.14	3.27	2.39	2.30
Dividend	2.00 [3]	2.00	1.50	1.20	1.00
Dividend as % [4, 5]	58	48	46	50	43
Yield, %	2.1	1.9	0.8	0.7	0.6
Free cash flow per share	4.71	9.86	5.35	2.98	2.25
Share price, end of period	97.00	104.00	199.00	175.00	154.00
Highest share price	116.00	216.50	199.00	251.00	171.00
Lowest share price	69.50	104.00	130.00	149.00	111.50
Average share price [6]	93.20	166.94	184.51	191.85	129.48
P/E ratio	28	25	61	73	67
Number of shares outstanding (000s)	365,059	363,056	361,081	356,318	356,318
Average number of shares outstanding, after full conversion (000s)	382,417	376,690	365,123	365,123	355,790
Number of shares outstanding, after full conversion (000s)	382,409	382,473	365,123	365,123	365,123

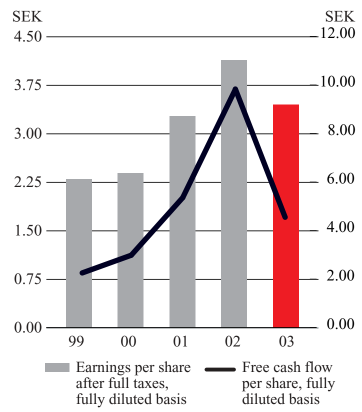
[1] After full conversion. Data per share adjusted for 4:1 split in 1998 and 3:1 split in 1996.
[2] Adjusted for interest and tax effects attributable to convertible debenture loan; see Note 22.
[3] Proposed dividend.
[4] For 2003, calculated using proposed dividend.
[5] Dividend as a percentage of earnings per share after full taxes.
[6] Source: Stockholm Stock Exchange.

Share price performance

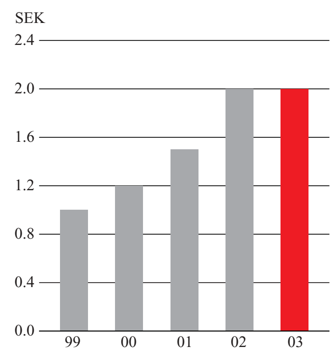


Source: Stockholm Stock Exchange

Earnings per share and free cash flow per share
Earnings per share after full taxes have increased by an average of 15 percent in the last five years.



Dividend per share
The annual dividend has grown by an average of 16 percent per year in the last five years.



Definitions
Yield: Dividend relative to share price at the end of each year. For 2003, the proposed dividend is used.
Free cash flow per share: Free cash flow as a percentage of average number of shares outstanding after full conversion.
P/E ratio (price/earnings): The share price at the end of each year relative to earnings per share after full taxes.
EBITA multiple: The company's market capitalization and net liabilities relative to operating income before amortization of goodwill, 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.

Development of share capital

Year	Transaction	Number 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
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

[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 3:1 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 registerd with the Swedish Patent and registration Office on January 11, 2002
[4] The 1998/2003 convertible debenture loan has been converted per March 31, 2003 except for MSEK 5 that were not converted
The total number of shares after full conversion of all outstanding convertible debenture loans is 382,408,810

Largest shareholders as of December 31, 2003

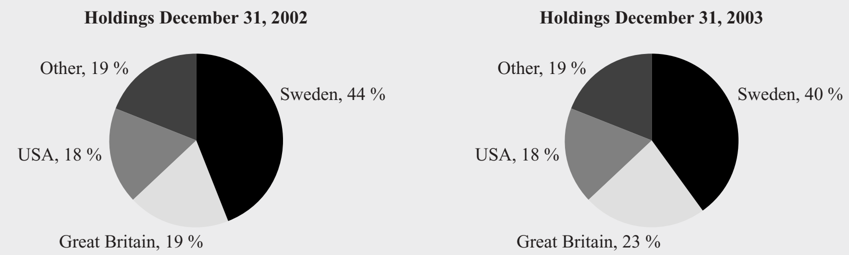
Shareholders	A shares	B shares	% of capital	% of votes
SäkI AB	12,642,600	1,500,000	3.9	24.6
Melker Schörling AB	4,500,000	10,603,200	4.2	10.7
Investment AB Latour	0	25,000,000	6.9	4.8
T Rowe Price Fleming	0	18,812,100	5.2	3.6
Fidelity	0	17,272,937	4.7	3.3
Nordea Funds	0	12,639,167	3.5	2.4
Akila Finance SA	0	10,715,633	2.9	2.1
Credit Agricole Indosuez	0	10,331,765	2.8	2.0
Fourth Swedish National Pension Fund	0	9,176,609	2.5	1.8
Northen Trust Co	0	8,899,806	2.4	1.7
Alecta	0	7,613,160	2.1	1.5
Robur	0	7,467,029	2.0	1.4

