Annual Report 2016

SECURITAS

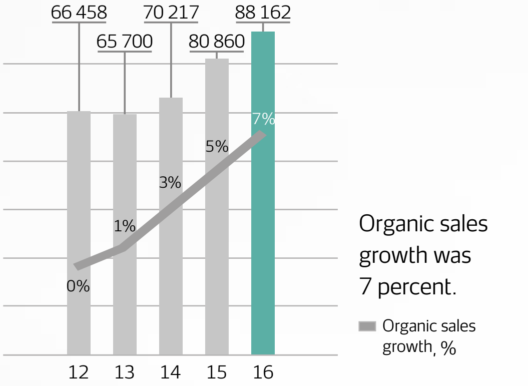
Contributing to a Safer Society

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

Size

Securitas employs more than 335 000 people in 53 countries. In 2016, total sales amounted to MSEK 88 162 and operating income before amortization to MSEK 4 554.

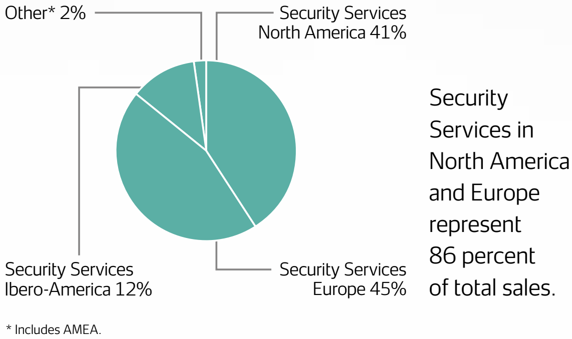
Read more on page 14.



Markets

Securitas operates in 53 countries throughout North America, Europe, Latin America, Africa, the Middle East and Asia. Securitas is organized into three business segments: Security Services North America, Security Services Europe and Security Services Ibero-America.

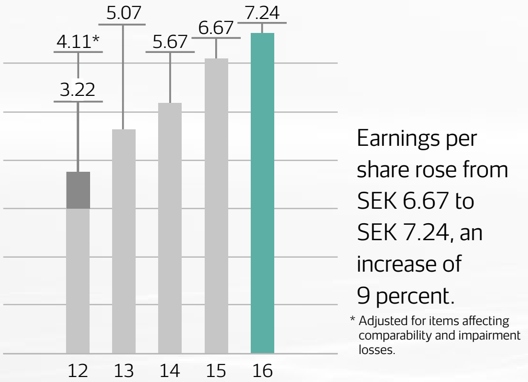
Read more on pages 16–17.

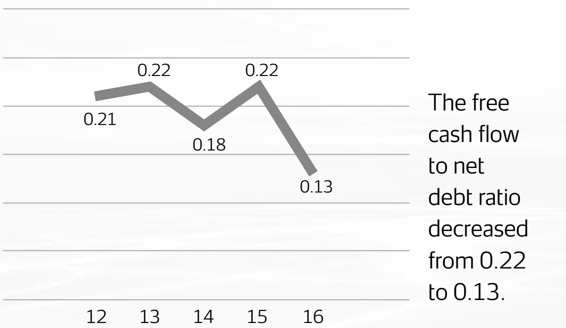


Financial targets

Securitas has two financial targets. The first target is related to the income statement; an annual average increase in earnings per share of 10 percent. The second target is related to the balance sheet; a free cash flow to net debt ratio of at least 0.20.

Read more on pages 46–47 and 71–73.

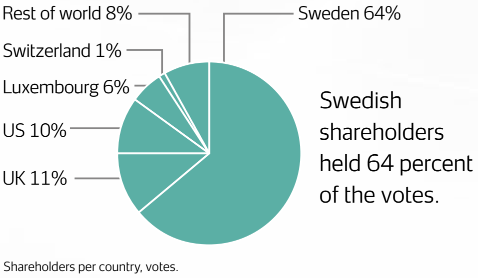




The share

At year-end, the closing price of the Securitas share on Nasdaq Stockholm was SEK 143.40, corresponding to a market capitalization of MSEK 49 891 (45 229). The share price increased by 10 percent in 2016, compared with the OMX Stockholm Price index, which increased by 6 percent. Earnings per share amounted to SEK 7.24 (6.67) in 2016. The Board proposes that a dividend of SEK 3.75 (3.50) per share be paid to shareholders.

Read more on pages 134–135.



Shareholders per country, votes.

Markets in which Securitas conducts operations:

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

Securitas

– shaping global security of tomorrow

Intelligent cameras
can analyze situations and alert security officers when suspicious behavior is identified. This allows Securitas' mobile patrol to quickly handle the incident.
See page 6.

Shareholder value
increases steadily as Securitas utilizes technology in its solutions. This enables enhanced security for our customers and higher operating margins.
See page 10.

Technology

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

People

Our more than 335 000 employees are committed to strengthening our customers' security. Unity and co-operation are key to ensuring that we think globally and act locally, provide security according to our customers' needs and are engaged in the communities in which we operate.

Utilizing large data volumes
in combination with real-time analysis of incidents is becoming increasingly important. However, its ultimate application lies in Securitas being able to predict and prevent incidents from happening.
See page 13.

Creating added customer value
by providing services in addition to security is a growing part of our offering. Cameras, for example, can be used to count people in a cashier environment, helping the business to streamline its operations.
See page 8.

Attracting and retaining our most valuable assets – our employees – is crucial to Securitas' success. This includes a thorough onboarding process and continuous education. See page 19.

Knowledge

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

Fire and safety services incorporate planning and preparation, evacuation procedures and drills as well as fire-fighting services and lifesaving. See page 12.

Securitas Operation Centers coordinate and manage all of our operations. Technology, people and knowledge are combined to ensure that the right security measures are in place and that customer requests are handled appropriately. See page 6.

Predictive Security

– a Groundbreaking Change

Securitas is leading the ongoing transformation of the security industry from traditional guarding to a much broader spectrum of protective services. Our progress is based on efficiently integrating technology, people and knowledge – combining on-site, mobile and remote guarding with electronic security solutions, fire and safety, and corporate risk management. Our focus on achieving our long-term financial goals while delivering superior customer value in our daily operations is proving successful. Securitas' results for 2016 demonstrate that we are able to combine the two; earnings per share increased with 9 percent compared with 2015. 2016 was our strongest year to date.

Year 2017 represents a milestone in Securitas' efforts to drive the security industry forward. It marks a shift toward digitizing our core operations. This means all new customer contracts and all renewals across most markets will be operated and reported in a digital format, directed by our Securitas Operation Centers (SOC). In 2018, we expect all data at all customer sites to be reported in a digital format.

This strategy entails significant changes in terms of how we deliver security. In addition to implementing fully integrated systems, capitalizing on the opportunities presented by digitization is one of Securitas' principal priorities.

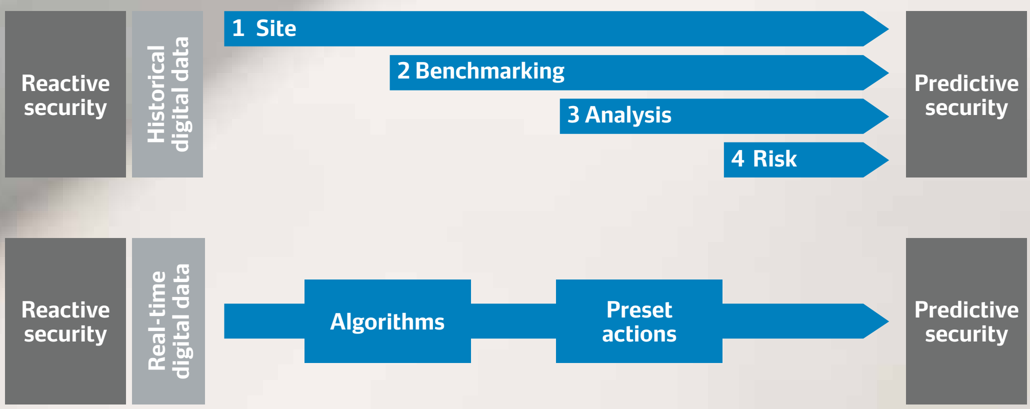
Detecting crime before it happens

As the transition to Group-wide digital systems continues, Securitas is moving closer to achieving its vision for 2020. Our short and medium-term actions are well under way, with internal projects to address SOC consistency and IT infrastructure, as well as strategic acquisitions in electronic security completed during the year. Securitas' focus is now shifting to the next phase of our long-term ambition – predictive security.

Securitas' strengthened ability to report, analyze and utilize large volumes of data will prove a significant competitive advantage and yield substantial customer value in the short and long term.

Using both historical and real-time data, our objective is to make further progress on the path

Securitas' approach to predictive security



from reactive to predictive security. Historical data, meaning compiled information concerning past incidents, is continuously fed into our country-based SOC. During the transition to Group-wide digital systems, the volumes of available historical data will increase exponentially, enabling Securitas to analyze and better understand past, present and future incidents. This way, we can provide adequate real-time responses, and higher-quality feedback reports, situational analysis and improvement suggestions to our customers on an unprecedented scale.

Combining this historical data with real-time information – for example, from smart camera systems, intelligent sensors, robots, radar systems and drones – will further enable us to offer large-scale predictive security solutions. By leveraging our expertise in risk analysis and risk management, Securitas aims to build a future where correct preset actions are automated for a growing number of situations and security solutions are increasingly predictive. Detecting crime before it happens is key. By applying intelligence and know-how to the data we receive, we can prevent crime and threats from occurring.

From provider to adviser

As predictive security grows and accounts for an increasing share of the security solutions provided by Securitas, our relationships with our customers and their experience of our services will also be transformed. The overall security experience will become more important and visible to our customers through digital interfaces with full real-time transparency.

To us, this means committing to the role of a trusted security adviser. We already prove every day that when customers allow us to make the proper risk assessment, design a complete protective services solution and optimize their security spend, we are always able to identify potential savings or improvements within their existing budgets. Our industry is transforming rapidly from a manpower-based industry to a technology and knowledge-driven industry – but also a more capital-intensive industry as we finance technology investments during the contract period.

An eventful year

Our performance in 2016 reflects a core business that is fundamentally strong, with stable income and good growth.

Securitas' acquisition of Diebold's North American Electronic Security business is one example of our strategy to integrate technology, people and knowledge. The integration of Diebold into Securitas is proceeding according to plan and, together with other recent acquisitions, is strengthening our position as the global leader in security solutions. In 2012, electronic security and security solutions accounted for 6 percent of the Group's total sales. This figure increased to 16 percent in 2016 and will continue to grow in the years to come.

2016 was characterized by increased levels of uncertainty, not least as a result of heightened terrorist threats and increased security needs due to the refugee situation in Europe.

For Securitas, these recent developments in the world mean that our ability to deliver under pressure has been tried and proven. Our capability to simultaneously meet customer demands while preparing our business for the future demonstrates the strength of our organization. I am proud of our employees, who have responded to tough challenges with speed, alertness and integrity, often under extraordinarily difficult conditions. All of us in the private security industry contribute significantly to a better and safer society, and we are ready and willing to play an even more important role in the years to come.

Securitas' strengthened ability to report, analyze and utilize large volumes of data will prove a significant competitive advantage.

Securing future growth and profitability

Our strategy drives Securitas' efforts to grow and increase our profitability. Securitas will continue to invest and play a leading role in combining guarding services with electronic security, actively pursuing organic sales growth in security solutions and electronic security. This strategy allows us to grow faster than the security market average and improves our profitability.

Building on our competitive advantage, Securitas is also expanding its mobile patrol and response network and density. Furthermore, our strengthened offering in fire and safety services and corporate risk management is providing opportunities for operating synergies, increasing the value delivered to our customers by optimizing their total security and safety spend. In reality, the enhanced use of technology combined with people means better, more predictive and more cost-efficient security.

Making things happen

Over the next five to ten years, the global security industry will consolidate further. This will occur not only as a result of mergers and acquisitions, but also because most companies will not be able to invest in people, training, electronic security, engineers, SOC, remote guarding, camera intelligence, fire and safety, corporate risk management, equipment at customer sites, the digitization of processes and predictive security. The companies that are unable to do so will not survive. The only remaining question is how long will they last?

Right now, Securitas is leading the development of the security industry, while other companies are watching and will ask themselves in the not too distant future, "What happened?"

Stockholm, March 14, 2017

Alf Göransson
President and CEO
Securitas AB

Reinforcing Our Position

Securitas' strategy to lead the transformation of the industry is being accelerated through Vision 2020. We are making significant progress in developing technology-driven security solutions, while meeting customer demand for fire and safety and corporate risk management services.

Securitas is progressing well with the implementation of the Group's strategy for the years ahead: Vision 2020. During the year, Securitas completed several key projects which, together, have brought us closer to realizing our long-term goals.

In **Fix** – our focus on aligning internal processes and strengthening our foundation – three completed Group-wide actions stand out. First, Securitas is well on its way to ensuring that our Securitas Operation Centers are globally consistent, which includes data warehousing and customer intelligence. Second, the finalization of Securitas' Group IT roadmap represents another completed action which strengthened our foundation. Third, we were successful in identifying appropriate acquisitions in electronic security, resulting in four strategic major acquisitions during the year.

Securitas' efforts to **Grow** involve taking actions to accelerate the growth of protective services. Several medium to long-term actions are ongoing. In addition to expanding our mobile services with the aim of increasing our density and footprint through investments, acquisitions and new sales channels, the work also includes strengthening remote guarding and monitoring services, improving differentiation through highly specialized customer segments, expanding fire and safety services and continued investments in corporate risk management.

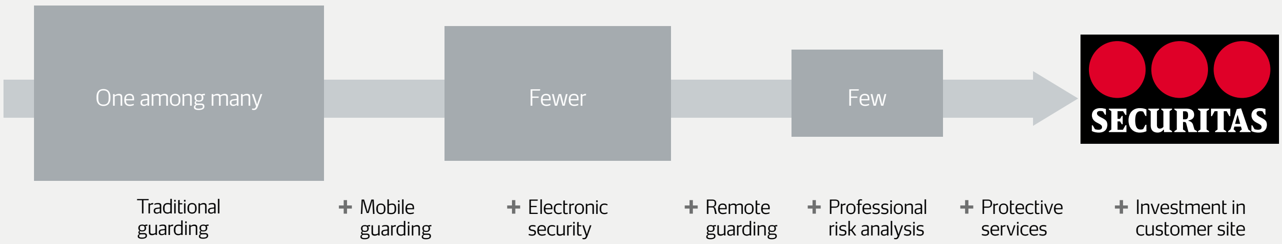
In the long term, Securitas aims to **Transform** the security industry in its entirety. The next wave of transformation and groundbreaking change in the industry will focus on the use of digital historical and real-time data, and how intelligence and experience can be applied to convert this data into practical measures with the potential to prevent crime and threats. The security companies with the most data and the densest network of security officers will be able to respond the fastest and create the most customer value.

Market-leading position

Securitas delivers cost-effective security services and solutions tailored to meet present and future customer demands. Our competitive advantages – ranging from today's protective services, fire and safety, and corporate risk management to tomorrow's offering of predictive security – give us a unique position in the market.

Security solutions give a unique position in the market

Adding more skills, abilities and specialized security services enhances the customer value of Securitas' offering. It also reduces the number of competitors.



Intelligent Security
for Today and Tomorrow

The integration of new technology into on-site and mobile security strengthens our offering. Securitas is able to deliver high-performance security services and solutions for every customer and every situation.

Securitas' approach to security solutions involves integrating technology, people and knowledge. Our offering is comprehensive and highly flexible, addressing the security needs of a wide range of customers operating in different industries across the globe.

Securitas' offering of security solutions includes on-site, mobile and remote guarding, electronic security, fire and safety services and corporate risk management. To realize our ambitious strategy, we continue to integrate technology into our security services and solutions.

Customized security solutions

To ensure that our customers receive the right security solution for their specific needs, Securitas conducts a thorough initial analysis of their situation and requirements. Our experience and ability to draw on Group-wide best practice for security management mean that our customers are presented with appropriate security alternatives. Increased use of technology in our security solutions means our customers receive strengthened security and protection at a competitive price.

Securitas Operation Centers

Securitas Operation Centers (SOC) play a key role in providing high-performance security. From here, our security services and solutions are managed and controlled. At the SOC, people and technology are combined through established processes and protocols, coordinating customer security and service. Data about all incidents that occur and security services provided are directed through our SOC and managed by trained professionals. Our operators are experts in quickly addressing problems and solving them according to protocols and customer requests. The combination of a single point of contact and high density of security officers ensures immediate attention and action.

The information gathered in our SOC is used to take the correct action at all times, giving our customers high-quality security around the clock. Improved analytics, analysis and precise customer feedback reports are also facilitated by our SOC. Our focus on sharing knowledge allows experience to be efficiently spread across our global organization, furthering our competitive edge. Significant progress is also made in utilizing our SOC as hubs for delivering predictive security solutions.

Meeting complex security needs

Our comprehensive offering includes all the security services and solutions required by private and public sector customers – both large and small. Securitas also offers specialized security services to accommodate the complex security needs of customers with highly sensitive or exposed operations. Our Group-wide expertise in specialized services is well documented and includes airport security, nuclear power plants, ports and harbors as well as public transport. Securitas is one of few security providers with the knowledge, capacity and capabilities to protect these core functions of society.

Investing in our customers

Securitas invests in the technology installed at our customers' sites. To us, this means taking full responsibility for technology investments, on-site installation and maintenance of security equipment. Securitas owns the hardware and the cost is distributed as part of the contract fee. Utilizing the strength and breadth of our network, we are able to offer flexible technology solutions from certified suppliers. By investing in our customers' security, we ensure quality throughout the contract period, competitiveness in terms of price, and added value through adjustable scaling of required security equipment.

Specialized security services
Accommodates complex security needs of highly sensitive, critical or exposed operations, such as airports, harbors and nuclear power plants.

On-site security
Manned guarding at customer sites, receptionist services and more customized services for certain customer segments.

Securitas Operation Centers
Our security services and solutions are managed and coordinated through our SOC. Monitoring and acting on real-time data from a large number of customers, incidents are addressed immediately.

High-tech electronic security
Cutting-edge security technology provides our customers with advanced surveillance services, which ensure real-time detection of crime and incidents, for example, in workplaces, public spaces and parking areas.

Mobile patrols
A cost-effective option primarily for small and medium-sized businesses, where security officers serve multiple customers within a geographical area.

Fire and safety
Provides certified safety services, including fire prevention, first aid, evacuation assistance and emergency planning.

Security consulting
Securitas assists in preventing, controlling and mitigating operational disturbances through consulting, including risk analysis and detailed security planning.

Corporate risk management
Through Pinkerton Corporate Risk Management, Securitas provides services developed to address the different threats to their businesses that our customers might face.

Increasing Customer
Security and Sense of Safety

For our customers, Securitas' broad range of increasingly sophisticated security solutions means fewer incidents and business interruptions. With better risk analysis and improved proactivity, crime, fire and other threats can be prevented, resulting in strengthened security and lower costs from damages and disturbances.

In choosing Securitas as their strategic and operational security partner, our customers' overall sense of safety is heightened. As one of the world's leading security companies, Securitas is a trusted partner to thousands of customers globally.

From a customer perspective, a higher degree of prevention means predictability for businesses. With fewer disruptions, day-to-day operations are

Fewer interruptions
Real-time monitoring of customer sites enables immediate detection and swift action, managing interruptions to sensitive operations, such as infrastructure and power supply.

Increased value for money
Intelligent security solutions utilizing real-time reports and preventive actions provide a strong foundation for efficient security, where the monthly fees are foreseeable over the contract period.

improved, costs are saved, and the working environment of our customers' employees becomes safer and more secure.

New technology, in combination with specialized security officers, enables Securitas to deliver more segment and customer-specific solutions that not only protect our customers and prevent incidents and crimes, but also – in many cases – support their business and add value.

Digitization generating customer value

New technology means investments in on-site technical equipment, such as surveillance cameras and smart sensors. These investments and installations are carried out by Securitas. For the customer, this means more value for money and more predictability in terms of future costs for security, not least since intelligent security solutions mean fewer unnecessary alarm responses as well as loss prevention.

From a customer perspective, Securitas' size, financial stability, innovative ability and global presence are matters of great importance. Irrespective of their needs at the point of contracting Securitas, our customers can rest assured that we will be around for the long term. We combine unique local knowledge and presence with a global reach, fulfilling obligations, adapting to new demands and implementing best practice from our operations in 53 countries. Continuously leading the transformation of the security industry by combining technology, people and knowledge will lead to new levels of preventive security work and security solutions.

Added value from multipurpose use
Smart surveillance cameras can be used in different ways. One example is head counting in cashier environments, where cameras automatically call for more personnel when lines are growing, creating a better shopping experience.

Single point of contact
Securitas Operation Centers not only provide customers with round-the-clock availability, but also a dedicated contact person responsible for managing security solutions and customer queries.

Detection and prevention
Night vision cameras and precise motion sensors enable Securitas' security officers to detect crimes before they actually occur, thereby preventing theft or property damage.

Higher Profitability

Through Enhanced Customer Value

Enhanced customer value improves customer loyalty and prolongs the duration of contracts. Combined with security solutions that few companies can match, this provides a solid foundation for higher margins.

Growth in security solutions and electronic security is a game changer – not only from a performance and customer perspective, but also in terms of creating a foundation for higher operating margins and overall profitability. Securitas' strategy adds value for both our customers and shareholders.

Securitas' average overall annual growth during the 2007–2016 period was 6 percent, divided equally between organic and acquired growth. Growth for security solutions and electronic security in 2015 amounted to 38 percent, representing 11.5 percent of the Group's total sales. In 2016, growth was 56 percent in this category, corresponding to 16.0 percent of total sales. Securitas expects the growth prospects for these sales to remain high for many years to come.

Pursuing organic sales growth in security solutions and electronic security changes the offering profoundly, allowing us to make use of our innovative capacity to a much higher degree than before.

From a financial perspective, there are fundamental differences between traditional guarding

Security solutions drive margins

Moving up through the value chain toward security solutions results in increased operating margins.

*Operating margin

and Securitas' more sophisticated and highly specialized security solutions, featuring reduced on-site guarding and added remote guarding, knowledge and technology. Since security solutions are more capital intensive than traditional guarding, expansion in this area could potentially affect sales. We, on the other hand, see increased operating income and a higher return on capital employed (see example below).

There are many benefits to this transformation: Securitas' customers receive better and financially more predictable security, as costs are foreseeable years in advance. From our perspective, fewer – if any – competitors can compete with our offering. Security solutions are complex, entail a larger initial cost than traditional guarding and are highly scalable, which is beneficial for a financially robust market leader with global reach.

Just as customers choose security solutions knowing their future costs beforehand, Securitas can predict its future income for an extended period of time, since security solutions require a longer contract duration than traditional guarding.

A growing share of security solutions means more than just higher income and operating margin growth, it also helps Securitas reach our financial goals. In addition, it enhances the stability and predictability of future income and cash flow. Other benefits include a higher customer retention rate through longer contract durations and a stronger position for contract renewal. For shareholders, this entails a better and more stable cash flow and a means for Securitas to stay ahead of the competition.

14.1
Security solutions and electronic security sales represented BSEK 14.1 in 2016 compared with BSEK 9.3 in 2015.

Increased profitability through investments in electronic security

Examples of contract conversion – from manned guarding to security solutions:

- Reduce on-site guarding
- Introduce remote monitoring and technology
- Sign five-year contract
- Invest KEUR 60 in customer site equipment = 15 percent of the first year's sales
- Depreciated over contract duration = KEUR 12 in annual depreciation

KEUR	Manned guarding	Security solutions
Annual sales	**400**	**386**
Direct and indirect cost	-380	-349
Operating income	**20**	**37**
Operating margin	*5%*	*10%*
Capital employed	**116**	**176**
% of sales	*29%*	*44%*
Return on capital employed	***17%***	***21%***

Growth at Higher Pace

Securitas is leading the transformation of the security industry and is further strengthening our position as a market leader through a combination of organic sales growth and acquisitions.

In 2016, Securitas had a combined organic and acquired sales growth of 11 percent, out of which 7 percent was organic sales growth. The main reasons for the growth were higher social tension in Europe and favorable market conditions in the US. Our manned guarding sales showed good growth, at the same time as our sales of security solutions and electronic security grew strongly. The share of security solutions and electronic security, out of total sales, is increasing every year.

During 2016, Securitas conducted four major acquisitions in Europe, North America and Latin America. The acquisitions strengthened Securitas' ability and capacity within electronic security and helped to maintain the rapid pace of transition to security solutions that combine on-site and mobile guarding with various forms of electronic security. Acquisitions and organic sales growth also strengthened Securitas' offering in fire and safety, which is becoming an increasingly important and integrated part of the security solutions in demand by customers. Another aim of our acquisition strategy is to establish operations in new countries in order to provide services to our global customers in these markets.

Our efforts to boost the Group's capacity by introducing Securitas Operation Centers (SOC) in several of the markets in which we operate continued during the year, as did our work to further develop our customer portals. The customer portals serve a number of important functions – not only providing feedback on

Fire and safety increasing security

By including fire and safety services in our customer offering, we increase our customers' safety and security and further strengthen Securitas' position in the security market. The aim of these services is to strengthen fire safety, primarily through preventive measures but also by providing fire-fighting services. Fire and safety also includes lifesaving services, evacuation planning and drills, emergency planning and overall safety planning.

Securitas' performance but also as a resource for marketing and sales.

The goal of the Group's short and long-term initiatives is for Securitas to be a growing and market-leading company that is moving from reactive to predictive security, where we detect crimes and other incidents before they happen and prevent them from occurring. Accordingly, we are increasingly assuming the role of an advisor – conducting risk analysis and helping our customers to create customized security solutions.

The collection and analysis of large quantities of data plays a central role in predictive security. Together with an expansion of the network of SOC, an increase in the inflow of data from various forms of electronic monitoring and the digitization of security officer reporting, Securitas has gained access to a unique knowledge base. Analyzing this database and finding an effective way to transform the results of these analyses into tangible measures in order to increase security will be one of Securitas' greatest opportunities and challenges in the coming years.

Major acquisitions in 2016

- > **Diebold's Electronic Security,** North America, Electronic security solutions
- > **Infratek Security Solutions,** Norway Electronic security solutions
- > **Draht+Shutz,** Germany Electronic security solutions
- > **JC Ingeniería,** Chile Electronic security systems

Securitas and other security companies have an opportunity to take over certain tasks from the police, which creates significant growth potential. In many countries, the work-load of the police force has increased. Allowing security officers, who are already on-site in the community, to take over non-core police tasks is an alternative being widely discussed in the US and several European countries.

Unique opportunities through data-based risk analysis

Securitas is well underway with the development of the company's global digitization. One of our largest initiatives in the coming years is to convert the large quantities of data generated by our operations into efficient predictive security tools.

The daily reports from our security officers in 53 countries, channeled through our Securitas Operation Centers, have given us access to valuable data from a wide range of assignments, countries and regions. By drawing conclusions based on an analysis of this historical data, we can improve and enhance the efficiency of our services and help our customers to strengthen and increase the cost efficiency of their security. The real value for us and our customers comes when we combine our analysis of historical data with real-time information from various forms of electronic monitoring, such as cameras, sensors, automatic face recognition and robots. Algorithms can be used to cross-check real-time information against historical data in a matter of seconds in order to generate alternative preset actions. This means that theft and damage can be stopped proactively and fires and other dangerous incidents can be prevented before they occur. This requires close cooperation between our security officers, data analysts and statisticians, who work together to draw accurate conclusions from historical data and real-time information. Securitas also devotes considerable energy to providing the security and protection of privacy required for the storage of large quantities of data.

True predictive security represents a major step forward in the development of security solutions and is creating growth opportunities in new areas for Securitas.

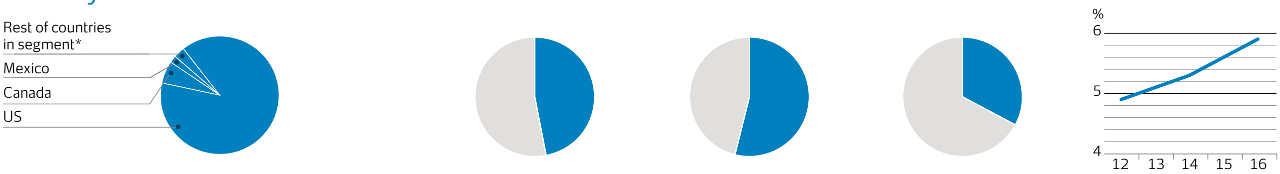
At our Securitas Experience Center, located in Malmö, Sweden, we show invited customers and other interested parties how predictive security solutions work in reality.

Knowledge Leader
with a Strong Global Position

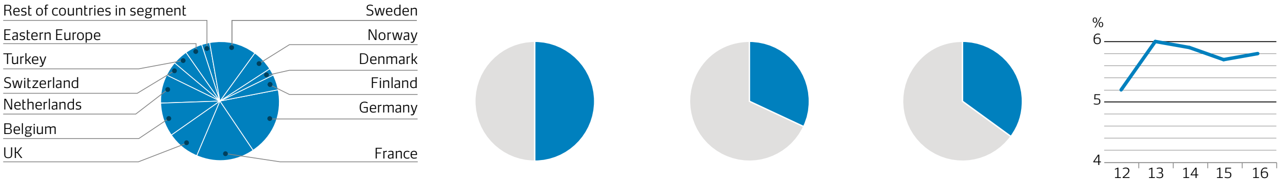
Securitas successfully integrates technology, people and knowledge to offer protective services to customers all over the world. Securitas' operations are organized into a flat, decentralized structure with three business segments: Security Services North America, Security Services Europe and Security Services Ibero-America. Operations in Africa, the Middle East and Asia are organized in the division AMEA.

Overview by business segment

Security Services North America



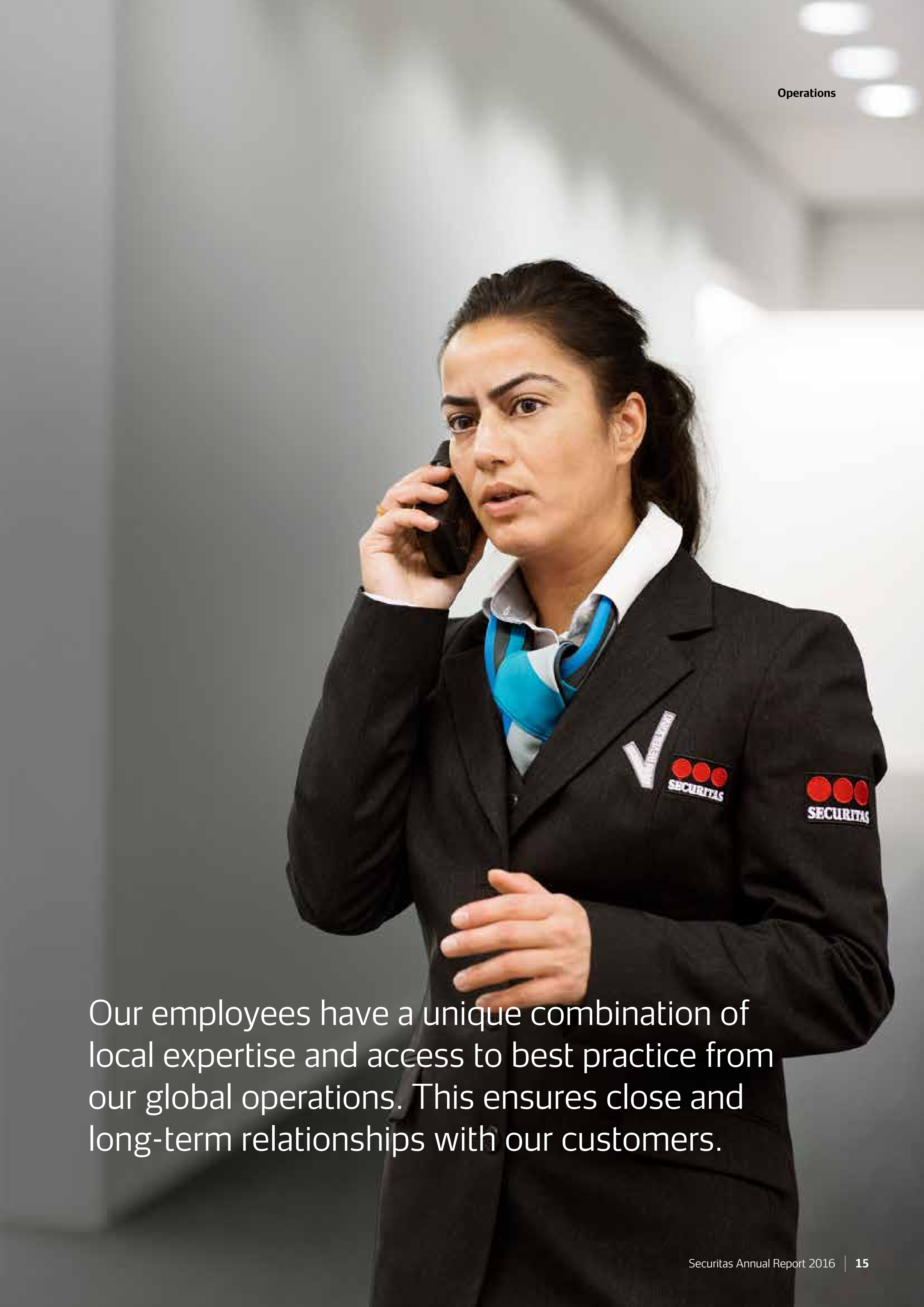
Security Services Europe



Security Services Ibero-America

	Sales	Operating income before amortization	Total capital employed	Number of employees	Development, operating margin
Security Services North America	41% MSEK 36 354	47% MSEK 2 129	54% MSEK 15 178	33% 112 000	5.9%
Security Services Europe	45% MSEK 39 694	50% MSEK 2 283	32% MSEK 8 830	35% 117 200	5.8%
Security Services Ibero-America	12% MSEK 10 805	10% MSEK 473	12% MSEK 3 282	18% 60 800	4.4%
Group**	**MSEK 88 162**	**MSEK 4 554**	**MSEK 27 939**	**336 000**	

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



Our employees have a unique combination of local expertise and access to best practice from our global operations. This ensures close and long-term relationships with our customers.

Security Services North America

Securitas is the only security company in North America that can offer a complete range of protective services.

The consolidation of the security industry in North America is creating many opportunities for Securitas. We can offer a complete range of protective services that includes on-site, mobile and remote guarding, electronic security, fire and safety, and corporate risk management. Our specialization in each of these services is key and has made us the leader in the market. Utilizing these services, we can fulfill the security requirements of our customers in the US, Canada and Mexico.

Securitas' electronic security offering and expertise has been strengthened following the successful integration of Diebold's Electronic Security business in North America. We now have national coverage in the US and Canada, a full spectrum of electronic security capabilities, a strong service organization and a focus on long-term customer relationships.

In 2016, organic sales growth continued to develop positively. Good customer retention, strong new sales and increased sales in security solutions and electronic security resulted in growth that outpaced that of the market.

Appropriate training for our employees is a vital part of our strategy. We offer a broad range of training programs, from basic training to highly specialized training for specific customer segments and assignments. Our customer portal gathers all necessary security information for both the customer and our employees and is another important tool that ensures a high level of professionalism.

Securitas' specialization in each part of the protective services package is key.

Santiago Galaz, Divisional President, Security Services North America

Security Services Europe

Securitas has a strong position in Europe, built on our status as the only truly pan-European security company, with skilled employees, financial strength and a robust brand.

We differentiate ourselves through our extensive security knowledge and high-quality offering of security solutions combining guarding services, electronic security, fire and safety, and corporate risk management.

Securitas has operations in 26 countries in Europe and airport security in 15 countries. In a changing market, we create opportunities by offering protective services with an increasing degree of electronic security and by having the footprint to accommodate customers with operations in several countries. We further strengthened our capability through the technology acquisitions carried out in Germany and Norway during 2016.

Key trends in the market include a continued increase in labor costs and budget pressure on the public sector in many countries. Securitas is well prepared to capitalize on the opportunities created by market development. In addition, we have a strong culture of sharing best practice and procedures, and working in cross-border projects.

In 2016, our organic sales growth remained strong. We were able to fulfill a critical function in society by mobilizing resources and providing security for our customers at a time when many countries in Europe were struck by terrorist threats and a challenging refugee situation. Sales within security solutions and electronic security increased and our portfolio development was strong.

Employee development plays an important role in the transformation process, with our employee survey providing crucial insight into what is working well and what needs to be developed further. We also take a proactive approach to sustainability and consider it an integral part of our operations.

We differentiate ourselves through our extensive security knowledge and our pan-European footprint.

Magnus Ahlqvist, Divisional President, Security Services Europe

Security Services Ibero-America

Securitas has a strong position in Latin America as well as in Spain and Portugal.

The Ibero-American market offers two different realities. In Iberia – which comprises Spain and Portugal – the market is mature and price competition for traditional manned guarding is fierce. However, the economies in Spain and Portugal continue to recover. In Latin America, macroeconomic growth is slowing down, but the security market is still growing at a good pace.

To increase customer value and minimize the effects of a slowdown in macroeconomic growth, Securitas is moving up the value chain. Argentina, Spain and Uruguay have advanced the furthest, offering a full range of protective services, including on-site, mobile and remote guarding, electronic security, fire and safety services, and corporate risk management. Chile, Colombia, Costa Rica, Ecuador, Portugal and Peru are moving from manned guarding to offering cost-efficient security solutions that integrate on-site, mobile and remote guarding with electronic security, often paired with professional risk analysis.

Our Securitas Operation Centers are at the core of our business and truly differentiate us from our competitors. Sales within security solutions and electronic security increased in 2016 and supported organic sales growth in the business segment.

This development is promoted by strong local leadership, motivated employees and a good structure for employee training and talent management. Corporate social responsibility is a well-integrated aspect of our operations.

Securitas is moving from personnel-intensive to more knowledge-intensive services.

Luis Posadas, Divisional President, Security Services Ibero-America

Africa, Middle East and Asia

The operations in Africa, the Middle East and Asia are organized in one division: AMEA.

Securitas has built a strong geographical footprint in AMEA in order to serve our global customers across the region.

The markets served in Asia are India, China, Hong Kong, Indonesia, Singapore, South Korea, Sri Lanka, Thailand, Vietnam and Cambodia. The customer portfolio is well diversified across customer segments, including manufacturing, IT, logistics and embassies.

In Africa, Securitas conducts operations in Egypt, Morocco and South Africa. In Egypt, we mainly serve multinational companies, while in Morocco, we hold a strong position in the financial segment. On-site and remote guarding complemented by electronic security are offered in South Africa.

Jordan, Saudi Arabia and the United Arab Emirates are the Middle East markets where Securitas conducts security services operations. The customer base comprises global companies in a variety of segments, such as offices, construction, IT and manufacturing.

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

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

We serve multinational and global customers in growing markets.

Andreas Lindback, Divisional President, Africa, Middle East and Asia (AMEA)

Andreas Lindback assumed the position as Divisional President, Africa, Middle East and Asia (AMEA) on January 1, 2017. Marc Pissens left this position on December 31, 2016.

Our Core Business
Contributes to a More Sustainable Society

Securitas' core business is security. By providing safety to the communities where we operate, we contribute to a more sustainable society. We lead by example and aim to conduct all aspects of our operations in a responsible way.

Safety and stability are key in a well-functioning community. Securitas' role is to help companies, infrastructure and government authorities to operate the way they are intended, without interruptions. The protection of workplaces, public areas and properties plays an important part in how we contribute to a safer and more sustainable society.

As one of few global security companies with the track record, expertise and capacity to protect core functions of society, Securitas' responsibility is of even greater importance in times of uncertainty and insecurity.

Securitas is the knowledge leader in security, specialized in protective services built on technology, people and knowledge. Our reputation is strong; living up to our customers' and other stakeholders' expectations is our number one priority. For Securitas, this means delivering high-perfor-

CASE

Creating opportunities for war victims in Colombia

In Colombia, the long civil war has left behind numerous victims, many of them with little education and living in poor conditions. In 2012, Securitas Colombia joined the United Nations Global Compact and the initiatives Business for Peace (B4P) and Women's Empowerment. Being part of these initiatives allowed us to generate public-private partnerships for the recruitment of war victims, displaced persons and retired military personnel. Securitas provides basic security officer training for these recruits at no cost and then offers them employment in the company.

In another initiative, through the signing of the so called transparency pact, Securitas has reached an agreement with the Colombian state to train our employees in human rights issues. The objective of the initiative, which is promoted by the Colombian government and the Swedish Business Network in Colombia, is to fight corruption by strengthening the development of a fair business environment with clear rules. As part of the initiative, Securitas Colombia has adopted the guidelines included in the World Economic Forum's Partnering Against Corruption Initiative.

With the help of UN Global Compact and Corporación Fenalco Solidario, an organization promoting corporate social responsibility, Securitas Colombia also trains suppliers in business ethics, social responsibility and human rights.

mance security while making sure our business and operations are sustainable.

Our people – the core of Securitas
We employ more than 335 000 people around the world, distributed across 53 countries. Attracting, retaining and continuously developing our people is therefore key to ensuring that Securitas is able to fulfill our customer commitments. Employees who remain with the company longer become more qualified through training and experience, and are a vital part of realizing our strategy to offer protective security through our security solutions. To secure our position as one of the leading global security companies, we must continue to train and develop our employees at all levels. This is achieved through continuous development of processes for recruitment, onboarding and talent management.

As part of our aim to offer predictive security solutions, Securitas values good relations with unions and their representatives, based on open dialog. We have a global contract with UNI Global Union (UNI) and the Swedish Transport Workers' Association, and the European Workers' Council (EWC) in our European division. Securitas meets UNI and the EWC regularly, actively discussing many key issues concerning our employees. Our engagement with unions ultimately strengthens the development of the industry. In countries where Securitas does not have collective bargaining agreements or union representation, we encourage other ways of maintaining open dialog with our employees.

Health and safety
Health and safety work are vital to our operations and often form part of the services we offer our customers. Our security officers are trained not only to protect their own health and safety, but also to help others while on assignment, for example, by performing first-aid and CPR. Health and safety aspects can vary depending on the assignment, and customer sites are therefore assessed from a health and safety perspective. The security officers deployed receive training, instructions and equipment in line with the assignment. Many countries of operation are OHSAS 18001 certified, but we also work actively with occupational health and safety issues in countries that are not certified.

A frequent question concerns the health and safety aspects associated with the risk that our security officers may be exposed to violence in the line of duty. Since the risk of violence is an inevitable occupational hazard in the security industry, Securitas makes extensive efforts to secure the health and safety of both our officers and the individuals they must, from time to time, act against. The use of violence is not permitted. If threatening situations occur, our officers are instructed to avoid confrontation and await the arrival of the police. The vast majority of our security officers do not carry weapons. Those who do have undergone specialist training and licensing requirements, and are usually placed in special assignments.

Human rights
Securitas uses its size and influence to develop the security industry in terms of working conditions. As a leading actor in the security market, it is important we pay wages that meet or exceed industry levels. Securitas has sound processes in place to ensure we live up to all legal standards, following local and regional legislation and regulations regarding social security charges and taxation.

To assess and verify our ability to operate in a new market in an acceptable way, a thorough risk analysis is conducted prior to entering a new market. The issues and market conditions analyzed include human rights and risk of corruption when conducting business. When deemed necessary, customers can also be risk assessed.

As a large employer, Securitas always strives to listen to its employees. One important tool in this regard is our recurring employee surveys; another is the use of internal reports of non-compliance with Securitas' Values and Ethics Code. We believe it is important to have several different communication and reporting channels. Those include employee ombudsmen, a local call center or an internal e-mail address. All employees are informed about the Securitas Integrity Line (Securitas Hotline in the US and Canada, Linea de Alerta in Mexico), which is manned around the clock and is also open to external parties.