Source: VPC (the Swedish Securities Register Center) and changes known to Securitas

Shareholder structure

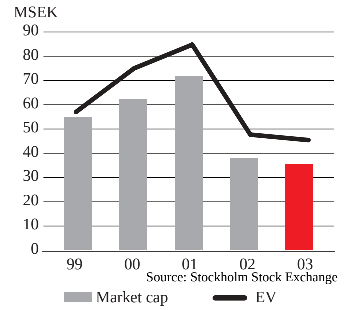
No. of shares	Number of shareholders	Number of A shares	Number of B shares	% of capital	% of votes
1–1,000	23,703	0	5,966,842	1.63	1.15
1,001–10,000	3,191	0	8,911,150	2.44	1.72
10,001–50,000	447	0	10,159,635	2.78	1.96
50,001–100,000	100	0	7,177,158	1.97	1.37
100,001–	236	17,142,600	315,701,512	91.18	93.80
Total	**27,677**	**17,142,600**	**347,916,297**	**100.00**	**100.00**

Ownership by country



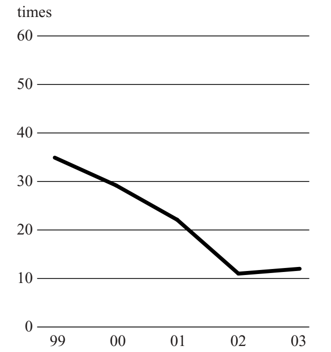
Source: VPC

Market capitalization & Enterprise value



Source: Stockholm Stock Exchange

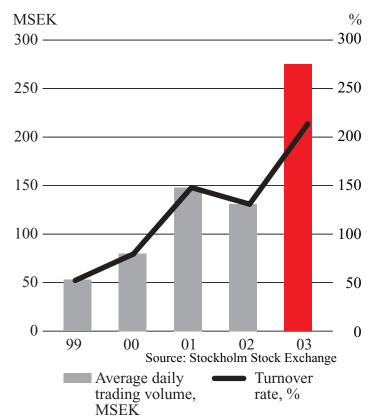
EBITA multiple
Securitas' market capitalization at year-end 2003 was twelve times operating income before amortization of goodwill.



Valuation
Securitas' P/E ratio was 28 at year-end 2003.

Source: Securitas and SME Direkt

Liquidity
Securitas' share turnover rate was 213 percent (131) in 2003.



Source: Stockholm Stock Exchange

Melker Schörling | Gustaf Douglas | Thomas Berglund | Annika Bolin | Carl Douglas | Philippe Foriel-Destezet

Anders Frick | Berthold Lindqvist | Fredrik Palmstierna | Ulf Jarnefjord | Rune Lindblad | Göran Norberg

BOARD OF DIRECTORS

Melker Schörling (Chairman) b. 1947
President of Securitas 1987–1992. Chairman of Hexagon AB, Karlshamns AB and Attendo Senior Care AB. Vice Chairman of Assa Abloy AB. Director of Hennes & Mauritz AB. Director of Securitas AB since 1987 and Chairman since 1993.
Shares in Securitas: 4,500,000 Series A shares, 10,603,200 Series B shares, privately and through Melker Schörling AB.

Gustaf Douglas (Vice Chairman) b. 1938
Owns with family Förvaltnings AB Wasatornet principal owner of Investment AB Latour and SäkI AB. Chairman of Investment AB Latour, IFS AB, Stockholm Chamber of Commerce and SäkI AB. Vice Chairman of Attendo Senior Care AB. Director of Assa Abloy AB, Stiftelsen Svenska Dagbladet and the Conservative Party of Sweden. Chairman of Securitas AB 1985–1992 and Vice Chairman since 1993.
Shares in Securitas: through Investment AB Latour 25,000,000 Series B shares, through SäkI AB 12,642,600 Series A shares, and through Förvaltnings AB Wasatornet 4,000,000 Series B shares.

Thomas Berglund b. 1952[1]
President of Securitas AB and Chief Executive Officer of the Securitas Group. Director of Securitas AB since 1993.
Shares and futures contracts in Securitas: 501,608. Series B shares and convertibles equivalent to 126,756 B shares.

Annika Bolin b. 1962
Executive Vice President of SEB, President of Corporate & Institutions SEB, Chairman Enskilda Securities AB, Director of Ruter Dam.
Director of Securitas AB since 2003.
Shares in Securitas: 7,500 Series B shares.

Carl Douglas b. 1965
Director of PM-Luft AB and SäkI AB. Deputy Director of Securitas AB since 1992. Director since 1999.
Shares in Securitas: 100,000 Series B shares.