Proactive risk management
Not complying with Securitas' firmly established Values and Ethics Code is considered an operational risk, and as such, is classified as one of six prioritized risks in the Group's enterprise risk management process. To proactively address this issue, all countries of operation must complete annual self-assessments concerning processes and procedures for implementing and complying with the Code and other Group-wide policies and guidelines. Results are analyzed closely, with the country president ultimately responsible for acting on any identified deviations. Specific attention is given to newly acquired companies to ensure their adherence to the Group's policies and processes. If required, internal or external audits may be carried out.

Prior to acquiring a company in a country where Securitas does not currently conduct operations, a comprehensive country focused risk assessment is carried out. The assessment and analysis cover issues of corruption, human rights, local legislation and other market conditions relevant to conducting operations. Securitas' sources of information include trusted organizations, such as Transparency

With more than 335 000 employees, working conditions are key. But we must also operate in an ethical manner and offer high-quality services. Only then will all of our areas of operation become sustainable.

Read more in the Securitas AB Sustainability Report 2016 at www.securitas.com / our responsibility

International and Human Rights Watch. If the assessment shows that it will be very difficult to conduct business in an acceptable way, Securitas will not enter the market. Operations are not conducted in markets subject to war or armed conflict.

If the conditions are satisfactory and Securitas proceeds with an acquisition, the customary due diligence process is supplemented with, for example, background checks of key personnel and verification against sanction lists.

To further strengthen Securitas' proactive approach to risk management, a Group wide governance, risk and compliance (GRC) system is used. The system facilitates cross-functional workflows between legal, risk, management assurance and CSR functions. It also provides our managers with a better overview. For further information on Securitas' enterprise risk management, please see pages 36–44.

Anti-corruption

Acting with integrity and ensuring we take an active stand against corruption are prioritized issues for Securitas. Certain markets are more challenging than others in this regard. However, this does not mean that low-risk countries are not subject to situations of bribery or corruption. For Securitas, it is important to train our employees in awareness and management of suspected corruption in all our markets.

Securitas' anchored anti-corruption policy provides definitions and examples as well as assistance in evaluating whether or not a situation complies with our zero-tolerance policy against all forms of bribery and corruption, including facility payments. Securitas' Values and Ethics Code and the anti-corruption policy set out minimum requirements that ensure compliance with applicable local and extraterritorial laws. Local entities are subsequently asked to create their own detailed policies for gifts and entertainment. Relevant managers and administrative staff have to complete a detailed e-learning course on the anti-corruption policy.

Sustainability reporting

Securitas annually publishes a sustainability report according to the Global Reporting Initiative's guidelines in order to meet the requirements of customers and other key stakeholders regarding transparency and communication. The stakeholder dialogs during 2016 again confirm that the top priority for Securitas is working with and disclosing key figures for working conditions and labor relations.

Active OH&S work

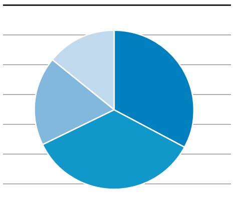
Active occupational health and safety (OH&S) work is prioritized and vital to Securitas' operations and performance. Although not all of our operations are OHSAS 18001 certified, they have OH&S committees and all employees are continuously trained to ensure they can carry out their duties in a safe way and avoid injuries at work. Formal processes are in place for reporting and investigating OH&S incidents and correcting the causes.

Sustainability reporting

Securitas has completed a sustainability report prepared according to the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) for 2016. Below are some of the key indicators. The entire GRI report can be found at www.securitas.com, including the GRI index and more detailed information about the key indicators presented below.

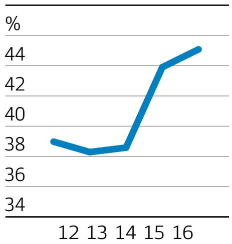
Number of employees per business segment

	2016	2015
Security Services North America*	111 997	108 107
Security Services Europe	117 155	118 151
Security Services Ibero-America	60 848	59 508
Other*	45 945	42 079
Total	**335 945**	**327 845**

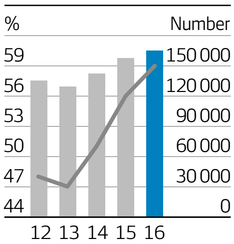


* The comparatives have been restated due to an organizational change that took place in the Group as of September 1, 2016. This change has had no effect on the total Group level.

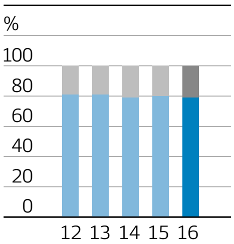
Employee turnover, %



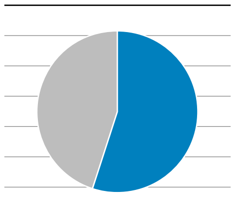
New employees



Gender distribution, average number of yearly employees



Share of employees covered by collective bargaining agreements



Definitions according to GRI G4

Training hours

	2016	2015
Total number of hours of training	7 957 045	6 624 460
Average number of hours of training per employee	24.09	21.87

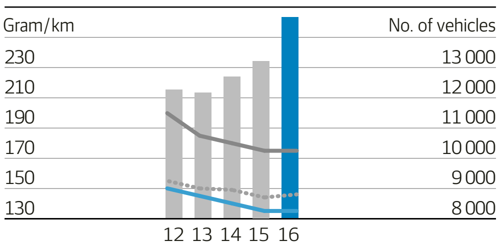
Definitions according to GRI G4

Work-related injuries

	2016	2015
Actual number of work-related injuries	6 139	6 361
Injury rate	1.8	1.9
Actual number of work-related fatalities	4	8

Definitions according to GRI G4

Average CO_2 emissions from vehicles



Comprehensive dialog with our stakeholders

Securitas aims to be a responsible, honest and transparent company. We encourage an ongoing dialog with our stakeholders in order to better understand their expectations and to identify areas in which there is room for improvement. We meet many of our stakeholders regularly during the course of our daily work, and once a year, key stakeholders are also invited to participate in a survey. Listed below are Securitas' key stakeholders and a description of how we engage with them.

Stakeholders	Dialog forums
Customers We must have an in-depth understanding of our customers' needs and industry-specific requirements, both to provide optimal and cost-effective security solutions and to meet their requirements on us as a supplier regarding sustainability.	Securitas' employees at different levels frequently meet with customers and continuously engage in an dialog with them. Customer satisfaction surveys and evaluation reports are important tools.
Employees and employee representatives Securitas' most valuable assets are our more than 335 000 employees, distributed over 53 countries around the world. Past, present and future employees are important to Securitas and considered part of our company's foundation.	The most important forum is the ongoing daily dialog between our employees and Securitas managers at different levels. Securitas also utilizes tools such as employee surveys and several channels for reporting cases of non-compliance with Securitas' Values and Ethics Code. Securitas has a continuous dialog with local unions, UNI and the EWC.
Shareholders, investors and analysts An ongoing dialog with our shareholders and investors ensures the long-term development of our business.	We publish interim reports and other continuous financial information, organize Investor Days, and conduct other investor and analyst meetings, roadshows and conferences. At the Annual General Meeting, all shareholders are able to exercise their influence.
Suppliers Securitas has many suppliers in its operations. Ensuring that our suppliers follow our requirements concerning values and ethics, among other things, is essential to Securitas.	The main forum is the on-going dialog between our suppliers and Securitas representatives on all levels. In particular, when conducting negotiations for new contracts or re-negotiating existing contracts.
Industry organizations As one of the largest companies in the security industry, Securitas is a driving force in raising the standards and levels of professionalism in the industry.	Securitas holds memberships in local and global industry organizations, such as the Security Ligue, the American Society of Industrial Security (ASIS) and the International Code of Conduct Association (ICoCA). Meetings are conducted regularly.
Local communities Securitas plays an active role in thousands of local communities across the globe. Ensuring security and safety in all areas of society is a prerequisite for a functioning community.	As a large employer and a trusted partner to our customers, we engage in a constant dialog with different parts of the societies where we operate.
Policy-makers and authorities Securitas cooperates closely with authorities in all countries where we operate – both to improve our business conditions and to explore new business opportunities.	Securitas maintains a continuous dialog with authorities and policy-makers at the local, national and international level.

Key issues	Securitas' approach
▶ The benefits of security solutions, with a higher degree of electronic security ▶ The cost efficiency of security solutions including technology ▶ Securitas' ability to ensure continuity and performance delivery	In a more clear, transparent and sustainable way, communicate the benefits of electronic security, providing data showing how a predictive approach increases the level of security and, at the same time, make security more cost efficient.
▶ Values and ethics ▶ Recruitment and onboarding ▶ Training and skill development ▶ Talent management ▶ Fair terms of employment ▶ Health and safety	In order to attract, retain and develop our employees, Securitas strives to be a reliable employer. Developing and upholding solid human resources processes is a vital factor to our success. Securitas values proactive relationships and a constructive dialog with local unions as well as global union associations.
▶ The bottom line effects of Securitas leading the transformation of the security industry ▶ How to manage the challenges related to the transformation to electronic-driven security solutions ▶ Maintaining stable and long-term operations	Provide solid data and figures supporting our strategy. Enhance the focus on how the transformation of offered services affects the financial results and how Securitas manages the risks associated with investing in electronic security solutions. Explain the benefits of the position as industry leader.
▶ Quality of procured goods and services ▶ Values and ethics requirements ▶ Compliance with anti-corruption policy ▶ Contract commitment and fulfillment of deliveries	Provide our suppliers with information regarding our Values and Ethics Code and include compliance with the Code in our supplier contracts. We also have specific guidelines and standards for suppliers and conduct supplier risk assessments when required.
▶ Status of security officers and the profession ▶ Remuneration issues ▶ Employee skills development ▶ Terms for values and ethics in the international security industry	Within industry organizations, strive to improve the status of the security officer profession, raise industry wage levels and intensify skills development efforts.
▶ Create work opportunities ▶ Equal conditions for men and women, ethnic and religious minorities, individuals with disabilities, etc. ▶ Procurement from local suppliers ▶ Contribution to increased security and safety in local communities, through cooperations	Active participation in various local projects, such as security training in schools, promoting cooperation with local communities and suppliers, mentorship programs for young people, and employment opportunities for people having difficulties entering the job market. Securitas always strives to be engaged in the local communities.
▶ Laws and regulations concerning the security industry ▶ Possibilities to expand assignments to ensure a safer society	Work to improve the business conditions in the security industry. Explore opportunities to take over non-core police tasks.

Sustainability progress 2016

	Priorities and results 2016	Priorities 2017
Securitas' Values and Ethics Code	▶ The governance, risk and compliance (GRC) system was further improved. The system facilitates cross-functional work and improves processes and routines ▶ Seven country visits were conducted ▶ Effort to complete training in Securitas' Values and Ethics Code in all countries continued. In total, approximately 92 percent of managers and office personnel and 80 percent of security officers have completed the course ▶ Securitas Integrity Line was introduced in one country and has now been implemented in all 53 countries	▶ Continued follow-up of areas covered in the enterprise risk management self-assessments and other sustainability reporting, particularly concerning health and safety and human rights ▶ Support countries that have not yet completed the training in Securitas' Values and Ethics Code
Employee relations	▶ Employee surveys were carried out in Security Services Europe (covering all employees) and Security Services North America (covering managers and office personnel) ▶ Five meetings were held with UNI and the EWC	▶ Follow-up of improvement actions set as a result of the outcome of the employee surveys ▶ Continue to engage in an active and constructive dialog with UNI and the EWC
CO_2 emissions	▶ Average CO_2 emissions increased 0.7 percent for cars and 2.8 percent for minivans, mainly due to vehicles included in acquisitions carried out in 2016 ▶ Securitas scored C in the 2016 CDP	▶ Continue efforts to reduce emissions from company-owned and leased cars and minivans ▶ Use results in CDP to drive change toward lower emissions
Reporting	▶ An investor meeting with a sustainability focus was held in May 2016 ▶ External and internal stakholders were invited to participate in Securitas' annual survey about our sustainability work and communication ▶ A survey was carried out regarding occupational health and safety work in countries that are not OHSAS 18001 certified	▶ Continuous stakeholder dialog ▶ Further increase the scope of the GRI report, including adding KPIs/indicators ▶ Consider the new legal requirements regarding sustainability reporting and a policy for Board and management diversity
Business practice	▶ Implementation of Group guidelines for risk assessment of suppliers, including a due diligence process	▶ Launch of an e-learning course in Securitas' fair competition policy for relevant employees ▶ Follow up completion of the course in the anti-corruption policy for all relevant employees

CASE

Cooperation to find missing children in Belgium

Since 2012, Securitas in Belgium has been a partner of Child Focus, a foundation working to find missing children and protect abused children. The Belgian organization was founded in 1996 on the initiative of Jean-Denis Lejeune, one year after the disappearance of his own daughter, and is a member of Missing Children Europe, a federation of 30 members in 26 countries in Europe.

Child Focus works actively to protect missing children, abducted or runaway children, and sexually abused and exploited children. The organization provides psychological and legal support to the victims, both the children themselves and their parents. Child Focus also informs the public of missing children and this is where Securitas plays an important role. Our security officers receive information about missing children, and watch for them during their working hours to help find them. If a security officer comes across someone who looks like one of the children, he or she informs Securitas Care Center. The Care Center, which is the contact point between Securitas and Child Focus, in turn alerts Child Focus so that they can take quick action.

Each year, Child Focus launches a new campaign to create awareness about their work. Securitas helps by distributing posters and other material.

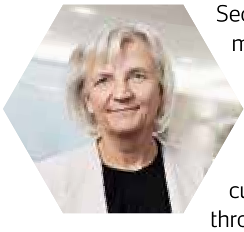
Governance and Management

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

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

Read more at www.securitas.com/corporate-governance
Securitas has published its principles for corporate governance in previous annual reports. A separate section on the Group website contains the Articles of Association and other key company documents.

Comments by the Chairman



Securitas aims to lead the transformation of the security industry from traditional guarding to protective services based on people, technology and knowledge. We offer tailored security solutions based on customer-specific needs, built through various combinations of on-site, mobile and remote guarding, electronic security, fire and safety, and corporate risk management.

The industry is affected by events in our environment that result in insecurity. Securitas has the expertise, trust and resources to contribute to a safer society. To succeed, we need knowledge and insight – not only about the internal work performed and actions taken in relation to our strategy, but also about the changes affecting and driving the markets.

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

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

To facilitate this work, we have systems, routines and procedures in place for monitoring targets, internal control and risk management. The Board performs its duties through formal Board meetings and committee work. Together with Securitas' management, we establish a direction for the company and make overall decisions on how Securitas' assets are to be used for investments, acquisitions and dividends. All of our decisions are well founded and thoroughly discussed to ensure that we are moving in a direction that is in line with the strategy, always considering the long-term perspective.

Securitas' management is dedicated to continued development that will benefit all Securitas stakeholders. On behalf of the Board of Directors, I would like to thank all Securitas employees for their hard work and commitment.

Stockholm, March 14, 2017

Marie Ehrling
Chairman of the Board
Securitas AB

Clear and Effective
Governance Structure

Securitas promotes management based on local responsibility in close proximity to customers and employees. This unique and decentralized organization encourages entrepreneurship, but requires a solid governance and management system. Securitas' structure for governance serves not only to protect stakeholder interests, but also to ensure value creation.

An effective governance structure requires that all components interact in order to achieve the set strategic objectives, and that governance and risk management permeate all layers of the organization.

Securitas has a **decentralized organizational model that promotes entrepreneurship** and focuses on the approximately 1 700 branch managers who run the company's daily operations in 53 countries.

The company's customer offerings improve when decisions are made in close proximity to customers and the employees who perform the services. Local decisions are therefore encouraged but made within a well-controlled environment.

The branch offices are run by qualified managers with considerable freedom to develop and conduct operations. Each branch has its own statement of income, for which it is fully responsible. Incentive programs are used to further encourage personal dedication to the operating and financial performance of the company.

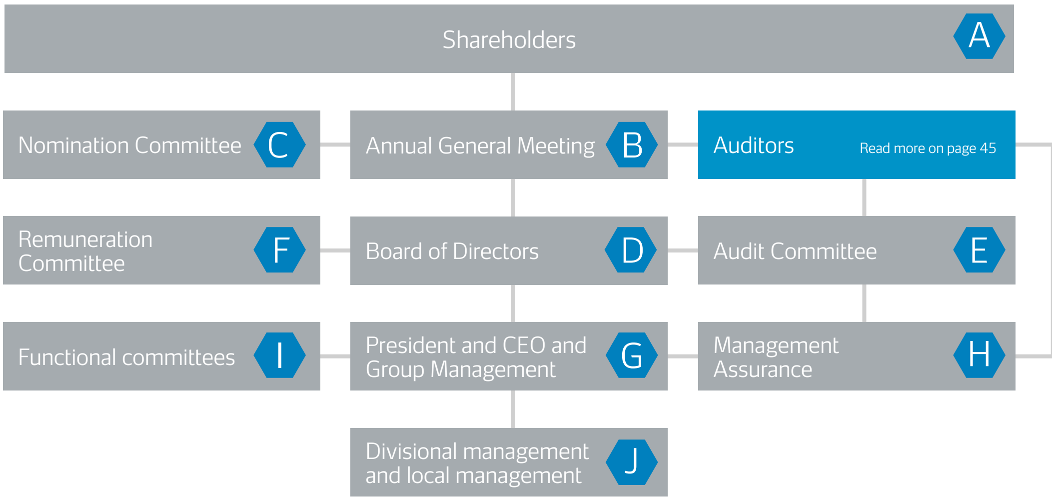
Securitas' Toolbox management model has a methodical structure that includes several well-defined areas or "tools" that serve as a guide at all levels and is maintained through continuous training and discussion forums. Each area of the model describes how Securitas' managers are to conduct themselves in various aspects and stages of the company's operations. The model also describes the approach we are expected to take with regard to the market, our customers and employees.

A key function of the Toolbox is to convey our corporate culture and create a shared platform, which is primarily symbolized by a focus on Securitas' values: Integrity, Vigilance and Helpfulness. All Securitas employees are expected to assume responsibility for their customers and operations and our shared values. Responsibility is clarified through the measurement and systematic evaluation of results.

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

The financial framework and model continuously measure the Group's performance, from the branch offices through to Group level. The financial model makes it possible to monitor a number of key figures that can be understood by all managers. It also helps managers understand the connection between risks and opportunities, and how various factors impact their areas of responsibility, as well as how we can monitor and control these factors. It visualizes the direct link between income and expenses in the statement of income, capital employed in the balance sheet and the generation of free cash flow. Refer to pages 46–47 for more information.

Securitas has two financial targets. The first target is related to the income statement: an annual average earnings per share growth rate of 10 percent. The second target is related to the balance sheet: a free cash flow to net debt ratio of at least 0.20. Transparent and accurate financial reporting is also the basis of sound management. The aim of the Group's financial reporting is to produce the most timely and accurate information possible to enable managers and employees to make the decisions necessary for achieving profitable growth in line with Securitas' strategies, and to control risks to ensure that the company's objectives are achieved. Financial reporting also forms the basis for sound internal control.

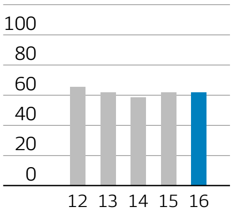


Number of shareholders 2012–2016

2012	27 222
2013	26 054
2014	24 274
2015	25 734
2016	31 221

Annual General Meeting attendance 2012–2016

% of voting rights



A Shareholders

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

On December 31, 2016, the principal shareholders in Securitas were Gustaf Douglas who, through his family and Investment AB Latour Group, held 10.9 percent (10.9) of the capital and 29.6 percent (29.6) of the votes, and Melker Schörling who, through his family and Melker Schörling AB, held 5.4 percent (5.4) of the capital and 11.6 percent (11.6) of the votes. For more detailed information about shareholders, see the table on page 135.

B Annual General Meeting

All shareholders are able to exercise their influence at the Annual General Meeting, which is the company's highest decision-making body. The Annual General Meeting decides on changes to the Articles of Association. The Articles of Association contain no limitation on the number of votes that each shareholder may exercise at a shareholders' meeting. Each shareholder may thus vote for all shares held at the shareholders' meeting. The Annual General Meeting of Securitas AB was held on May 4, 2016, and the minutes are available on www.securitas.com, where all resolutions passed can be found. One of the resolutions passed in 2016 was the authorization for the Board to resolve upon acquisition of the company's own shares. Shareholders representing 61.9 percent (61.9) of the votes attended either personally or by proxy. For information about election and remuneration of Board members, see the Board of Directors section (D).

C Nomination Committee

The Nomination Committee is a body established by the Annual General Meeting with the task of preparing motions regarding the election of Board members, the Chairman of the Board and remuneration to Board members and Board committees. Before each Annual General Meeting, where the election of auditors takes place, the Nomination Committee also prepares motions regarding the election of auditors and decisions about fees to auditors and other related matters, following consultation with the Board of Directors and the Audit Committee.

In 2016, Carl Douglas was re-elected as Chairman of the Nomination Committee. Refer to AGM minutes for information on procedures for replacing members of the Nomination Committee who leave before its work is concluded.

The Committee has adopted working instructions that govern its work. The Nomination Committee should hold meetings as often as necessary to fulfill its duties. However, the Nomination Committee should hold at least one meeting annually. The Nomination Committee met once in 2016.

D Board of Directors

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

The Annual General Meeting elected Marie

Ehrling as new Chairman of the Board (replacing previous Chairman Melker Schörling) and Carl Douglas as Vice Chairman. For further information about the members of the Board of Directors and the President and CEO including remuneration, see pages 32–33.

Responsibilities of the Board of Directors

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

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

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

The Board ensures the quality of financial reporting through Group policies, procedures and frameworks, clear structures with defined responsibilities and through documented delegation of authority, which is further described in the enterprise risk management and internal control report, beginning on page 36. The Board has formed an Audit Committee (further described on page 30) and a Remuneration Committee (further described on page 30).

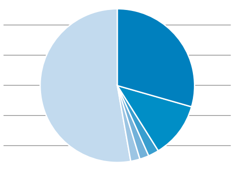
The work of the Board of Directors

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

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

The Board held nine meetings in 2016, of which three were held per capsulam. The auditors participated in the Board meeting that was held in conjunction with the yearly closing of the books, in February 2016, where they presented the audit.

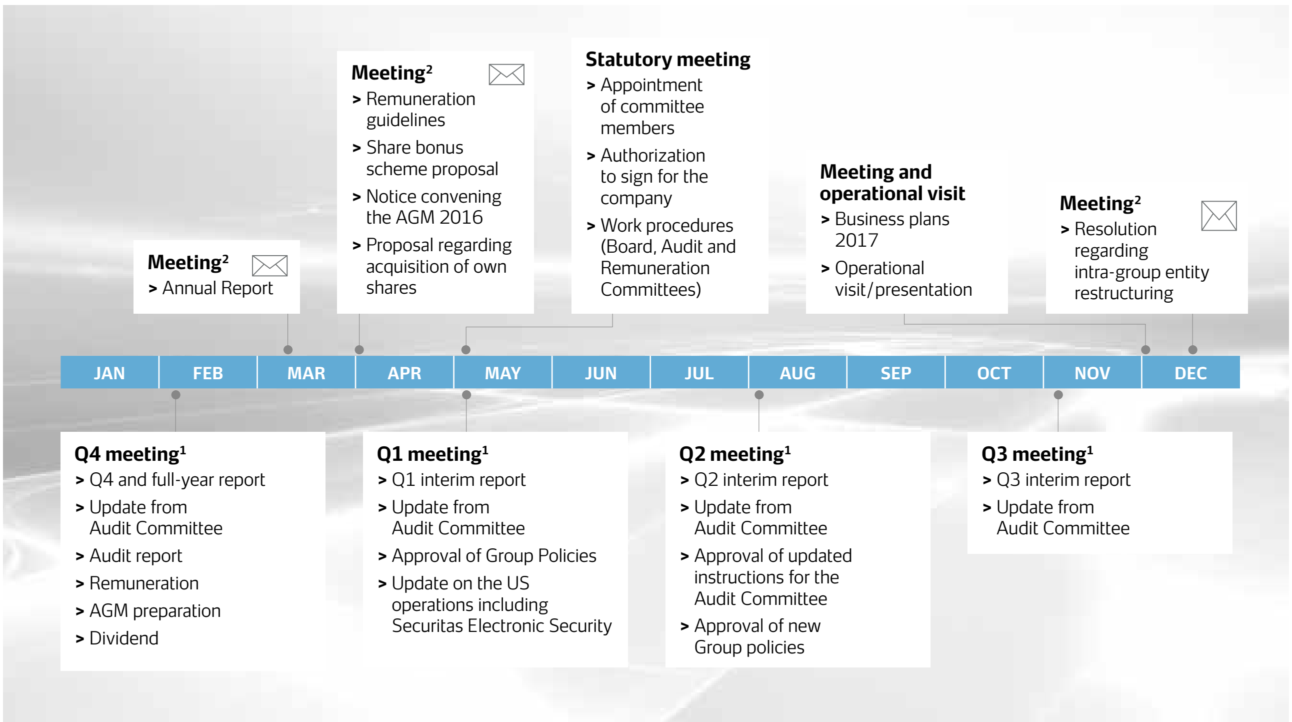
Elected members,[1] Nomination Committee



- Carl Douglas, major shareholder, 29.58%[2]
- Mikael Ekdahl, Melker Schörling AB, major shareholder, 11.60%[2]
- Jan Andersson, Swedbank Robur Funds, 2.16%[2]
- Johan Sidenmark, AMF, 2.20%[2]
- Johan Strandberg, SEB Investment Management, 1.89%[2]
- Share of votes not represented in the Nomination Committee, 52.57%[2]

1 At the Annual General Meeting held on May 4, 2016.
2 Share of votes as of May 4, 2016.

The work of the Board of Directors



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

E Audit Committee

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

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

The Committee presents its findings and proposals to the Board, prior to the Board's decision. The Committee met four times during 2016. The major topics discussed are listed below.

F Remuneration Committee

The Board has formed a Remuneration Committee to prepare decisions related to salaries, bonuses, share-based incentive schemes and other forms of compensation for Group Management, as well as other management levels if the Board of Directors so decides. The Committee presents its proposals to the Board, for the Board's decision. The Committee held one meeting during 2016.

A share-based incentive scheme was adopted at the Annual General Meeting 2016, enabling the Group to gradually have approximately 2 500 of Securitas' top managers as shareholders, thereby strengthening employee commitment to Securitas' future success and development for the benefit of all shareholders. In principal, the adopted incentive scheme entails that one-third of any annual bonus, earned under the performance-based cash bonus schemes, is converted into a right to receive shares, with delayed allotment and subject to continued employment. The scope and content of the incentive scheme is unchanged compared to the share – based incentive scheme that was adopted at the Annual General Meetings in 2010 and forward. For more information on the actual outcome of the share-based incentive scheme in 2016, see note 12 on page 92.

The guidelines for remuneration to senior management that were adopted at the Annual General Meeting 2016 primarily entailed that remuneration to senior management and their terms of employment should be competitive and comply with market conditions, to ensure that Securitas is able to attract and keep competent senior management employees. The total remuneration to Group Management should consist of a fixed basic salary, variable remuneration, pensions and other benefits.

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

The variable remuneration should amount to a maximum of 60 percent of the fixed annual salary for the President and CEO, and a maximum of 42 to 200 percent of the fixed annual salary for other members of Group Management. The cost of the company for 2016 in terms of its obligations to pay variable remuneration to the Group Management is established to not exceed a total of MSEK 79 at maximum outcome. The complete guidelines for remuneration can be found on www.securitas.com.

The work of the Audit Committee

JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC

Q4 meeting
- Q4 interim report and full-year report
- Updates[1]
- Corporate governance report
- Yearly summary of employee benefits (pensions)
- External auditor report
- Internal (MA) Q4 2015 audit activities

Q1 meeting
- Q1 interim report
- Updates[1]
- External auditor audit plan
- Internal (MA) Q1 2016 audit activities
- Internal (MA) audit plan 2016

Q2 meeting
- Q2 interim report
- Updates[1]
- External auditor half-year report
- Internal (MA) Q2 2016 audit activities
- Updated Pre Approval Policy

Q3 meeting
- Q3 interim report
- Updates[1]
- Impairment test
- Corporate governance report
- Internal audit function assessment
- External auditor early warning and internal control report
- Internal (MA) Q3 2016 audit activities

(MA) Management Assurance

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

Additional information on remuneration to the Board of Directors and Group Management, including the outcome, is disclosed in the Notes and comments to the consolidated financial statements 2016. See note 8 on pages 84–87.

G President and CEO and Group Management

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

In 2016, Group Management comprised the President and CEO and 12 executives with representatives from the divisions. For further information on Group Management, see pages 34–35.

H Management Assurance

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

This function prepares an annual plan for its work, which is approved by the Audit Committee. The results of the function's work, which includes the execution and coordination of internal audit-related activities during the year, are presented at the Audit Committee meetings. The Management Assurance Director participated in all Audit Committee meetings during 2016.

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

I Functional committees

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

J Divisional and local management

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

Compliance with the Swedish Corporate Governance Code (the Code)

As a Swedish public company listed on Nasdaq Stockholm, Securitas applies the Swedish Corporate Governance Code (the Code). Securitas complies with the Code principle of "comply or explain" and has two deviations to explain for 2016.

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

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

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

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

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

Board of Directors

1 Marie Ehrling

Chairman, b. 1955
Director of Securitas AB since 2006 and Chairman since 2016
Chairman of Telia Company AB, Vice Chairman of Nordea Bank AB, Vice Chairman of Axel Johnson AB
Previously: President of Telia Sonera Sverige, Deputy CEO of SAS AB, responsible for SAS Airlines and other executive positions at SAS
Shares in Securitas: 4 000 Series B shares

2 Carl Douglas

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

3 Alf Göransson

Member, b. 1957
President and CEO of Securitas AB since 2007
Chairman of Ligue Internationale de Societés de Surveillance and Loomis AB, Director of Hexpol AB and Axel Johnson Inc., US
Previously: President and CEO of NCC AB 2001–2007, CEO of Svedala Industri AB 2000–2001, Business Area Manager at Cardo Rail 1998–2000 and President of Swedish Rail Systems AB in the Scancem Group 1993–1998
Shares in Securitas: 80 201 Series B shares

4 Anders Böös

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

5 Fredrik Cappelen

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

6 Sofia Schörling Högberg

Member, b. 1978
Director of Securitas AB since 2005
Director of Melker Schörling AB
Shares in Securitas: 4 500 000 Series A shares and 15 237 000 Series B shares[2]

Employee representatives[7]

7 Susanne Bergman Israelsson

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

8 Åse Hjelm

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

9 Jan Prang

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

Board member	Position			Attendance			Total fee[9], SEK	Independent to company (5)	Independent to share-holders (3)
		Audit Committee	Remuneration Committee	Board meetings (9)	Audit Committee meetings (4)	Remuneration Committee meetings (2)[8]			
Marie Ehrling[3]	Chairman	–	Chairman	9	2	1	1 400 000	Yes	Yes
Carl Douglas	Vice Chairman	–	Member	8	–	1	825 000	Yes	No
Alf Göransson (President and CEO)	Member	–	–	9	–	–	0	No	Yes
Anders Böös[4]	Member	Member	–	5	2	–	640 000	Yes	No
Fredrik Cappelen[5]	Member	Chairman	–	9	4	–	765 000	Yes	Yes
Sofia Schörling Högberg[6]	Member	Member	–	9	2	–	640 000	Yes	No
Susanne Bergman Israelsson[7]	Member	–	–	8	–	–	0	–	–
Åse Hjelm[7]	Member	–	–	7	–	–	0	–	–
Jan Prang[7]	Member	–	–	9	–	–	0	–	–

1 Private holdings and through Investment AB Latour Group.
2 Private holdings and through Melker Schörling AB. In addition, related parties hold 4 800 B shares.
3 Appointed Chairman of the Board of Directors at the Annual General Meeting, May 4, 2016, and appointed chairman of the Remuneration Committee at the Statutory meeting, May 4, 2016. Previous Member of the Board of Directors and Chairman of the Audit Committee.
4 Appointed member of Board of Directors at the Annual General Meeting, May 4, 2016, and also appointed member of Audit Committee at the Statutory Meeting of the Board of Directors on May 4, 2016.
5 Appointed Chairman of the Audit Committee at the Statutory Meeting of the Board of Directors at May 4,2016.
6 Appointed member of Audit Committee at the Statutory Meeting of the Board of Directors on May 4, 2016.
7 Employee representatives, appointed members of the Board of Directors at the Annual General Meeting. Deputy employee representatives are Thomas Fanberg and Thomas Kristo. Thomas Fanberg (b. 1961) has been Deputy Director of Securitas AB since 2008. Employee Representative, Chairman of Salaried Employees' Union local branch, Securitas Norrland. Thomas Kristo (b. 1960) has been Deputy Director of Securitas AB since 2016. Employee representative, Swedish Transport Workers' Union.
8 The first of the two meetings of the year was attended by members no longer members of the Board.
9 Total fee includes fees for committee work. In total, SEK 650 000 was paid out for committee work, of which SEK 150 000 for Remuneration Committee work and SEK 500 000 for Audit Committee work. For more details, refer to the minutes of the Annual General Meeting 2016 on Securitas' website: www.securitas.com.

All figures refer to holdings on December 31, 2016.

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


1
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Group Management

1 Alf Göransson
President and CEO of Securitas AB
Born: 1957
Employed: 2007
Shares in Securitas: 80 201 Series B shares[1]

2 Bart Adam
Chief Financial Officer
Born: 1965
Employed: 1999
Shares in Securitas: 26 023 Series B shares[1]

3 Magnus Ahlqvist
Divisional President,
Security Services Europe
Born: 1974
Employed: 2015
Shares in Securitas: 100 000 Series B shares[1], 100 000 share options[3]

4 Martin Althén
Chief Information Officer
Born: 1968
Employed: 2016
Shares in Securitas: 0[1]

5 William Barthelemy
Chief Operating Officer,
Security Services North America
Born: 1954
Employed: 1999
Shares in Securitas: 42 367 Series B shares[1]

6 Santiago Galaz
Divisional President,
Security Services North America
Born: 1959
Employed: 1995
Shares in Securitas: 167 493 Series B shares[1]

7 Gisela Lindstrand
Senior Vice President, Corporate Communications and Public Affairs
Born: 1962
Employed: 2007
Shares in Securitas: 3 091 Series B shares[1]

8 Jan Lindström
Senior Vice President, Finance
Born: 1966
Employed: 1999
Shares in Securitas: 7 679 Series B shares[1]

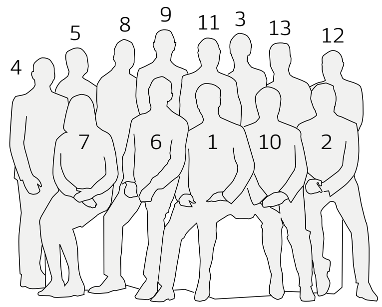
9 Aimé Lyagre
Chief Operating Officer and
Chief Technology Officer,
Security Services Europe
Born: 1959
Employed: 2004
Shares in Securitas: 18 101 Series B shares[1]

10 Marc Pissens
President Aviation and Divisional President Africa, Middle East and Asia[2]
Born: 1950
Employed: 1999
Shares in Securitas: 35 399 Series B shares[1]

11 Luis Posadas
Divisional President,
Security Services Ibero-America
Born: 1958
Employed: 1995
Shares in Securitas: 24 877 Series B shares[1]

12 Antonio Villaseca Lòpez
Senior Vice President, Technical Solutions
Born: 1954
Employed: 1995 and 2011
Shares in Securitas: 0[1]

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



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

1 The actual allocation of shares to Group Management under the Securitas share-based incentive scheme 2015 can be found on page 87, and the total potential allocation of shares to Group Management under the Securitas share-based incentive scheme 2016 can be found on page 85.
2 Andreas Lindback appointed Divisional President Africa, Middle East and Asia as of January 1, 2017.
3 Share options regarding acquisition of Securitas Series B shares, issued by Melker Schörling AB and Investment AB Latour.

Proactive Risk Management
and Internal Control

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

Internal control over financial reporting is included as a part of the overall internal control of Securitas and constitutes a central part of the Group's corporate governance. The description below covers a broader perspective on how Securitas' internal control is organized, using a structure based on the COSO model (2013, Framework), but also makes specific reference to items pertaining directly to internal control over financial reporting. On pages 39–43 we describe the company's enterprise risk management process, which sets the overall process for Securitas' proactive and continuous work with risk management and internal control. Securitas' insurance and claims strategy is to "act as if uninsured". Refer to page 44 for more information about insurance as a risk management tool.

Control environment

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

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

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

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

Risk assessment

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

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

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

1 Described in further detail below.

Group-wide control activities

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

1 ERM self-assessment

Every major country throughout the Group performs an annual self-assessment, which is a part of the process to manage enterprise-wide risks. It covers key risks, including financial reporting risks, measures taken and compliance with Securitas Group Policies and Securitas Reporting Manual. An example of an operational risk included in the self-assessment package is assignment execution risk. An example of a financial reporting risk is management estimates. For further information, refer to www.securitas.com.

The self-assessments promote control awareness and accountability and are signed off by each country president. The external auditor and/or another internal or external resource validates the answers to questions in the questionnaire deemed to be risk areas for the selected reporting countries. The answers are compiled at the divisional and Group levels to support benchmarking within and between divisions. Each reporting country is responsible for acting on any deviations.

2 Basic controls

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

Key areas covered:

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

3 Audit, risk and control diagnostics

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

4 Financial control

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

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

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

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

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

5 Letter of representation

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

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

Information and communication

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

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

Monitoring

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

Four-step process for managing enterprise risk

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

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

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

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

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

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

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

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

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

To illustrate how the process works, we have selected one of our key risks: The following examples pertain to the management of customer contract risk, which encompasses the risks associated with entering into a customer contract.

If managed incorrectly, there is a risk that unreasonable obligations and risks could be undertaken in the contract, entailing unbalanced terms with respect to the type of assignment in question, such as unreasonable liability, unrealistic service levels or unfavorable pricing mechanisms. These factors could impact margins and profitability.

1

Input and risk identification

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

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

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

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

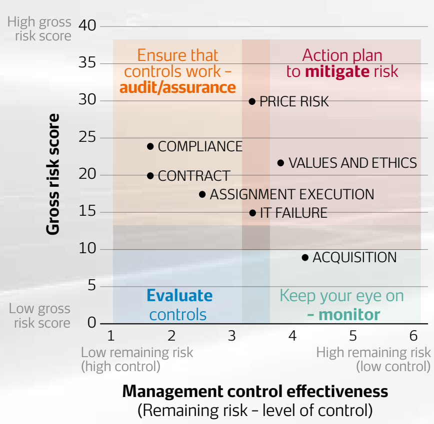
Six key risks 2016

- Customer contract risk
- Assignment execution risk
- Compliance (regulatory and other) risk
- IT failure risk
- Price risk
- Securitas' Values and Ethics compliance risk

Example – Input and risk identification: Customer contract risk

The top six key Group risks and a minimum of two country / division-specific risks are assessed in the ERM business plan risk assessment tool. Contract risk is one of the mandatory risks that all countries are required to plot out using a risk map. First, each risk is assessed on a gross basis (impact and likelihood), which results in a gross risk score. The next step is to evaluate each risk on a net basis (gross risk score and management control effectiveness). This means that the control activities also have to be documented. Actions are then formulated based on where the "net" risk ends up in the heat map. The point is to further mitigate risks with the highest remaining exposure. For risks with a high gross risk score and a high level of control, we need to have assurance that the controls work.

Part of the risk assessment tool – Net risk: Example country X



Policy development

2

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

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

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

- **Contract policy** sets out the process and main principles for managing customer contract risk, based on standard terms, a full customer and contract risk evaluation, as well as a framework of key policies for contracting guarding services and electronic security solutions. The objective is to manage the risks arising from customer contracts, and to ensure that all customer contracts have a fair and reasonable allocation of responsibility and risk between the customer and Securitas and that the price reflects the risk taken on by Securitas. Read more about our work with the customer contract policy below.
- **Securitas' Values and Ethics Code** ensures that the company upholds and promotes the highest ethical business standards. Securitas' basic requirement is to act within the framework of laws and international conventions, such as the United Nations Universal Declaration of Human Rights. This means that Securitas respects and complies with competition rules, labor market regulations, agreements and safety requirements, environmental legislation and any other provisions that set the parameters of our operations. For further information, refer to pages 18–25.
- **Communication policy** in accordance with the stock market's requirements for information with the aim of ensuring that the company fulfills these requirements.
- **Competition law compliance policy** to ensure that Securitas and its subsidiaries or affiliates are committed to full compliance with all competition laws and regulations.
- **Insider policy** as a complement to the insider legislation in force in Sweden.

Example – Policy development: Customer contract risk

Policies are updated based on conclusions and other feedback from audits and reviews, including regulatory changes that impact the contract management process.

As we move toward a higher degree of electronic security solutions, we must ensure that our customer contract policy and related guidelines support this change as well as any external changes that impact our standard terms and conditions, such as the Economic and Trade Sanctions Policy. As a result of this policy, a new Group template has been developed with standard terms and conditions for electronic security solutions and a clause concerning sanctions screening has been added to all standard terms and conditions.

3

Risk management activities

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

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

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

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

RISK RESPONSIBILITIES

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

Example – Risk management activities: Customer contract risk

The Group has formal policies in place that define the approval process and authorization levels for new contracts as well as how to manage existing contracts. All relevant employees receive training in these policies. In addition, operations are protected by a customized Securitas insurance program, should unforeseen events occur.

In order to manage contract risks in a structured way in the operations, we also use a business risk evaluation model known as "The Scale," which is part of Securitas' management model, commonly referred to as "The Toolbox." The model evaluates the assignment, risk, contract terms and various financial aspects. All employees involved in the contract management process receive training in the model.

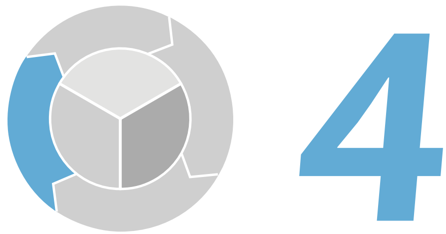
Assignment
- Customer
- Job to be done
- New or existing service
- Requirements

Risk
- Customer risk category
- Customer financial status
- Insurance cover
- Regulations

Profitability
- Profitability
- Investments
- Payment terms
- Off-balance sheet exposures

Contract
- Standard or non-standard contract
- Liability cap
- Consequential losses
- Customer indemnification for third-party claims

Risk-based monitoring



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

Monitoring is performed at several different levels by key functions within the organization and different activities are continuously undertaken to monitor, follow up and mitigate risks.

- **The Board of Directors** plays an important role in the ongoing process of identifying and evaluating significant risks faced by the Group and the effectiveness of related controls.
- **The Audit Committee** monitors the effectiveness of the Group's ERM and internal control systems. In addition, the Committee also supports the Board with the task of ensuring internal control over financial reporting. This is accomplished through several activities such as the review of basic controls. The Committee also reviews all quarterly and annual financial reports before publication.
- **The President and CEO and Group Management** review performance through a comprehensive reporting system based on regular business reviews of actual results, analyses of variances, key performance indicators (Securitas' model for financial control, refer to pages 46–47) and regular forecasting.
- **The functional committees** determine and communicate appropriate policies and monitor the key issues within each area of responsibility, refer to page 31.
- **The ERM Committee** owns and manages the process which provides tools and helps management identify and manage the risks inherent in Securitas' line of business.
- **The Group Management Assurance function** has a coordinating and monitoring role in relation to certain internal control activities at Group level. Risk assessments together with analysis of ERM self-assessment results are used as the basis for determining which activities are to be carried out in relation to monitoring from an audit perspective.
- **Local management** is primarily responsible for monitoring and ensuring compliance by local units with Securitas Group Policies including any division-specific policies and guidelines.