Philippe Foriel-Destezet b. 1935
Director of Adecco S.A., Akila Finance S.A. and Carrefour S.A. Director of Securitas AB since 1998.
Shares in Securitas: 7,142 Series B shares privately, and 10,715,633 Series B shares through Akila Finance S.A.

Anders Frick b. 1945
Chairman of AB Fagerhult and ProstaLund AB. Vice Chairman of Sweco AB and Director of Getinge AB.
Director of Securitas AB since 1985.
Shares in Securitas: 3,500 Series B shares.

Berthold Lindqvist b. 1938
Chairman of Munters AB. Director of Cardo AB, Trelleborg AB, JM AB, Novotek AB and Probi AB.
Director of Securitas AB since 1994.
Shares in Securitas: 2,000 Series B shares.

Fredrik Palmstierna b. 1946
President of SäkI AB. Director of Investment AB Latour, AB Fagerhult, Hultafors AB and Bravida ASA.
Director of Securitas AB since 1985.
Shares in Securitas: 80,224 Series B shares.

Employee representatives

Ulf Jarnefjord b. 1955
Regional Health and Safety Officer, Swedish Transport Workers Union. Deputy Director of Securitas AB 1989–1999. Director since 2001. Shares in Securitas: 0.

Rune Lindblad b. 1947
Service technician at Securitas Larm AB. Employee Representative, Swedish Electricians' Union.
Director of Securitas AB since 1995.
Shares in Securitas: 4,920 Series B.

Göran Norberg b. 1966
Chairman of Swedish Transport Workers' Union local.
Director of Securitas AB since 2002.
Shares in Securitas: 0. Convertibles equivalent to 1,566 B shares.

Deputies

Björn Drewa b. 1946
Staff Engineer at Securitas. Employee Representative, Salaried Employees' Union local in Stockholm.
Deputy Director of Securitas AB since 1996.
Shares in Securitas: 0.

Gunnar Larsson b. 1959
Employee Representative, Acting Chairman of Swedish Transport Workers' Union local in Gothenburg.
Deputy Director of Securitas AB since 2002.
Shares in Securitas: 0.

Hans Rosén b. 1947
Patrolling guard for Securitas in Umeå. Employee Representative, Swedish Transport Workers' Union.
Deputy Director of Securitas AB since 2002.
Shares in Securitas: 0.

AUDITORS

Göran Tidström b. 1946
Authorized Public Accountant, Auditor in charge, PricewaterhouseCoopers AB.
Auditor of Securitas AB since 1999.

Anders Lundin b. 1956
Authorized Public Accountant, PricewaterhouseCoopers AB.
Auditor of Securitas AB since 1991.

[1] Holdings and incentive programs are specified in Note 4, Remuneration to the Board of Directors and Senior Management. All figures refer to holdings in February 2004.

Thomas Berglund | Håkan Winberg | Santiago Galaz | Tore K. Nilsen

Dick Seger | Clas Thelin | Juan Vallejo

Thomas Berglund b. 1952
President of Securitas AB and Chief Executive Officer of the Securitas Group.
Shares and futures contracts in Securitas corresponding to 501,608 Series B shares and convertibles equivalent to 126,756 B shares.

Thomas Berglund joined the Group in 1985 after a previous career in the Swedish government and later as a consultant for the Swedish Management Group. Thomas has an accountant background and holds a Bachelors Degree in Economics and Business Administration. He has been the President and CEO of Securitas since 1993.

Håkan Winberg b. 1956
Executive Vice President and Chief Financial Officer of Securitas AB.
Shares in Securitas: 525,000 Series B shares and convertibles equivalent to 126,756 B Shares.

Håkan Winberg became a Controller at Securitas AB in 1985 after two years as a Controller at Investment AB Skrinet. He was appointed Chief Financial Officer and Group Chief Accountant in 1991 and became Executive Vice President of the Securitas Group 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 of Security Services USA.
Shares in Sercuritas: 175,000 and convertibles equivalent to 126,756 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 and later became President of Cash Handling Services Europe. He was appointed Divisional President of Security Services USA in March 2003.

Tore K. Nilsen b. 1956
Divisional President of Security Services Europe.
Shares in Securitas: 20,013 Series B shares and convertibles equivalent to 126,756 B shares.

Tore K. Nilsen joined Securitas as a sales representative for Securitas Services in Stavanger, Norway after eight years as a police officer and has been with the company for 18 years. In 1988 he was appointed Branch Manger for Stavanger where he stayed for a year before becoming the Area Manager for Rogaland and later Oslo. Before becoming the Divisional President of Security Services Europe he was the Managing Director for Securitas AS, Norway for five years.

Dick Seger b. 1953
Divisional President of Direct.
Shares in Securitas: 26 Series B shares and convertibles equivalent to 126,756 B shares.