Example – Risk-based monitoring: Customer contract risk

Since contract risk is considered a key risk, Securitas monitors this type of risk through the various Group activities listed below, in addition to local monitoring activities.

> *Contract risk is included in the yearly ERM self-assessment process, during which countries evaluate themselves in relation to certain areas included in the graph to the right.*

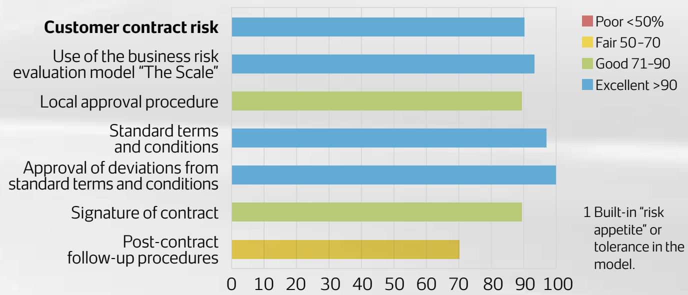
> *Diagnostics are performed to test the effectiveness of controls in the contract management process, covering the same areas as above.*

> *The contract management process is one of several areas addressed during legal reviews.*

> *Contract risk is also included in basic control audits. Refer to page 37 for more information.*

ERM Scoring Model: Example Country Y – contract risk

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



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

Insurance as a risk management tool

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

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

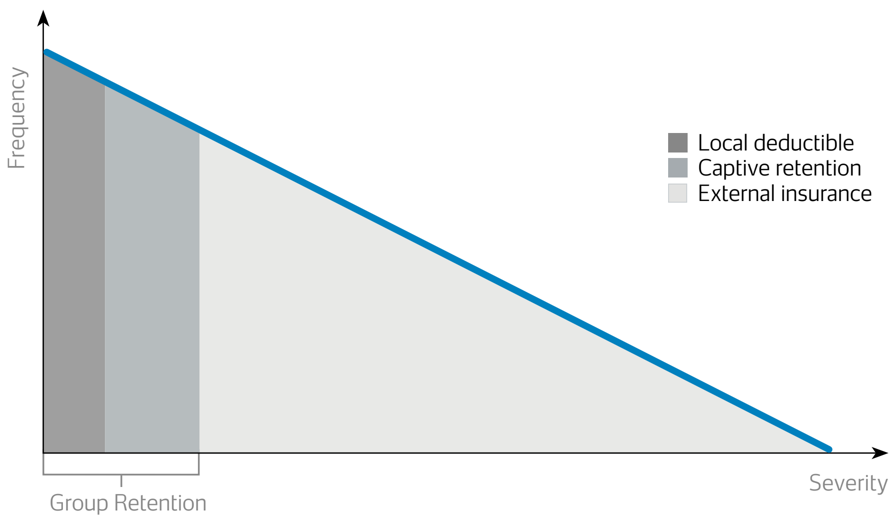
Another significant part of Securitas' risk management work involves active claims management, as well as ongoing claims analysis of frequent and large losses with the aim of identifying the underlying driving forces. The claims are analyzed to find out if there are certain types of services, contracts,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

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

The design and purchase of all insurance programs is based on the risk exposure identified using the business risk evaluation model. The following types of insurance are strategically important to the Group and are the subject of central purchasing: liability insurance, including aviation liability and aviation war liability, crime insurance, directors' and officers' liability insurance, fiduciary liability insurance and employment practice liability insurance. Catastrophe exposure is protected by insurance companies with a minimum rating of A (Standard & Poor's).

Distribution of risk with respect to claims

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



Auditors

The Annual General Meeting 2016 elected PricewaterhouseCoopers AB (PwC) as the Group's audit firm, with authorized public accountant Patrik Adolfson as auditor in charge, for a period of one year.

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

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

Auditor in charge

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

Auditor Patrik Adolfson

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

	Group		Parent Company	
MSEK	2016	2015	2016	2015
Audit assignments	37.9	32.4	5.7	6.6
Additional audit assignments	3.5	3.0	1.7	1.9
Tax assignments	13.3	14.0	1.9	2.7
Other assignments[1]	29.0	5.3	1.6	1.4
Total PwC	**83.7**	**54.7**	**10.9**	**12.6**

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

Stockholm, March 14, 2017

The Board of Directors of Securitas AB

Auditor's report on the Corporate Governance Statement (translation of the Swedish original)

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

Engagement and responsibility
It is the Board of Directors who is responsible for the corporate governance statement for the year 2016 (on pages 26–45) and that it has been prepared in accordance with the Annual Accounts Act.

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

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

Stockholm, March 14, 2017
PricewaterhouseCoopers AB

Patrik Adolfson
Authorized Public Accountant
Auditor in charge

Madeleine Endre
Authorized Public Accountant

Securitas' financial model – six fingers

How to Read and Understand our Finances

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

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

SECURITAS' MODEL FOR FINANCIAL KEY FIGURES

Volume-related factors

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

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

Efficiency-related factors

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

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

Capital-usage-related factors

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

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

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

RELATIONSHIP BETWEEN INCOME, CASH FLOW AND BALANCE SHEET

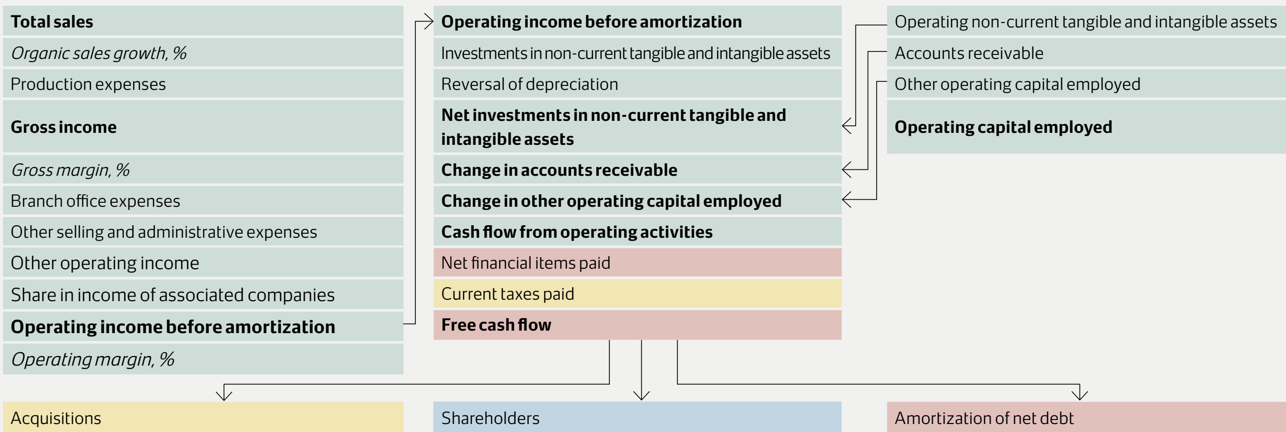
Statement of income
The statement of income is broken down according to function, making responsibility for each profit level clear. Managers with operational responsibility can easily see what is expected of them and concentrate on the factors they can affect. Gross margin and operating margin are key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

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

Free cash flow is cash flow from operating activities less net financial items paid and current taxes paid. Cash flow for the year is arrived at when cash flow relating to acquisitions and shareholders' equity is deducted from free cash flow. The consolidation of net debt in foreign currencies usually generates a translation difference that is reported separately. In addition, accounting standards require that certain elements of the net debt are revalued to market value after the initial recognition and this revaluation is also reported separately. The change in net debt corresponds to cash flow for the year plus the change in loans, translation differences and also the revaluation of financial instruments.

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

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



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

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

Annual Report

Report of the Board of Directors

The Board of Directors and the President of Securitas AB (publ.), corporate registration number 556302-7241, with its registered office in Stockholm, hereby submit the Annual Report and consolidated financial statements for the 2016 financial year.

Securitas offers protective services based on customer-specific needs through different combinations of on-site, mobile and remote guarding, electronic security, fire and safety and corporate risk management. Securitas operates in 53 countries in North America, Europe, Latin America, Africa, the Middle East and Asia, with more than 335 000 employees.

In 2016 the Securitas Group consisted of the business segments Security Services North America, Security Services Europe and Security Services Ibero-America. In addition to these business segments, the Group conducts operations in Africa, the Middle East and Asia, which are included under the heading Other in the segment report in note 9. Comparatives have been restated to reflect that operations have been moved from the segment Other to the segment Security Services North America as of September 1, 2016. This change has had no effect on the total Group level.

With organic sales growth of 7 percent (5) in 2016, we grew faster than the security market, we improved the operating margin and earnings per share grew 9 percent adjusted for changes in exchanges rates. We are also delivering on our strategy. Security solutions and electronic security grew 56 percent (38) including acquisitions and 22 percent (35) organically, representing BSEK 14.1 (9.3) or 16.0 percent (11.5) of total sales in 2016. We believe that we can continue to increase our sales of security solutions and electronic security at a high pace also in the coming years and make this a substantial part of the Group's total sales.

The net debt to EBITDA ratio increased to 2.4 (1.9) in 2016 mainly as a result of the acquisitions in electronic security. Free cash flow to net debt was 0.13 (0.22). Cash flow was weaker than expected for which we have taken measures to restore in 2017.

Sales

Sales amounted to MSEK 88 162 (80 860) and organic sales growth was 7 percent (5). Organic sales growth improved in all business segments due to a combination of favorable portfolio growth and higher extra sales. The increase in extra sales was largely driven by Security Services Europe, which experienced a higher level of security needs in a number of countries during the year especially in the first half of 2016. Organic sales growth in Security Services North America was driven by favorable portfolio development based on strong new sales and low terminations. Real sales growth was positively impacted by the inclusion of the acquired commercial contracts and operational assets of Diebold Incorporated's Electronic Security business in North America (Securitas Electronic Security) as of February 1, 2016. Organic sales growth in Security Services Ibero-America was strong and improved mainly due to Spain and Portugal. The total sales volume in Swedish kronor in Security Services Ibero-America was negatively impacted by the substantial devaluation of the Argentinian peso.

Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 11 percent (6).

Security solutions and electronic security grew 56 percent (38) including acquisitions and 22 percent (35) organically, representing BSEK 14.1 (9.3) or 16.0 percent (11.5) of total sales in 2016.

SALES JANUARY–DECEMBER

MSEK	2016	2015	%
Total sales	**88 162**	**80 860**	***9***
Currency change from 2015	1 424	–	
Currency adjusted sales	**89 586**	**80 860**	***11***
Acquisitions/divestitures	-3 136	-82	
Organic sales	**86 450**	**80 778**	***7***

Operating income before amortization

Operating income before amortization was MSEK 4 554 (4 089) which, adjusted for changes in exchange rates, represented a real change of 13 percent (7).

The Group's operating margin was 5.2 percent (5.1). The operating margin improved in Security Services North America and Security Services Europe and declined slightly in Security Services Ibero-America. The improvement was related to the inclusion of Securitas Electronic Security in Security Services North America, high margin extra sales mainly in Security Services Europe and the overall strong organic sales growth in the Group. The total price adjustments in the Group were on par with the wage cost increases, with the exception of the wage increase in Spain effective from July 2016, which was only partially recovered through price increases.

OPERATING INCOME JANUARY–DECEMBER

MSEK	2016	2015	%
Operating income before amortization	**4 554**	**4 089**	***11***
Currency change from 2015	70	–	
Currency adjusted operating income before amortization	**4 624**	**4 089**	***13***

Operating income after amortization

Amortization of acquisition related intangible assets amounted to MSEK -288 (-275).

Acquisition related costs were MSEK -113 (-29), of which MSEK -69 pertained to the acquisition of Diebold Electronic Security in North America. The remainder pertained primarily to the acquisitions of Draht+Schutz in Germany and Infratek Security Solutions in Norway. For further information, refer to note 11.

Financial income and expenses

Financial income and expenses amounted to MSEK -389 (-309). The main reason for the increase compared with the preceding year was that the majority of the MEUR 350 bond issued at a coupon of 1.25 percent in March 2016 was swapped into fixed USD at 3.35 percent in order to finance the Diebold Electronic Security acquisition.

Income before taxes

Income before taxes was MSEK 3 764 (3 476) which, adjusted for changes in exchange rates, represented a real change of 9 percent.

Taxes, net income and earnings per share

The Group's tax rate was 29.7 percent (29.7).

Net income was MSEK 2 646 (2 444). Earnings per share amounted to SEK 7.24 (6.67), a total change of 9 percent compared with last year. Real change of earnings per share was 9 percent in 2016.

CONDENSED STATEMENT OF INCOME
ACCORDING TO SECURITAS' FINANCIAL MODEL

MSEK	2016	2015
Total sales	**88 162.4**	**80 860.1**
Organic sales growth, %	*7*	*5*
Production expenses	-72 686.8	-66 743.2
Gross income	**15 475.6**	**14 116.9**
Selling and administrative expenses	-10 970.8	-10 063.2
Other operating income	20.5	17.7
Share in income of associated companies	28.2	17.3
Operating income before amortization	**4 553.5**	**4 088.7**
Operating margin, %	*5.2*	*5.1*
Amortization of acquisition related intangible assets	-287.7	-274.5
Acquisition related costs	-112.6	-29.5
Operating income after amortization	**4 153.2**	**3 784.7**
Financial income and expenses	-389.6	-308.3
Income before taxes	**3 763.6**	**3 476.4**
Taxes	-1 117.7	-1 032.5
Net income for the year	**2 645.9**	**2 443.9**

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

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

Development in the Group's business segments

Security Services North America

SALES AND INCOME

			Change, %	
MSEK	2016	2015	*Total*	*Real*
Total sales	**36 354**	**31 145**	***17***	***15***
Organic sales growth, %	*6*	*4*		
Share of Group sales, %	*41*	*39*		
Operating income before amortization	**2 129**	**1 745**	***22***	***20***
Operating margin, %	*5.9*	*5.6*		
Share of Group operating income, %	*47*	*43*		

Comparatives have been restated to reflect that operations have been moved from the segment Other to the segment Security Services North America as of September 1, 2016.
Further information regarding the statement of income, cash flow and capital employed is provided in note 9.

Organic sales growth was 6 percent (4), with a main contribution from the five geographical regions and the critical infrastructure services business unit. The favorable portfolio development, which reflected its strong client retention and high new sales, resulted in higher organic sales growth than in the US security market. Sales within security solutions and electronic security increased and supported the business segment's organic sales growth. The consolidation of the acquired commercial contracts and operational assets of Diebold Incorporated's Electronic Security business in North America (Securitas Electronic Security) on February 1, 2016, had a positive impact on total sales growth.

The operating margin was 5.9 percent (5.6). The inclusion of Securitas Electronic Security had a positive impact on the operating margin, as did the overall strong top line growth, which gave leverage to the cost base.

The Swedish krona exchange rate weakened against the US dollar which had a positive effect on the operating income in Swedish kronor. The real change was 20 percent during the year.

The client retention rate was 94 percent (91). The employee turnover rate in the business segment was 71 percent (67).

Security Services Europe

SALES AND INCOME

			Change, %	
MSEK	2016	2015	*Total*	*Real*
Total sales	**39 694**	**37 573**	***6***	***6***
Organic sales growth, %	*6*	*4*		
Share of Group sales, %	*45*	*47*		
Operating income before amortization	**2 283**	**2 143**	***7***	***6***
Operating margin, %	*5.8*	*5.7*		
Share of Group operating income, %	*50*	*52*		

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

Organic sales growth was 6 percent (4), an improvement driven by higher extra sales relating to the refugee and terror situation. The main contribution to organic sales growth came from Belgium, France, Germany, Sweden and Turkey. Sales related to the refugee and terror situation declined during the second half of the year, while sales within security solutions and electronic security continued to grow at a favorable pace.

The operating margin was 5.8 percent (5.7), supported by high-margin extra sales and increasing volumes of security solutions and electronic security, but hampered by the weaker performance in the Turkish project-related business as well as one-off costs relating to minor restructuring measures implemented in the fourth quarter.

Compared with 2015 the negative impact on operating result for 2016 due to increased social costs in Sweden was MSEK -45.

The Swedish krona exchange rate remained almost unchanged against foreign currencies. The real change was 6 percent during the year.

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

Security Services Ibero-America

SALES AND INCOME

MSEK	2016	2015	Change, % Total	Change, % Real
Total sales	**10 805**	**10 886**	***-1***	***14***
Organic sales growth, %	*14*	*13*		
Share of Group sales, %	*12*	*13*		
Operating income before amortization	**473**	**491**	***-4***	***17***
Operating margin, %	*4.4*	*4.5*		
Share of Group operating income, %	*10*	*12*		

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

Organic sales growth was 14 percent (13), with positive development in Portugal and Spain. Argentina was the main contributor to the business segment's organic sales growth. However, due to the devaluation of the Argentinian peso the sales volume declined when translated to Swedish kronor. Latin America showed organic sales growth of 22 percent (26), reflecting a decline in all countries compared with the preceding year. Sales within security solutions and electronic security increased and supported organic sales growth in the business segment.

The operating margin was 4.4 percent (4.5). The decrease was mainly attributable to the devaluation of the Argentinian peso as Argentina has a higher than average operating margin in the segment and the Argentinian peso declined substantially in value in December 2015. The wage increase in Spain effective from July 2016 also had a negative impact.

The Swedish krona exchange rate weakened slightly against the euro. The devaluation of the Argentinian peso had a significant negative impact of MSEK -98 on the operating income in Swedish kronor. The real change in the segment was 17 percent during the year.

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

Cash flow

Cash flow from operating activities amounted to MSEK 3 039 (3 399), equivalent to 67 percent (83) of operating income before amortization.

Cash flow from operating activities was impacted by net investments in non-current tangible and intangible assets, amounting to MSEK -429 (-256). The net investments include capital expenditures in equipment for solution contracts and for premises in the US related to the move of our main office and the integration of Diebold Incorporated's Electronic Security business.

The impact from changes in accounts receivable was MSEK -1 039 (-707), with a negative impact from an increase in days of sales outstanding (DSO) compared with the preceding year, but also resulting from the strong organic sales growth. Changes in other operating capital employed were MSEK -46 (274), negatively impacted by a one time extra pension payment.

Higher taxes paid, due to higher taxable income compared to last year and previous year adjustments, had a negative impact on free cash flow.

Free cash flow was MSEK 1 721 (2 163), equivalent to 52 percent (78) of adjusted income.

Cash flow from investing activities, acquisitions, was MSEK -3 566 (-147), of which purchase price payments accounted for MSEK -3 395 (-115), assumed net debt for MSEK -101 (2) and acquisition-related costs paid for MSEK -70 (-34). The main part of the cash flow from investing activities relates to the acquisition of the commercial contracts and operational assets of Diebold Incorporated's Electronic Security business in North America.

Cash flow from financing activities was MSEK 2 146 (-3 303) due to a dividend paid of MSEK -1 278 (-1 095) and a net increase in borrowings of MSEK 3 424 (-2 208).

Cash flow for the year was MSEK 284 (-1 314). The closing balance for liquid funds after translation differences of MSEK 60 was MSEK 2 415 (2 071).

CONDENSED STATEMENT OF CASH FLOW ACCORDING TO SECURITAS' FINANCIAL MODEL

MSEK	2016	2015
Operating income before amortization	**4 553.5**	**4 088.7**
Investments in non-current tangible and intangible assets	-1 658.3	-1 328.6
Reversal of depreciation	1 229.0	1 072.3
Net investments in non-current tangible and intangible assets	**-429.3**	**-256.3**
Change in accounts receivable	-1 039.3	-707.0
Change in other operating capital employed	-45.8	273.8
Cash flow from operating activities	**3 039.1**	**3 399.2**
Cash flow from operating activities, %	*67*	*83*
Financial income and expenses paid	-301.4	-322.0
Current taxes paid	-1 016.7	-914.0
Free cash flow	**1 721.0**	**2 163.2**
Free cash flow, %	*52*	*78*
Cash flow from investing activities, acquisitions and divestitures	-3 566.5	-147.4
Cash flow from items affecting comparability	-16.7	-26.9
Cash flow from financing activities	2 145.8	-3 302.5
Cash flow for the year	**283.6**	**-1 313.6**

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

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

Capital employed and financing

Capital employed

The Group's operating capital employed was MSEK 6 784 (4 609), corresponding to 8 percent of sales (6), adjusted for the full-year sales figures of acquired units. The translation of foreign operating capital employed to Swedish kronor increased the Group's operating capital employed by MSEK 58.

The annual impairment test of all cash generating units (CGU), which is required under IFRS, took place during the third quarter of 2016 in conjunction with the business plan process for 2017. None of the CGUs tested for impairment had a carrying amount that exceeded the recoverable amount. Consequently no impairment losses were recognized in 2016. No impairment losses were recognized in 2015 either.

The Group's total capital employed was MSEK 27 939 (22 393). The increase in total capital employed is primarily related to the acquisition of the commercial contracts and operational assets of Diebold Incorporated's Electronic Security business in North America. The translation of foreign capital employed to Swedish kronor increased the Group's capital employed by MSEK 1 071. The return on capital employed was 16 percent (18).

Financing

The Group's net debt amounted to MSEK 13 431 (9 863). The free cash flow of MSEK 1 721 had a positive effect on the net debt during the year while net debt was negatively impacted mainly by cash flow from investing activities of MSEK 3 566 and a dividend of MSEK 1 278, paid to the shareholders in May 2016. The translation of net debt in foreign currency to Swedish kronor had a negative impact of MSEK 451 on net debt.

The free cash flow to net debt ratio amounted to 0.13 (0.22). The interest cover ratio amounted to 11.1 (13.1).

Securitas has a Revolving Credit Facility with its 12 key relationship banks. This credit facility comprises two respective tranches of MUSD 550 and MEUR 440. It was extended in January 2017 and now matures in 2022. The credit facility was undrawn at December 31, 2016. Further information regarding financial instruments and credit facilities is provided in note 6.

Standard and Poor's rating for Securitas is BBB with stable outlook and the Group's liquidity position is deemed to be exceptional.

Shareholders' equity amounted to MSEK 14 508 (12 530). The translation of foreign assets and liabilities into Swedish kronor increased shareholders' equity by MSEK 620. Refer to the consolidated statement of comprehensive income on page 58 for further information.

The total number of outstanding shares amounted to 365 058 897 (365 058 897) as of December 31, 2016.

CONDENSED CAPITAL EMPLOYED AND FINANCING ACCORDING TO SECURITAS' FINANCIAL MODEL

MSEK	2016	2015
Operating capital employed	**6 784.0**	**4 608.4**
Operating capital employed as % of sales	*8*	*6*
Goodwill	19 379.6	16 428.4
Acquisition related intangible assets	1 356.1	987.3
Shares in associated companies	419.5	369.0
Total capital employed	**27 939.2**	**22 393.1**
Return on capital employed, %	*16*	*18*
Net debt	13 431.3	9 862.7
Shareholders' equity	14 507.9	12 530.4
Total financing	**27 939.2**	**22 393.1**

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

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

NET DEBT DEVELOPMENT

MSEK	2016	2015
Opening balance January 1	**-9 862.7**	**-10 421.6**
Cash flow from operating activities	3 039.1	3 399.2
Financial income and expenses paid	-301.4	-322.0
Current taxes paid	-1 016.7	-914.0
Free cash flow	**1 721.0**	**2 163.2**
Cash flow from investing activities, acquisitions and divestitures	-3 566.5	-147.4
Cash flow from items affecting comparability	-16.7	-26.9
Dividend paid	-1 277.7	-1 095.2
Change in net debt before revaluation and translation	**-3 139.9**	**893.7**
Revaluation of financial instruments	22.6	0.9
Translation differences	-451.3	-335.7
Change in net debt	**-3 568.6**	**558.9**
Closing balance December 31	**-13 431.3**	**-9 862.7**

Acquisitions and divestitures

ACQUISITIONS AND DIVESTITURES JANUARY-DECEMBER 2016 (MSEK)

Company	Business segment[1]	Included from	Acquired share[2]	Estimated full year sales[3]	Enterprise value[4]	Goodwill	Acq. related intangible assets
Opening balance						**16 428**	**987**
Diebold's Electronic Security, North America	Security Services North America	Feb 1	–	2 820	3 186	1 900	550
Draht+Schutz, Germany[6]	Security Services Europe	May 2	100	175	114	90	27
Infratek Security Solutions, Norway	Security Services Europe	Aug 24	100	200	32	2	–
JC Ingeniería, Chile[6]	Security Services Ibero-America	Oct 3	100	22	17	22	10
Other acquisitions and divestitures[5,6]		–	–	39	147	8	9
Total acquisitions and divestitures January–December 2016				**3 256**	**3 496**	**2 022**	**596**
Amortization of acquisition related intangible assets						–	-288
Exchange rate differences						930	61
Closing balance						**19 380**	**1 356**

1 Refers to business segment with main responsibility for the acquisition.
2 Refers to voting rights for acquisitions in the form of share purchase agreements. For asset deals no voting rights are stated.
3 Actual full year sales and contribution to total sales can be found in note 16.
4 Purchase price paid plus acquired net debt, but excluding any deferred considerations.
5 Related to other acquisitions and divestitures for the year and updated previous year acquisition calculations for the following entities: Baysecur and BahnBauService, Germany, Sérénitis, France, Waterland Security Services (contract portfolio), LB Security and ESS, the Netherlands, IBBC, Poland, Tehnomobil and Ozon Project, Croatia, Sensormatic, Turkey, Fuego Red, Argentina, Pinglin, China, divestiture of ancillary business, South Africa and SKL, South Korea. Related also to deferred considerations paid in Sweden, Germany, France, the Netherlands, Poland, Croatia, Turkey, Argentina, Uruguay, China and South Africa.
6 Deferred considerations have been recognized mainly based on an assessment of the future profitability development in the acquired entities for an agreed period. The net of new deferred considerations, payments made from previously recognized deferred considerations and revaluation of deferred considerations in the Group was MSEK -83. Total deferred considerations, short-term and long-term, in the Group's balance sheet amount to MSEK 215.

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

For further information regarding acquisitions and divestitures in 2016, refer to note 16.

Other significant events

Authorization to repurchase shares in Securitas AB

In order to be able to contribute to shareholder value, the Board considers it beneficial for the company to be able to adjust the company's capital structure as appropriate at any given point in time. The Board has therefore decided to propose to the Annual General Meeting on May 3, 2017, that the Board be authorized to be able to resolve on the acquisition of the company's shares for a period until the next Annual General Meeting, up to a maximum of ten (10) percent of the issued shares in the company. For this purpose, the Board intends to propose that any shares that have been repurchased as per such an authorization be cancelled.

Spain – tax audit

As described in previous interim and annual reports, the Spanish tax authority has rejected certain deductions. One matter regards a disallowance of interest deductions for the years 2006–2009 where different years are currently tried at different levels of the Spanish court system. The Supreme Court has during the first quarter of 2016 resolved on the same matter regarding year 2005 and Securitas has during the fourth quarter 2016 paid MEUR 4.3 (equivalent to MSEK 41) in tax and interest. Securitas will now have to wait for the competent courts to judge the open years 2006–2009 in order to fully understand the impact of the Supreme Court judgment. If finally upheld by the Spanish courts this can now result in a tax of MEUR 31, equivalent to MSEK 296, including interest up to December 31, 2016 (as of December 31, 2015 this exposure including the now paid tax for year 2005, was estimated to MEUR 38, equivalent to MSEK 349).

Another matter regards a disallowance of an applied tax exemption for a demerger of the Spanish Securitas Systems company in 2006, which Securitas has appealed to Audiencia Nacional court in 2016. If finally upheld by Spanish courts, the resolution would result in a tax of MEUR 20, equivalent to MSEK 191, including interest up to December 31, 2016 (the same exposure MEUR 20 was equivalent to MSEK 183 as per December 31, 2015). Securitas believes it has acted in accordance with applicable law and will defend its position in the courts. However, the tax resolutions cause some uncertainty and it may take several years until all final judgments have been received.

For further information refer to note 37.

Other significant events after the balance sheet date

In January 2017 Securitas extended the maturity of its Revolving Credit Facility to 2022.

On February 13, 2017 Securitas issued a seven year MEUR 350 Eurobond. Settlement date was February 20, 2017.

In order to hedge the share portion of Securitas share-based incentive scheme 2016, the Group entered into a swap agreement with a third party in the beginning of March 2017.

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

Change in Group Management

Martin Althén has been appointed Chief Information Officer at Securitas and member of Securitas Group Management. In this new function, Martin Althén will lead the development of Securitas global digitalization and IS/IT transformation and be responsible for large scale global IT/business projects. Martin Althén took up his position at Securitas on October 1, 2016.

Antonio Villaseca, Senior Vice President Technical Solutions and member of Group Management, has decided to gradually retire as of July 1, 2017, and reduce his working tasks to primarily support the commercial work in Spain in the coming years. Antonio Villaseca will no longer be a member of Group Management as of July 1, 2017.

Risk and uncertainties

Managing risk is necessary for Securitas to be able to fulfill its strategies and achieve its corporate objectives. Securitas' approach to enterprise risk management is described in more detail on pages 36–44.

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

Contract and acquisition risks

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

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

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

The acquisitions made during 2016 are described under the heading Acquisitions and divestitures above and in note 16.

Operational assignment risks

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

Financial risks

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

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

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

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

Personnel

With more than 335 000 employees in 53 countries, Securitas number one responsibility is to be a solid, trustworthy and stable employer to all our employees, striving to offer good working conditions, fair wages and opportunities for personal development. Our basic requirement is to act within the framework of laws and international conventions. This means that we respect and comply with labor market laws, agreements and safety requirements and other provisions that set the parameters for our operations.

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

Taking responsibility as an employer starts with the very basics: Securitas does not employ or accept any form of child labor or forced or bonded labor and we respect the right of all employees to choose whether or not to be represented by a trade union and to form and join trade unions. Securitas is also an equal-opportunity employer and does not tolerate any form of harassment, bullying or abuse. Our employees are our most important resource and we promote relationships based on mutual respect and dignity. Securing the basic rights of the employees is fundamental. Securitas has for a long time been a driving force in raising the standards and level of professionalism in the security industry, improving the status of the security officer profession as well as wage levels. Improved status makes it easier to recruit and retain qualified employees with experience.

There are numerous opportunities for career advancement at Securitas, for example by specializing in a particular discipline. There are several training programs in place. In most countries there are specialized training programs geared towards specific customer segments, such as aviation, retail and gated communities. In all countries where Securitas has operations, we run local training centers. On a senior management level, Securitas has offered a one-year training program for many years. This program has been designed for sharing best practices and refining our operations. In addition to our social responsibility as an employer, we work with social projects where we see a pressing need of strengthening the local community. For further information, see pages 18–25.

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

Research and development
Securitas is a service company and does not carry out any research activities as defined in IAS 38 Intangible assets. The service offering of the Group is continuously being developed, not least as an integrated item when carrying out the service delivery to the customers. Technical solutions are an important part of the security solutions that Securitas offers. In order to support this development a Chief Technology Officer (CTO) position with supporting staff is implemented in all major countries as well as on divisional and Group level.

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

Martin Althén has been appointed Chief Information Officer at Securitas and member of Securitas Group Management. In this new function, Martin Althén will lead the development of Securitas global digitalization and IS/IT transformation and be responsible for large scale global IT/business projects.

As of December 31, 2016 the Group had no capitalized research expenditures.

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

Securitas Group Emissions Policy sets emission limits for new company cars and new minivans, respectively. The limits are reviewed on a yearly basis and from December 1, 2016, the limits are 135 and 175 gram CO_2 per kilometer for new company cars and minivans, respectively. Trucks, buses and specialist vehicles are not defined as company cars or minivans. The environmental target is set to decrease exhaust emissions year by year. On an average, the more than 14 000 company cars and minivans that Securitas owns or leases world-wide, emitted approximately 146 gram CO_2 per kilometer (144) in 2016. For further information see pages 21 and 24.

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

In order to be able to contribute to shareholder value, the Board considers it beneficial for the company to be able to adjust the company's capital structure as appropriate at each point in time. The Board has therefore decided to propose to the Annual General Meeting on May 3, 2017, that the Board be authorized to be able to resolve on the acquisition of the company's shares for a period until the next Annual General Meeting, up to a maximum of ten (10) percent of the issued shares in the company. For this purpose, the Board intends to propose that any shares that have been repurchased as per such an authorization be cancelled. There is currently an authorization by the Annual General Meeting held on May 4, 2016, to the Board of Directors to repurchase Securitas shares with the same terms and limitations as proposed to the Annual General Meeting for 2017. The Board of Directors has as of the date of this Annual Report, not taken any decisions to repurchase shares.

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

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

In our Vision 2020, we are the leading international security company specializing in protective services based on people, technology and knowledge. Securitas will continue to invest and play a leading role in combining guarding services with electronic security, fire and safety and corporate risk management, and actively pursue organic sales growth in security solutions and electronic security. We will also take advantage of acquisition opportunities within electronic security. An important step in this Group strategy was when Securitas in February 2016 finalized to acquire the assets of Diebold Electronic Security in North America, making Securitas unique in the US market by being able to offer complete security solutions to our customers to optimize their security. During 2016 we have successfully integrated the electronic security competence in North America.

With organic sales growth of 7 percent (5) in 2016, we grew faster than the security market. We improved the operating margin and earnings per share grew 9 percent adjusted for changes in exchanges rates. We are also delivering on our strategy. Security solutions and electronic security grew 56 percent (38) including acquisitions and 22 percent (35) organically, representing BSEK 14.1 (9.3) or 16.0 percent (11.5) of total sales in 2016. We believe that we can continue to increase our sales of security solutions and electronic security at a high pace also in the coming years and make this a substantial part of the Group's total sales.

The net debt to EBITDA ratio increased to 2.4 (1.9) in 2016 mainly as a result of the acquisitions in electronic security. Free cash flow to net debt was 0.13 (0.22). Cash flow was weaker than expected for which we have taken measures to restore in 2017.

Parent Company operations

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

The Parent Company's income amounted to MSEK 1 004 (974) and mainly relates to license fees and other income from subsidiaries.

Financial income and expenses amounted to MSEK 2 058 (1 790[1]). Income before taxes amounted to MSEK 2 489 (1 798[1]).

Income before taxes includes dividends from subsidiaries of MSEK 1 874 (1 730), interest income of MSEK 344 (224), interest expense of MSEK -381 (-289) and other financial income and expenses, net, of MSEK 221 (125[1]). Included in other financial income and expenses, net, are impairment losses relating to shares in subsidiaries of MSEK -31 (0) and losses relating to the liquidation of subsidiaries of MSEK 0 (-10).

Net income was MSEK 2 292 (1 779[1]).

Cash flow for the year amounted to MSEK 824 (-1 667).

The Parent Company's non-current assets amounted to MSEK 42 499 (38 504) and mainly comprise shares in subsidiaries of MSEK 40 948 (37 282). Current assets amounted to MSEK 6 770 (5 079) of which liquid funds amounted to MSEK 1 225 (401). The increase in liquid funds is mainly due to the net receipt of dividends and funding.

Shareholders' equity amounted to MSEK 26 698 (25 689). A dividend of MSEK 1 278 (1 095) was paid to the shareholders in May 2016.

The Parent Company's liabilities and untaxed reserves amounted to MSEK 22 571 (17 894) and mainly consist of interest-bearing debt.

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

Proposed guidelines for remuneration to senior management in Securitas for 2017

The Board of Directors of Securitas AB proposes that the Annual General Meeting on May 3, 2017 adopts guidelines for remuneration to senior management in accordance with the following.

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

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

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

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

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

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

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

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

Proposed allocation of earnings

The statements of income and the balance sheets of the Parent Company and the Group are subject to adoption by the Annual General Meeting on May 3, 2017.

Retained earnings in the Parent Company available for distribution:

	SEK
Hedging reserve	17 926 583
Retained earnings	16 640 862 263
Net income for the year[1]	2 292 159 285
Total	**18 950 948 131**

1 Includes Group contributions to subsidiaries of SEK 8 853 000.

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

	SEK
a dividend to the shareholders of SEK 3.75 per share	1 368 970 864
retained earnings to be carried forward	17 581 977 267
Total	**18 950 948 131**

1 Restated since certain exchange rate differences have been accounted for as financial income and expenses due to a change in accounting principle. Refer to note 39 Accounting principles for further information.

Proposal on record date for dividend
As record date for dividend, the Board proposed May 5, 2017. If the Annual General Meeting so resolves, the dividend is expected to be distributed by Euroclear Sweden AB starting May 10, 2017.

Proposed authorization to acquire the Company's own shares
The Board has further proposed that the 2017 Annual General Meeting should authorize the Board to, on one or several occasions during the time up to the Annual General Meeting in 2018, decide on the acquisition of the Company's own shares. The proposal entails that the Board may decide on the acquisition so that the maximum number of shares held by the Company at each point in time does not exceed ten (10) percent of the total number of shares outstanding in the company.

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

The Company's unappropriated earnings as per December 31, 2016 amount to SEK 16 658 788 846. The net income for the year amounts to SEK 2 292 159 285 of which SEK 8 853 000 is related to Group contributions to subsidiaries and SEK 313 741 is the result of financial instruments being valued pursuant to Chapter 4, section 14a of the Swedish Annual Accounts Act.

The Company's equity would have been SEK 12 439 043 lower as per December 31, 2016, if financial instruments, having been valued at fair value pursuant to Chapter 4, section 14a of the Swedish Annual Accounts Act, had instead been valued at the lower of cost or market.

At the disposal of the Annual General Meeting is thereby a total amount of SEK 18 950 948 131 in unappropriated earnings before the decision on dividend for 2016.

Provided that the 2017 Annual General Meeting resolves to allocate the earnings in accordance with the Board's proposal, SEK 17 581 977 267 will be carried forward. After distribution of the proposed dividend and Group contributions, there will be full coverage for the Company's restricted equity.

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

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

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

Consolidated statement of income

MSEK	Note	2016	2015
Sales		85 026.0	80 590.2
Sales, acquired business		3 136.4	269.9
Total sales	9, 10	**88 162.4**	**80 860.1**
Production expenses	11, 12, 13	-72 686.8	-66 743.2
Gross income		**15 475.6**	**14 116.9**
Selling and administrative expenses	11, 12, 13	-10 970.8	-10 063.2
Other operating income	10	20.5	17.7
Share in income of associated companies	21	28.2	17.3
Amortization of acquisition related intangible assets	18	-287.7	-274.5
Acquisition related costs	11	-112.6	-29.5
Operating income		**4 153.2**	**3 784.7**
Financial income	14	42.2	30.4
Financial expenses	14	-431.8	-338.7
Income before taxes		**3 763.6**	**3 476.4**
Taxes	15	-1 117.7	-1 032.5
Net income for the year		**2 645.9**	**2 443.9**
Whereof attributable to:			
Equity holders of the Parent Company		2 642.0	2 436.5
Non-controlling interests		3.9	7.4
Average number of shares before and after dilution		365 058 897	365 058 897
Earnings per share before and after dilution (SEK)	3	7.24	6.67

Consolidated statement of comprehensive income

MSEK	Note	2016	2015
Net income for the year		**2 645.9**	**2 443.9**
Other comprehensive income			
Items that will not be reclassified to the statement of income			
Remeasurements of defined benefit pension plans net of tax	31	-11.8	80.3
Total items that will not be reclassified to the statement of income		**-11.8**	**80.3**
Items that subsequently may be reclassified to the statement of income			
Cash flow hedges net of tax	6	17.6	0.8
Net investment hedges net of tax		-253.4	19.1
Other comprehensive income from associated companies, translation differences		22.1	29.5
Translation differences		850.8	-271.9
Total items that subsequently may be reclassified to the statement of income		**637.1**	**-222.5**
Other comprehensive income	**15**	**625.3**	**-142.2**
Total comprehensive income for the year		**3 271.2**	**2 301.7**
Whereof attributable to:			
Equity holders of the Parent Company		3 264.6	2 296.8
Non-controlling interests		6.6	4.9

Securitas' financial model – consolidated statement of income

Supplementary information

MSEK	2016	2015
Sales	85 026.0	80 590.2
Sales, acquired business	3 136.4	269.9
Total sales	**88 162.4**	**80 860.1**
Organic sales growth, %	*7*	*5*
Production expenses	-72 686.8	-66 743.2
Gross income	**15 475.6**	**14 116.9**
Gross margin, %	*17.6*	*17.5*
Expenses for branch offices	-4 585.9	-4 429.9
Other selling and administrative expenses	-6 384.9	-5 633.3
Total expenses	**-10 970.8**	**-10 063.2**
Other operating income	20.5	17.7
Share in income of associated companies	28.2	17.3
Operating income before amortization	**4 553.5**	**4 088.7**
Operating margin, %	*5.2*	*5.1*
Amortization of acquisition related intangible assets	-287.7	-274.5
Acquisition related costs	-112.6	-29.5
Operating income after amortization	**4 153.2**	**3 784.7**
Financial income and expenses	-389.6	-308.3
Income before taxes	**3 763.6**	**3 476.4**
Net margin, %	*4.3*	*4.3*
Taxes	-1 117.7	-1 032.5
Net income for the year	**2 645.9**	**2 443.9**

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

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

Consolidated statement of cash flow

MSEK	Note	2016	2015
Operations			
Operating income		4 153.2	3 784.7
Adjustment for effect on cash flow from items affecting comparability	11	-16.7	-26.9
Adjustment for effect on cash flow from acquisition related costs	11	42.5	-4.5
Reversal of depreciation	18, 19, 20	1 516.7	1 346.8
Financial items received		42.1	30.3
Financial items paid		-343.5	-352.3
Current taxes paid		-1 016.7	-914.0
Change in accounts receivable		-1 039.3	-707.0
Change in other operating capital employed		-45.8	273.8
Cash flow from operations		**3 292.5**	**3 430.9**
Investing activities			
Investments in non-current tangible and intangible assets		-1 658.3	-1 328.6
Acquisitions and divestitures of subsidiaries	16	-3 496.4	-113.4
Cash flow from investing activities		**-5 154.7**	**-1 442.0**
Financing activities			
Dividend paid to shareholders of the Parent Company		-1 277.7	-1 095.2
Proceeds from bond loans	30, 33	3 261.6	664.9
Redemption of bond loans	30, 33	–	-1 329.7
Proceeds from commercial paper		600.0	4 198.3
Redemption of commercial paper		-850.0	-5 120.0
Change in other interest-bearing net debt excluding liquid funds		411.9	-620.8
Cash flow from financing activities		**2 145.8**	**-3 302.5**
Cash flow for the year		**283.6**	**-1 313.6**
Liquid funds at beginning of year		2 071.2	3 425.1
Translation differences on liquid funds		59.7	-40.3
Liquid funds at year-end	**28**	**2 414.5**	**2 071.2**

Securitas' financial model – consolidated statement of cash flow

Supplementary information

MSEK	2016	2015
Operating income before amortization	**4 553.5**	**4 088.7**
Investments in non-current tangible and intangible assets	-1 658.3	-1 328.6
Reversal of depreciation	1 229.0	1 072.3
Net investments in non-current tangible and intangible assets	**-429.3**	**-256.3**
Change in accounts receivable	-1 039.3	-707.0
Change in other operating capital employed	-45.8	273.8
Cash flow from operating activities	**3 039.1**	**3 399.2**
Cash flow from operating activities as % of operating income before amortization	*67*	*83*
Financial income and expenses paid	-301.4	-322.0
Current taxes paid	-1 016.7	-914.0
Free cash flow	**1 721.0**	**2 163.2**
Free cash flow as % of adjusted income	*52*	*78*
Acquisitions and divestitures of subsidiaries	-3 496.4	-113.4
Acquisition related costs paid	-70.1	-34.0
Cash flow from items affecting comparability	-16.7	-26.9
Cash flow from financing activities	2 145.8	-3 302.5
Cash flow for the year	**283.6**	**-1 313.6**