Dick Seger has been with the company for twenty years and joined the company as an Export Manager for Security Systems in 1984. After four years he became the President for Securitas Direct AB, Sweden. In 1997 he was appointed Divisional President for Direct.

Clas Thelin b. 1954
Divisional President of Cash Handling Services.
Shares and convertibles in Securitas: 0.

Clas Thelin joined Securitas as the Divisional President of Cash Handling Services in February 2004. He has previously worked for Securitas both as Vice President for Securitas Sweden AB and the President for Securitas Teknik AB, today known as Security System Sweden. For the past 10 years he has been based in America as the President and CEO of Assa Abloy Americas. He has played a central role in the growth of the company's North American operations and later also took on the responsibility for Latin America.

Juan Vallejo b. 1957
Divisional President of Security Systems.
Shares in Securitas: 103,000 Series B shares and convertibles equivalent to 126,756 B shares.

Juan Vallejo joined Securitas as Country President for Portugal in 1990 where he stayed for two years. In 1992 he became Country President for Spain and later Country President for Sweden before taking on the role as Head of Securitas' Nordic operations. After the divisionalization of the business areas in 2000, Juan was appointed Divisional President for Security Systems Europe and when the company further accelerated the development in 2003, he assumed the responsibility for the combined European and U.S. Systems businesses.

[1] Holdings and incentive programs are specified in Note 4, Remuneration to the Board of Directors and Senior Management. All figures refer to holdings in February 2004.

REPORTING DATES

Securitas will publish the following financial reports during 2004

Interim reports 2004	
January–March	May 6, 2004
January–June	August 11, 2004
January–September	November 4, 2004
The Annual General Meeting	April 6, 2004

All financial information is available in Swedish and English and may be requested from:

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Financial analysts who cover Securitas

Company Name	Name
ABG Securities	Henrik Vikström/Jesper Wilgodt
ABN AMRO	Matthew Lloyd/Tom Sykes
Alfred Berg Fondkommission	Lars Norrby
Bryan, Garnier & Co	Laurent Brunelle
CAI Cheuvreux	Knut Lovstad
Carnegie Fondkommission	Carsten J. Leth
Cazenove	Gorm Thomassen
Citigroup	Nick Williamson
Credit Suisse First Boston	Andrew Sweeting
Danske Equities	Lars Heindorff
Deutsche Bank	Morten Andersen
Dresdner Kleinwort Wasserstein	Andrew Brooke/David Greenall
Enskilda Securities	Monika Elling/Jeff Saul
Goldman Sachs International	Amandine Latour
Hagströmer & Qviberg	Patric Lindqvist
Handelsbanken Capital Markets	Torben Sand
Jyske Bank	Michael Nielsen
Kaupthing	Albin Tiusanen/Lars Frick
Merrill Lynch	Andrew Ripper
Morgan Stanley Dean Witter	David Allchurch
Nordea Securities	Lars Larsen
Swedbank	Stefan Stjernholm
Sydbank	Bjørn Ernst Johannes Schwarz
UBS Warburg	Lindy Newton/Mark Shepperd
Öhman Fondkommision	Rolf Karp

ANNUAL GENERAL MEETING OF SECURITAS AB (PUBL.)

Shareholders in Securitas AB are hereby invited to attend the Annual General Meeting at 5:00 p.m. (CET) on Tuesday, April 6, 2004 in the Winter Garden of Grand Hotel, Stockholm. Entry via Royal entré, Stallgatan 6. Registration for the Annual General Meeting begins at 4:15 p.m.

Right to attend

Shareholders who wish to attend the General Meeting must:

1. be recorded in the print-out of the share register maintained by the Swedish Securities Register Centre ("VPC"), made as of Saturday March 27, 2004. Due to the intervening weekend, such recording must be made on Friday March 26, 2004 at the latest

2. notify Securitas of their intent to participate in the General Meeting at the address: Securitas AB, "General Meeting", P.O. Box 12307, SE-102 28 Stockholm, Sweden, or by telephone +46 8 657 74 74 or by telefax +46 8 657 74 85, by 4.00 p.m., Wednesday March 31, 2004 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 juridical person shall submit papers of authorisation prior to the General Meeting. As confirmation of notification, Securitas AB will send an entry card, which should be presented at registration for the General Meeting.

In order to participate in the proceedings of the Annual General Meeting, owners with nominee-registered shares should request their bank or broker to have their shares temporarily owner-registered with VPC. Due to the intervening weekend, such registration must be made on Friday March 26, 2004 at the latest, and the banker or broker should therefore be notified in due time before the said date.

Robin Wall inside the Stockholm Globen Arena. Robin is part of the Security team that has been active in the arena since 1988.

CITIGATE GRAMMA PHOTO: MATS LUNDQVIST PRINT: STROKIRK/LANDSTRÖMS

SECURITAS

Integrity Vigilance Helpfulness

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