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

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

Consolidated balance sheet

MSEK	Note	2016	2015
ASSETS			
Non-current assets			
Goodwill	17	19 379.6	16 428.4
Acquisition related intangible assets	18	1 356.1	987.3
Other intangible assets	19	526.9	455.5
Buildings and land	20	283.5	289.5
Machinery and equipment	20	3 054.3	2 431.6
Shares in associated companies	21	419.5	369.0
Deferred tax assets	15	1 347.9	1 377.3
Interest-bearing financial non-current assets	22	411.7	343.8
Other long-term receivables	23	769.1	695.6
Total non-current assets		**27 548.6**	**23 378.0**
Current assets			
Inventories	24	353.1	183.3
Accounts receivable	25	13 352.6	11 353.4
Current tax assets	15	490.4	346.0
Other current receivables	26	4 052.9	3 041.9
Other interest-bearing current assets	27	189.2	287.6
Liquid funds	28	2 414.5	2 071.2
Total current assets		**20 852.7**	**17 283.4**
TOTAL ASSETS		**48 401.3**	**40 661.4**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		365.1	365.1
Other capital contributed		7 362.6	7 362.6
Other reserves		1.9	-632.5
Retained earnings		6 757.6	5 414.9
Shareholders' equity attributable to equity holders of the Parent Company		**14 487.2**	**12 510.1**
Non-controlling interests		**20.7**	**20.3**
Total shareholders' equity	**29**	**14 507.9**	**12 530.4**
Long-term liabilities			
Long-term loan liabilities	30	12 806.9	12 129.0
Other long-term liabilities	30	258.1	311.9
Provisions for pensions and similar commitments	31	1 177.0	1 273.0
Deferred tax liabilities	15	919.2	780.7
Other long-term provisions	32	1 069.8	974.9
Total long-term liabilities		**16 231.0**	**15 469.5**
Current liabilities			
Short-term loan liabilities	33	3 639.8	436.3
Accounts payable		1 332.4	1 100.9
Current tax liabilities	15	401.4	409.9
Other current liabilities	34	10 960.3	9 594.7
Short-term provisions	35	1 328.5	1 119.7
Total current liabilities		**17 662.4**	**12 661.5**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**48 401.3**	**40 661.4**

Securitas' financial model – consolidated capital employed and financing

Supplementary information

MSEK	2016	2015
Operating capital employed		
Other intangible assets	526.9	455.5
Buildings and land	283.5	289.5
Machinery and equipment	3 054.3	2 431.6
Deferred tax assets	1 347.9	1 377.3
Other long-term receivables	769.1	695.6
Inventories	353.1	183.3
Accounts receivable	13 352.6	11 353.4
Current tax assets	490.4	346.0
Other current receivables	4 052.9	3 041.9
Total assets	**24 230.7**	**20 174.1**
Other long-term liabilities	258.1	311.9
Provisions for pensions and similar commitments	1 177.0	1 273.0
Deferred tax liabilities	919.2	780.7
Other long-term provisions	1 069.8	974.9
Accounts payable	1 332.4	1 100.9
Current tax liabilities	401.4	409.9
Other current liabilities	10 960.3	9 594.7
Short-term provisions	1 328.5	1 119.7
Total liabilities	**17 446.7**	**15 565.7**
Total operating capital employed	**6 784.0**	**4 608.4**
Goodwill	19 379.6	16 428.4
Acquisition related intangible assets	1 356.1	987.3
Shares in associated companies	419.5	369.0
Total capital employed	**27 939.2**	**22 393.1**
Operating capital employed as % of sales	*8*	*6*
Return on capital employed, %	*16*	*18*
Net debt		
Interest-bearing financial non-current assets	411.7	343.8
Other interest-bearing current assets	189.2	287.6
Liquid funds	2 414.5	2 071.2
Total interest-bearing assets	**3 015.4**	**2 702.6**
Long-term loan liabilities	12 806.9	12 129.0
Short-term loan liabilities	3 639.8	436.3
Total interest-bearing liabilities	**16 446.7**	**12 565.3**
Total net debt	**13 431.3**	**9 862.7**
Net debt equity ratio, multiple	*0.93*	*0.79*
Shareholders' equity		
Share capital	365.1	365.1
Other capital contributed	7 362.6	7 362.6
Other reserves	1.9	-632.5
Retained earnings	6 757.6	5 414.9
Non-controlling interests	20.7	20.3
Total shareholders' equity	**14 507.9**	**12 530.4**
Total financing	**27 939.2**	**22 393.1**

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

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

Consolidated statement of changes in shareholders' equity

MSEK	Shareholders' equity attributable to equity holders of the Parent Company[1] Share capital	Other capital contributed	Hedging reserve	Translation reserve	Retained earnings	Total	Non-controlling interests[1]	**Total shareholders' equity**
Opening balance 2015	**365.1**	**7 362.6**	**-0.4**	**-412.1**	**3 965.1**	**11 280.3**	**18.9**	**11 299.2**
Net income for the year	**–**	**–**	**–**	**–**	**2 436.5**	**2 436.5**	**7.4**	**2 443.9**
Other comprehensive income								
Items that will not be reclassified to the statement of income								
Remeasurements of defined benefit pension plans net of tax	–	–	–	–	80.3	80.3	–	80.3
Total items that will not be reclassified to the statement of income	**–**	**–**	**–**	**–**	**80.3**	**80.3**	**–**	**80.3**
Items that subsequently may be reclassified to the statement of income								
Cash flow hedges[2]								
Total change of hedging reserve before tax	–	–	1.0	–	–	1.0	–	1.0
Deferred tax on total change of hedging reserve	–	–	-0.2	–	–	-0.2	–	-0.2
Net investment hedges net of tax	–	–	–	19.1	–	19.1	–	19.1
Other comprehensive income from associated companies, translation differences	–	–	–	29.5	–	29.5	-2.5	29.5
Translation differences	–	–	–	-269.4	–	-269.4	–	-271.9
Total items that subsequently may be reclassified to the statement of income	**–**	**–**	**0.8**	**-220.8**	**–**	**-220.0**	**-2.5**	**-222.5**
Other comprehensive income	**–**	**–**	**0.8**	**-220.8**	**80.3**	**-139.7**	**-2.5**	**-142.2**
Total comprehensive income for the year	**–**	**–**	**0.8**	**-220.8**	**2 516.8**	**2 296.8**	**4.9**	**2 301.7**
Transactions with non-controlling interests[1]	–	–	–	–	–	–	-3.5	-3.5
Share-based incentive scheme[1]	–	–	–	–	28.2	28.2	–	28.2
Dividend paid to shareholders of the Parent Company	–	–	–	–	-1 095.2	-1 095.2	–	-1 095.2
Closing balance 2015	**365.1**	**7 362.6**	**0.4**	**-632.9**	**5 414.9**	**12 510.1**	**20.3**	**12 530.4**
Opening balance 2016	**365.1**	**7 362.6**	**0.4**	**-632.9**	**5 414.9**	**12 510.1**	**20.3**	**12 530.4**
Net income for the year	**–**	**–**	**–**	**–**	**2 642.0**	**2 642.0**	**3.9**	**2 645.9**
Other comprehensive income								
Items that will not be reclassified to the statement of income								
Remeasurements of defined benefit pension plans net of tax	–	–	–	–	-11.8	-11.8	–	-11.8
Total items that will not be reclassified to the statement of income	**–**	**–**	**–**	**–**	**-11.8**	**-11.8**	**–**	**-11.8**
Items that subsequently may be reclassified to the statement of income								
Cash flow hedges[2]								
Total change of hedging reserve before tax	–	–	22.5	–	–	22.5	–	22.5
Deferred tax on total change of hedging reserve	–	–	-4.9	–	–	-4.9	–	-4.9
Net investment hedges net of tax	–	–	–	-253.4	–	-253.4	–	-253.4
Other comprehensive income from associated companies, translation differences	–	–	–	22.1	–	22.1	–	22.1
Translation differences	–	–	–	848.1	–	848.1	2.7	850.8
Total items that subsequently may be reclassified to the statement of income	**–**	**–**	**17.6**	**616.8**	**–**	**634.4**	**2.7**	**637.1**
Other comprehensive income	**–**	**–**	**17.6**	**616.8**	**-11.8**	**622.6**	**2.7**	**625.3**
Total comprehensive income for the year	**–**	**–**	**17.6**	**616.8**	**2 630.2**	**3 264.6**	**6.6**	**3 271.2**
Transactions with non-controlling interests[1]	–	–	–	–	-41.0	-41.0	-6.2	-47.2
Share-based incentive scheme[1]	–	–	–	–	31.2	31.2	–	31.2
Dividend paid to shareholders of the Parent Company	–	–	–	–	-1 277.7	-1 277.7	–	-1 277.7
Closing balance 2016	**365.1**	**7 362.6**	**18.0**	**-16.1**	**6 757.6**	**14 487.2**	**20.7**	**14 507.9**

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

Notes

NOTE 1 *General corporate information*

Operations

Securitas serves a wide range of customers of all sizes in a variety of industries and customer segments. Security solutions based on customer-specific needs are built through different combinations of on-site, mobile and remote guarding, electronic security, fire and safety and corporate risk management. Securitas operates in North America, Europe, Latin America, Africa, the Middle East and Asia and employs more than 335 000 employees in 53 countries.

Information regarding Securitas AB

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

Securitas AB
Lindhagensplan 70
SE-102 28 Stockholm

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

Information regarding the Annual Report and the consolidated financial statements

This Annual Report including the consolidated financial statements was signed by the Board of Directors of Securitas AB and also approved for publication on March 14, 2017.

The statements of income and balance sheets for the Parent Company and the consolidated financial statements for the Group included in the Annual Report are subject to adoption by the Annual General Meeting on May 3, 2017.

NOTE 2 *Accounting principles*

Basis of preparation

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

Estimates and judgments

Note 4

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

Adoption and impact of new and revised IFRS for 2016

None of the published standards and interpretations that are mandatory for the Group's financial year 2016 have had any impact on the Group's financial statements.

Introduction and effect of new and revised IFRS that are not yet effective and have not been early adopted by Securitas

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

The future standards that mainly may impact the Group's financial statements for the financial year 2018 or later are IFRS 9 Financial instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases.

IFRS 9 Financial instruments is endorsed by the EU and comes into force on January 1, 2018. The current assessment is that the transition to IFRS 9 will have no material impact on Securitas' financial statements. One effect from the transition to IFRS 9 is that Securitas will apply an expected loss model for impairment testing of financial assets instead of the current incurred loss model. This is however expected to have no material impact on the financial statements.

IFRS 15 Revenue from Contracts with Customers is also endorsed by the EU and comes into force on January 1, 2018. The current assessment is that Securitas' application of IFRS 15 will be based on a full retrospective application, with or without the use of any transitional practical expedients.

Securitas provides services designed to protect people, workplaces and assets. These services constitute one deliverable to our customers in terms of performance obligations. The current analysis of the impact from adopting IFRS 15 does not show that there will be any major adjustments when it comes to identifying performance obligations or to the allocation of the transaction price on performance obligations, nor for the pattern of revenue recognition when performance obligations are satisfied. Thus the revenue recognition under IFRS 15 is not expected to be materially impacted compared to revenue recognition under current standards.

IFRS 16 Leases has not yet been endorsed by the EU. It is expected to come into force on January 1, 2019. One effect that is expected on Securitas from IFRS 16 is that total assets and total liabilities will increase. This is due to the fact that the majority of the Group's leasing agreements (including rental agreements) will be accounted for gross in the balance sheet as non-current assets and interest-bearing liabilities. Further, the Group's operating income is expected to improve while financial expenses are expected to increase. This is due to the fact that costs for operating leases, which currently are in full accounted for in operating income according to IAS 17, will be replaced by leasing expenses that are split on depreciation and financial expenses. Refer to note 11 for further information on the Group´s current leasing agreements.

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

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

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

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

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

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

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

The Group's subsidiary in Argentina has during 2015 and previous years had limited possibilities to settle its liabilities with companies within the Group due to local regulations restricting export of capital from Argentina. Cash and bank and short-term investments in Argentina have thus been excluded from liquid funds in the Group's financial statements and instead included in other interest-bearing current assets. These local regulations are no longer in force. Consequently, as of December 2016, Argentina's cash and bank and short-term investments have been included in liquid funds in the Group's financial statements.

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

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

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

Investments in associates (IAS 28) Note 21 and 50

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

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

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

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

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

Translation of foreign subsidiaries (IAS 21) Note 29

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

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

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

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

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

Transactions, receivables and liabilities in foreign currency (IAS 21)

Note 11 and 14

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

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

Revenue recognition (IAS 11 and IAS 18)

Note 10, 14 and 43

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

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

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

Operating segments (IFRS 8)

Note 9

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

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

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

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

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

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

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

Acquisition related restructuring and integration costs (IAS 37)

Note 11

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

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

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Items affecting comparability — Note 11

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

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

Taxes (IAS 12) — Note 15 and 46

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

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

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

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

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

Impairment (IAS 36) — Note 17

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tangible non-current assets (IAS 16 and IAS 36)

Note 20 and 48

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

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

Leasing contracts (IAS 17)

Note 11 and 20

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

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

Accounts receivable (IAS 39)

Note 25

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

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

Financial instruments (IFRS 7/IFRS 13/IAS 32/IAS 39)

Note 6, 14, 22, 27, 30, 33 and 42

Securitas records financial instruments initially at fair value with the subsequent measurement depending on the designation of the instrument. The designation depends on the purpose for which the financial instrument is acquired. Management determines the designation of financial instruments at initial recognition and re-evaluates this designation at each reporting date. There were no transfers between categories in the years 2016 and 2015.

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

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

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

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

Loans and receivables

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Financial liabilities designated as hedged item in a fair value hedge

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

Other financial liabilities

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

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

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

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

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

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

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

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

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

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

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

Impairment of financial assets
The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. There has been no impairment of financial assets in 2016 or 2015.

Share-based payments (IFRS 2)

Note 8 and 12

Securitas has a share-based incentive scheme where the participants in the scheme receive a bonus of which two thirds are payable in cash in the beginning of the year after the bonus has been accrued. The remaining one third of the bonus is used to acquire shares at market value. These shares are delivered to the participants in the beginning of the year after they have been acquired if the participants still are employed by Securitas. The cost for Securitas, including social security expenses, is accounted for in the statement of income during the vesting period. The share-based portion of the bonus is classified as equity. At the end of the program, a revaluation is made of the original estimates and the final outcome of social security expenses is determined. Any deviation due to the revaluation, for example due to any participant leaving the Group and not receiving allocated shares, is accounted for in the statement of income.

In order to hedge the share portion of Securitas share-based incentive scheme 2015, the Group has entered into a swap agreement with a third party. The swap agreement represents an obligation for the Parent Company to purchase its own shares at a predetermined price. The swap agreement is consequently classified as an equity instrument and accounted for in equity as a reduction of retained earnings. A swap agreement was also entered into to hedge the share portion of Securitas share-based incentive scheme 2014. That swap agreement settled during 2016 in conjunction with the delivery of the shares to the participants upon vesting.

Employee benefits (IAS 19)

Note 23, 31 and 34

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

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

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

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

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

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

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

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

Provisions (IAS 37)

Note 15, 31, 32 and 35

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

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

The Group has more than 335 000 employees and as such from time to time faces labor-related disputes with current or former employees in relation to various matters. Such matters can involve, but are not limited to, the diverse interpretation of labor legislation, individual employee contracts or collective bargaining agreements and can for example relate to working hours, benefits payable, various reimbursements or the termination of employment. The Group follows IAS 37 and IAS 19 in determining when a contingent liability, a provision or a liability should be disclosed and/or recognized for these disputes.

NOTE 3 Definitions, calculation of key ratios and exchange rates

DEFINITIONS

Statement of income according to Securitas' financial model

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

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

Gross margin
Gross income as a percentage of total sales.

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

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

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

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

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

Real change
Change adjusted for changes in exchange rates.

Statement of cash flow according to Securitas' financial model

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

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

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

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

Balance sheet according to Securitas' financial model

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

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

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

CALCULATION OF KEY RATIOS 2016

Usage of key ratios not defined in IFRS

Securitas applies ESMA's (European Securities and Markets Authority) guidelines for Alternative Performance Measures (APM). An APM is a financial measure of historical or future financial performance, financial position or cash flow that has not been defined in IFRS. In order to facilitate the analysis of the Group's development made by Group Management and other interested parties, Securitas accounts for certain APMs. The APMs are additional information and do not replace key ratios according to IFRS. Securitas definitions of APMs may be different from the definitions in other companies. Refer to the Annual Report 2015 for the previous year's calculations.

Acquired sales growth: 4%
This year's sales from acquired business as a percentage of the previous year's total sales.
Calculation: 3 136.4 / 80 860.1 = 4%

Organic sales growth: 7%
Total sales for the year adjusted for acquisitions and changes in exchange rates as a percentage of the previous year's total sales adjusted for divestitures.
Calculation: ((88 162.4-3 136.4 + 1 424.2)/(80 860.1-82.0))-1 = 7%

Real sales growth: 11%
Total sales for the year including acquisitions and adjusted for changes in exchange rates as a percentage of the previous year's total sales.
Calculation: ((88 162.4 + 1 424.2)/ 80 860.1)-1 = 11%

Change of currency adjusted operating income before amortization: 13%
Operating income before amortization adjusted for changes in exchange rates as a percentage of the previous year's operating income before amortization.
Calculation: ((4 553.5 + 69.7) / 4 088.7)-1 = 13%

Operating margin: 5.2%
Operating income before amortization as a percentage of total sales.
Calculation: 4 553.5/88 162.4= 5.2%

Change of currency adjusted operating income after amortization: 11%
Operating income after amortization adjusted for changes in exchange rates as a percentage of the previous year's operating income after amortization.
Calculation: ((4 153.2 + 63.5) / 3 784.7)-1 = 11%

Change of currency adjusted income before taxes: 9%
Income before taxes adjusted for changes in exchange rates as a percentage of the previous year's income before taxes.
Calculation: ((3 763.6 + 35.4) / 3 476.4)-1 = 9%

Change of currency adjusted net income: 9%
Net income adjusted for changes in exchange rates as a percentage of the previous year's net income.
Calculation: ((2 645.9 + 24.8) / 2 443.9)-1 = 9%

Earnings per share before dilution[1,2]: SEK 7.24 (6.67)
Net income for the year attributable to equity holders of the Parent Company in relation to the average number of shares before dilution.
Calculation 2016: ((2 645.9-3.9) / 365 058 897) x 1 000 000 = SEK 7.24
Calculation 2015: ((2 443.9-7.4)/365 058 897) x 1 000 000 = SEK 6.67

Change of currency adjusted earnings per share before dilution[1,2]: 9%
Net income for the year attributable to equity holders of the Parent Company adjusted for changes in exchange rates in relation to the average number of shares before dilution as a percentage of the previous year's earnings per share before dilution.
Calculation: ((((2 645.9-3.9 + 24.8) / 365 058 897) x 1 000 000) / 6.67)-1 = 9%

Cash flow from operating activities as % of operating income before amortization: 67%
Cash flow from operating activities as a percentage of operating income before amortization.
Calculation: 3 039.1/4 553.5 = 67%

Free cash flow as % of adjusted income: 52%
Free cash flow as a percentage of adjusted income.
Calculation: 1 721.0/(4 553.5-389.6-0.1-882.3) = 52%

Free cash flow in relation to net debt: 0.13
Free cash flow in relation to closing balance net debt.
Calculation: 1 721.0/13 431.3 = 0.13

Net debt to EBITDA ratio: 2.4
Net debt in relation to operating income after amortization plus amortization of acquisition related intangible assets and depreciation.
Calculation: 13 431.3 / (4 153.2 + 287.7 + 1 229.0) = 2.4

Operating capital employed as % of total sales: 8%
Operating capital employed as a percentage of total sales adjusted for full year sales of acquired entities.
Calculation: 6 784.0/(88 162.4 + 527.8) = 8%

1 There are no convertible debenture loans. Consequently there is no difference between earnings per share before and after dilution.
2 Number of shares includes shares related to the Group's share-based incentive scheme that have been hedged through a swap agreement.

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Return on operating capital employed: 80%
Operating income before amortization plus items affecting comparability as a percentage of the average balance of operating capital employed.
Calculation: (4 553.5 + 0.0) / ((6 784.0 + 4 608.4) / 2) = 80%

Return on capital employed: 16%
Operating income before amortization plus items affecting comparability as a percentage of the closing balance of capital employed.
Calculation: (4 553.5 + 0.0)/27 939.2 = 16%

Net debt equity ratio: 0.93
Net debt in relation to shareholders' equity.
Calculation: 13 431.3 /14 507.9 = 0.93

Interest coverage ratio: 11.1
Operating income before amortization plus interest income in relation to interest expense.
Calculation: (4 553.5 + 36.8)/412.9 = 11.1

Return on equity: 20%
Net income for the year as a percentage of average shareholders' equity.
Calculation: 2 645.9/((14 507.9 + 12 530.4)/2) = 20%

Equity ratio: 30%
Shareholders' equity as a percentage of total assets.
Calculation: 14 507.9/48 401.3 = 30%

EXCHANGE RATES USED IN THE CONSOLIDATED FINANCIAL STATEMENTS 2016 AND 2015

			2016		2015	
			Weighted average	End-rate December	Weighted average	End-rate December
Argentina	ARS	1	0.58	0.57	0.90	0.65
Bosnia and Herzegovina	BAM	1	4.85	4.89	4.77	4.69
Canada	CAD	1	6.51	6.72	6.54	6.05
Chile	CLP	100	1.28	1.36	1.28	1.18
China	CNY	1	1.29	1.30	1.34	1.29
Colombia	COP	100	0.28	0.30	0.31	0.27
Costa Rica	CRC	100	1.58	1.63	1.59	1.56
Croatia	HRK	1	1.26	1.27	1.22	1.20
Czech Republic	CZK	1	0.35	0.35	0.34	0.34
Denmark	DKK	1	1.27	1.29	1.25	1.23
Egypt	EGP	1	0.90	0.50	1.09	1.07
EMU Countries	EUR	1	9.47	9.56	9.32	9.17
Hong Kong	HKD	1	1.11	1.17	1.09	1.08
Hungary	HUF	100	3.04	3.08	3.01	2.93
India	INR	1	0.13	0.13	0.13	0.13
Indonesia	IDR	100	0.06	0.07	0.06	0.06
Jordan	JOD	1	12.09	12.76	11.92	11.83
Mexico	MXN	1	0.46	0.44	0.53	0.49
Morocco	MAD	1	0.87	0.90	0.86	0.85
Norway	NOK	1	1.02	1.05	1.04	0.96
Peru	PEN	1	2.54	2.69	2.64	2.47
Poland	PLN	1	2.17	2.16	2.23	2.16
Romania	RON	1	2.11	2.11	2.10	2.02
Saudi Arabia	SAR	1	2.29	2.41	2.25	2.24
Serbia	RSD	1	0.08	0.08	0.08	0.08
Singapore	SGD	1	6.22	6.26	6.12	5.94
South Africa	ZAR	1	0.59	0.66	0.66	0.54
South Korea	KRW	100	0.75	0.75	0.74	0.72
Sri Lanka	LKR	100	5.85	6.04	6.19	5.82
Switzerland	CHF	1	8.68	8.89	8.76	8.47
Taiwan	TWD	1	0.27	0.28	0.27	0.26
Thailand	THB	1	0.24	0.25	0.25	0.23
Turkey	TRY	1	2.83	2.57	3.07	2.89
United Arab Emirates	AED	1	2.34	2.46	2.30	2.29
UK	GBP	1	11.54	11.14	12.88	12.43
Uruguay	UYU	1	0.29	0.31	0.31	0.28
USD countries	USD	1	8.59	9.05	8.44	8.40
Vietnam	VND	100	0.04	0.04	0.04	0.04

NOTE 4 *Critical estimates and judgments*

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

Acquisition of subsidiaries/operations and deferred considerations

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

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

All payments to acquire a subsidiary/operation are recorded at fair value at the acquisition date, including debt related to deferred or contingent considerations and acquisition related option liabilities (referred to collectively as deferred considerations). This debt is measured at fair value in subsequent periods with re-measurement through the statement of income. The final outcome of deferred considerations often depends on one or more events which only will be confirmed by a future development, such as the future profitability development for an agreed period. The final outcome can therefore either be lower or higher than the initially recognized amount. Short-term deferred considerations, which amount to MSEK 85.5 (168.2) and is included in other current liabilities (note 34) and long-term deferred considerations, which amount to MSEK 129.6 (191.8) and is included in other long-term liabilities (note 30), are thus subject to critical estimates and judgments.

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

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

In connection with the impairment testing of goodwill, other acquisition related intangible assets and shares in associated companies, the book value is compared to the recoverable value. The recoverable value is determined by the higher of an asset's net realizable value and its value in use. Since under normal circumstances no quoted market prices are available to assess an asset's net realizable value, the book value is normally compared to the value in use. The calculation of the value in use is based on assumptions and judgments. The most important assumptions are the organic sales growth, the development of the operating margin, the operating working capital requirements and the relevant WACC, which is used to discount future cash flows. All in all, this means that the valuation of the balance sheet items goodwill, which amounts to MSEK 19 379.6 (16 428.4), acquisition related intangible assets, which amounts to MSEK 1 356.1 (987.3) and shares in associated companies, which amounts to MSEK 419.5 (369.0) are subject to critical estimates and judgments. A sensitivity analysis regarding the organic sales growth, the operating margin and the WACC is provided in note 17.

Valuation of accounts receivable and the provision for bad debt losses

Accounts receivable, which amounts to MSEK 13 352.6 (11 353.4), is one of the most significant balance sheet items. Accounts receivable are accounted for at the nominal value net after provisions for probable bad debt. The provision for bad debt losses, which amounts to MSEK -523.0 (-436.0), is thus subject to critical estimates and judgments. As stated above, accounts receivable is often an important item in relation to the acquisition of subsidiaries/operations. Further information regarding the credit risk in accounts receivable is provided in note 6. Information regarding the ageing of accounts receivable and the development of the provision for bad debt losses during the year is provided in note 25.

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Employee benefits including labor-related disputes

With more than 335 000 employees and salaries and social benefits representing more than 80 percent of the total operating expenses, the accounting for employee benefits is crucial to determine a correct result. The Group operates in many countries with different legislation and different regulatory frameworks surrounding the benefits payable to employees and the related payroll overhead such as social charges and payroll taxes. This also includes the benefits under the Affordable Care Act in the US operations. In relation to the Affordable Care Act, the costs for the Group depend on assumptions regarding the individual cost for the different plans offered, the development of the enrolment rate as well as potential legislative changes.

Given the large number of employees, the Group from time to time also faces labor-related disputes with current or former employees in relation to various matters. Such matters can involve, but are not limited to, the diverse interpretation of labor legislation, individual employee contracts or collective bargaining agreements and can for example relate to working hours, benefits payable, various reimbursements or the termination of employment. All in all, this means that the employee-related items in the balance sheet are subject to critical estimates and judgments. These balances are mainly included under employee-related items (note 34), which amounts to MSEK 6 900.2 (6 206.4), but also form part of short-term provisions (note 35) as a part of other provisions MSEK 672.7 (477.2).

For defined benefit plans relating to benefits particularly for pensions and medical benefits and where the payment to the employee is several years into the future, actuarial calculations are required. These calculations are based on assumptions regarding economic variables such as the discount rate, salary increases, inflation rate, pension increases and the inflation rate for medical benefits, but also on demographic variables such as the expected life span. All in all, the balance sheet item pension balances for defined benefit plans which amounts to MSEK 40.1 (3.3) and which is stated under other long-term receivables (note 23), and the balance sheet item provisions for pensions and similar commitments, which amounts to MSEK 1 177.0 (1 273.0), is subject to critical estimates and judgments. The Group's opinion is that the most important assumptions are the discount rate, the inflation rate and the expected life span. A sensitivity analysis regarding these three variables is provided in note 31.

Actuarial calculations regarding claims reserves and timing of outflows

The Group is exposed to various types of risks in the day-to-day running of the business. The operational risks can result in the need to recognize reserves for damages resulting from property claims, personal injuries as well as workers' compensation claims relating to the Group's employees. Claims reserves are calculated based on a combination of case reserves and incurred but not reported reserves. Actuarial calculations are performed on a quarterly basis to assess the adequacy of the reserves based on open claims and historical data for incurred but not reported claims.

Actuarial calculations are based on several assumptions. Claims reserves comprise a large number of individual insurance cases, where some cases are compensated with a lump-sum payment and others are paid over a longer period of time. It is thus not possible to disclose any detailed information regarding the timing of outflows from claims reserves.

All in all, this means that the balance sheet items short-term liability insurance-related claims reserves, which amounts to MSEK 655.8 (642.5) and is included in short-term provisions (note 35), and liability insurance-related claims reserves, which amounts to MSEK 623.6 (582.8) and is included in other long-term provisions (note 32), are subject to critical estimates and judgments.

Calculation of taxes and timing of outflows

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

The balance sheet includes deferred tax assets which amounts to MSEK 1 347.9 (1 377.3), deferred tax liabilities which amounts to MSEK 919.2 (780.7) and provisions for taxes which amounts to MSEK 336.7 (300.2) included in other long-term provisions (note 32), which are all subject to critical estimates and judgments. Further information regarding taxes is provided in note 15, note 32 and note 37.

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

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

Potential effect of Brexit

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

NOTE 5 *Events after the balance sheet date*

Approval of the Annual Report and Consolidated Financial Statements for 2016

This Annual Report including the Consolidated Financial Statements was approved by the Board of Directors of Securitas AB on March 14, 2017.

Other significant events after the balance sheet date

In January 2017 Securitas extended the maturity of its Revolving Credit Facility to 2022.

On February 13, 2017 Securitas issued a seven year MEUR 350 Eurobond. Settlement date was February 20, 2017.

In order to hedge the share portion of Securitas share-based incentive scheme 2016, the Group entered into a swap agreement with a third party in the beginning of March 2017.

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

NOTE 6 *Financial risk management*

Financial risk factors

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

Treasury organization and activities

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

Business segments

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

Countries

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

Group Treasury Centre

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

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

Interest rate risk

Interest rate risk is the risk that the Group's net income will be affected by changes in interest payable and/or receivable arising from changes in market interest rates. The Group has raised fixed and floating rate debt predominately in USD, EUR and SEK. Detailed information on long-term borrowings is provided in note 30. The Group uses interest rate derivatives in designated fair value and cash flow hedges to hedge changes in the risk free rate, converting the interest rate profile of this debt. As at December 31, 2016 MEUR 686 (623) of issued debt is swapped from fixed to floating, while MUSD 185 (235) is swapped from floating to fixed.

Information on the Group's debt profile is provided in the table below as well as information on interest rate fixings.

The target for the free cash flow to net debt ratio is always to exceed 0.20. Free cash flow to net debt as of December 31, 2016 was 0.13 (0.22). The Group's interest coverage ratio, a measure of its ability to pay interest costs, was 11.1 (13.1) as of December 31, 2016.

THE GROUP'S INTEREST BEARING LIABILITIES AND ASSETS PER CURRENCY AS PER DECEMBER 31, 2016 AND 2015

Currency	Amount, MSEK	Duration (days)	*Current book cost (incl. credit margin)*	*Interest rates, +1%*	Net impact on income statement due to 1% increase[1]	*Interest rates, -1%*	Net impact on income statement due to 1% decrease[1]
December 31, 2016							
USD liabilities	-7 953	121	*2.03%*	*2.46%*	-27	*1.60%*	27
EUR liabilities	-5 764	955	*2.44%*	*2.78%*	-15	*2.10%*	15
GBP liabilities	-476	30	*1.77%*	*2.78%*	-4	*0.77%*	4
SEK liabilities	-1 567	17	*0.58%*	*1.58%*	-12	*0.00%*	7
Other currencies liabilities	-686	27	*3.78%*	*4.78%*	-5	*2.78%*	5
Total liabilities	**-16 446**	**397**	***2.10%***	***2.59%***	**-63**	***1.65%***	**58**
USD assets	75	2	*0.00%*	*0.90%*	1	*-0.28%*	0
EUR assets	2 165	11	*0.00%*	*1.00%*	17	*-0.46%*	-8
GBP assets	15	7	*0.00%*	*1.00%*	0	*-1.00%*	0
SEK assets	3	7	*0.00%*	*1.00%*	0	*0.00%*	0
Other currencies assets	757	7	*3.78%*	*4.78%*	6	*2.78%*	-6
Total assets	**3 015**	**10**	***0.95%***	***1.95%***	**24**	***0.36%***	**-14**
Total	**-13 431**	**-**	***2.39%***	**-**	**-39**	**-**	**44**
December 31, 2015							
USD liabilities	-5 216	279	*2.13%*	*2.75%*	-25	*1.51%*	25
EUR liabilities	-4 047	426	*2.52%*	*2.62%*	-3	*2.43%*	3
GBP liabilities	-495	30	*1.82%*	*2.82%*	-4	*0.82%*	4
SEK liabilities	-2 326	13	*0.00%*	*1.00%*	-18	*0.00%*	0
Other currencies liabilities	-481	26	*3.35%*	*4.35%*	-4	*2.35%*	4
Total liabilities	**-12 565**	**258**	***1.90%***	***2.45%***	**-54**	***1.53%***	**36**
USD assets	264	5	*0.00%*	*1.00%*	2	*-1.00%*	-2
EUR assets	1 020	15	*0.00%*	*1.00%*	8	*-0.62%*	-5
GBP assets	30	2	*0.00%*	*1.00%*	0	*-1.00%*	0
SEK assets	649	7	*0.00%*	*1.00%*	5	*-1.00%*	-5
Other currencies assets	739	7	*3.35%*	*4.35%*	6	*2.35%*	-6
Total assets	**2 702**	**9**	***0.92%***	***1.92%***	**21**	***0.30%***	**-18**
Total	**-9 863**	**-**	***2.17%***	**-**	**-33**	**-**	**18**

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

Interest rate fixing

It is the policy of Securitas to use interest rate derivatives if required to manage its interest rate risk and as a consequence the Group's financing costs. The duration of these derivatives does not normally exceed the duration of the underlying debt. Group policy allows for the use of both options-based and fixed-rate products. There are no options-based products in the financial reporting in 2016 or 2015.

INTEREST FIXING PER CURRENCY[1]

	December 31, 2016			December 31, 2017			December 31, 2018			
Currency	Amount MSEK	Amount MLOC	*Rate[2] %*	Amount MSEK	Amount MLOC	*Rate[2] %*	Amount MSEK	Amount MLOC	*Rate[2] %*	Final maturity
USD	4 543	502	*2.94%*	3 412	377	*3.15%*	2 869	317	*3.15%*	Mar 2022
EUR	976	102	*2.33%*	–	–	–	–	–	–	Dec 2017
Total	**5 519**	**-**	**-**	**3 412**	**-**	**-**	**2 869**	**-**	**-**	

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

Note
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Foreign currency risks

Transaction risk

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

Financing of foreign assets – translation risk

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

Securitas' foreign currency capital employed as of December 31, 2016 was MSEK 28 110 (22 335). Capital employed is financed by loans in local currency and shareholders' equity. This means that Securitas, from a Group perspective, has shareholders' equity in foreign currency that is exposed to changes in exchange rates. This exposure gives rise to a translation risk and consequently unfavorable changes in exchange rates could have a negative effect on the Group's foreign net assets when translated into SEK. With the object of minimizing the impact of changes in exchange rates on the Group's net debt to equity ratio, Securitas aims to maintain a long-term debt to equity ratio in USD and EUR that is close to the Group's total debt to equity ratio. Foreign exchange swaps and cross currency interest rate swaps are used to change the currency of the underlying debt where required in order to achieve this. Net investment hedge and cash flow hedge accounting is applied to these swaps.

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

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

CAPITAL EMPLOYED AND FINANCING PER CURRENCY AS PER DECEMBER 31, 2016 AND 2015

MSEK	EUR	USD	GBP	Other currencies	Total foreign currencies	SEK	Total Group	Total Group +10%[1]	Total Group -10%[1]
December 31, 2016									
Capital employed	8 273	14 787	1 315	3 735	28 110	-171	27 939	30 750	25 128
Net debt	-3 565	-7 885	-460	9	-11 901	-1 530	-13 431	-14 621	-12 241
Whereof foreign exchange swaps	*7 991*	*-5 055*	*-477*	*175*	*2 634*	*-2 634*	*0*	*263*	*-263*
Whereof net debt excluding foreign exchange swaps	*-11 556*	*-2 830*	*17*	*-166*	*-14 535*	*1 104*	*-13 431*	*-14 884*	*-11 978*
Non-controlling interests	2	–	–	19	21	–	21	23	19
Net exposure	4 706	6 902	855	3 725	16 188	-1 701	14 487	16 106	12 868
Net debt to equity ratio	*0.76*	*1.14*	*0.54*	*0.00*	*0.74*	*-0.90*	*0.93*	*0.91*	*0.95*
December 31, 2015									
Capital employed	7 587	10 256	1 418	3 074	22 335	58	22 393	24 627	20 160
Net debt	-3 000	-4 948	-464	221	-8 191	-1 672	-9 863	-10 682	-9 044
Whereof foreign exchange swaps	*5 232*	*-2 571*	*-495*	*-481*	*1 685*	*-1 685*	*0*	*169*	*-169*
Whereof net debt excluding foreign exchange swaps	*-8 232*	*-2 377*	*31*	*702*	*-9 876*	*13*	*-9 863*	*-10 851*	*-8 875*
Non-controlling interests	6	–	–	14	20	–	20	22	18
Net exposure	4 581	5 308	954	3 281	14 124	-1 614	12 510	13 923	11 098
Net debt to equity ratio	*0.65*	*0.93*	*0.49*	*-0.07*	*0.58*	*-1.04*	*0.79*	*0.77*	*0.81*

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

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Net debt

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

CHANGE IN INTEREST-BEARING NET DEBT AS PER DECEMBER 31, 2016 AND 2015

			2016			2015
MSEK	Liquid funds	Loans and other net debt	Total	Liquid funds	Loans and other net debt	Total
Opening balance	2 071	-11 934	-9 863	3 425	-13 847	-10 422
Cash flow from operating activities	3 039	–	3 039	3 399	–	3 399
Financial income and expenses paid	-301	–	-301	-322	–	-322
Current taxes paid	-1 017	–	-1 017	-914	–	-914
Payments for acquisition related items	-3 566	–	-3 566	-147	–	-147
Payments for items affecting comparability	-17	–	-17	-27	–	-27
Dividend paid	-1 278	–	-1 278	-1 095	–	-1 095
Bond proceeds	3 262	-3 262	–	665	-665	–
Bond redemption	–	–	–	-1 330	1 330	–
Commercial paper proceeds	600	-600	–	4 198	-4 198	–
Commercial paper redemption	-850	850	–	-5 120	5 120	–
Other changes	412	-412	–	-621	621	–
Real change	**284**	**-3 424**	**-3 140**	**-1 314**	**2 208**	**894**
Revaluation of financial instruments[1]	–	23	23	–	1	1
Translation[2]	60	-511	-451	-40	-296	-336
Closing balance	**2 415**	**-15 846**	**-13 431**	**2 071**	**-11 934**	**-9 863**

1 Relates to unrealized gains and losses on fair value hedges and cash flow hedges including hedge ineffectiveness.
2 Whereof MSEK -384.9 (-392.4) is related to USD and MSEK -121.7 (110.0) is related to EUR.

Financing and liquidity risk

The Group's short-term liquidity is ensured by maintaining a liquidity reserve (cash and bank deposits, short-term investments and the unutilized portion of committed credit facilities), which should correspond to a minimum of 5 percent of consolidated annual sales. As of December 31, 2016 the short-term liquidity reserve corresponded to 12 percent (12) of the Group's annual sales.

The Group's long-term financing risk is minimized by ensuring that the level of long-term financing (shareholders' equity, long-term committed loan facilities and long-term bond loans) at least matches the Group's capital employed. Per December 31, 2016 long-term financing corresponded to 141 percent (147) 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 3.5 years. As per December 31, 2016 the average maturity was 3.6 years. The following tables summarize the Group's liquidity risk at end 2016 and 2015 respectively.

LIQUIDITY REPORT AS PER DECEMBER 31, 2016 AND 2015

MSEK	Total	< 1 year	Between 1 year and < 3 years	Between 3 years and 5 years	> 5 years
December 31, 2016					
Borrowings, principal amount	-15 764	-3 348	-4 091	-4 977	-3 348
Borrowings, interest amount	-1 019	-321	-372	-284	-42
Derivatives outflows – interest rate hedge	-250	-76	-72	-68	-34
Other derivatives outflows	-12 281	-9 413	–	–	-2 868
Finance leases	-218	-107	-111	–	–
Accounts payable	-1 332	-1 332	–	–	–
Total outflows[3]	**-30 864**	**-14 597**	**-4 646**	**-5 329**	**-6 292**
Investments, principal amount	1 217	1 217	–	–	–
Derivatives receipts – interest rate hedge	417	119	165	129	4
Other derivatives receipts	12 125	9 380	–	–	2 745
Accounts receivable	13 353	13 353	–	–	–
Total inflows[3]	**27 112**	**24 069**	**165**	**129**	**2 749**
Net cash flows, total[1, 2]	**-3 752**	**9 472**	**-4 481**	**-5 200**	**-3 543**
December 31, 2015					
Borrowings, principal amount	-12 068	-250	-6 382	-1 050	-4 386
Borrowings, interest amount	-948	-257	-411	-190	-90
Derivatives outflows – interest rate hedge	-39	-19	-20	–	–
Other derivatives outflows	-10 133	-10 133	–	–	–
Finance leases	-127	-68	-59	–	–
Accounts payable	-1 101	-1 101	–	–	–
Total outflows[3]	**-24 416**	**-11 828**	**-6 872**	**-1 240**	**-4 476**
Investments, principal amount	949	949	–	–	–
Derivatives receipts – interest rate hedge	435	96	178	109	52
Other derivatives receipts	10 117	10 117	–	–	–
Accounts receivable	11 353	11 353	–	–	–
Total inflows[3]	**22 854**	**22 515**	**178**	**109**	**52**
Net cash flows, total[1, 2]	**-1 562**	**10 687**	**-6 694**	**-1 131**	**-4 424**

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

Securitas has a Revolving Credit Facility with its 12 key relationship banks. This credit facility comprises two respective tranches of MUSD 550 and MEUR 440. It was extended in January 2017 and now matures in 2022. The credit facility was undrawn at the end of 2016.

Securitas also has a Euro Medium Term Note Program (EMTN) with a limit of MEUR 3 000 under which public and private funding can be raised on international capital markets. As of December 31, 2016 there were ten outstanding bond loans with maturities ranging from 2017 to 2022.

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

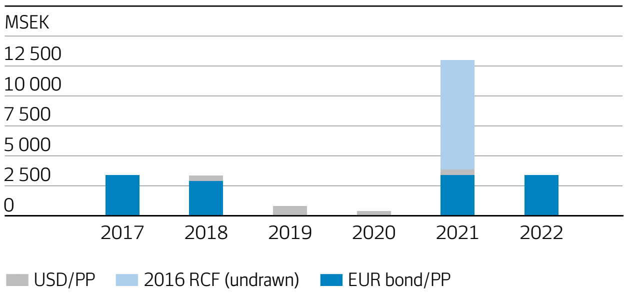
The table below shows a summary of the credit facilities as of December 31, 2016.

CREDIT FACILITIES AS PER DECEMBER 31, 2016

Type	Currency	Facility amount (million)	Available amount (million)	Maturity
EMTN Eurobond, 2.75% fixed	EUR	350	0	2017
EMTN FRN private placement	USD	50	0	2018
EMTN Eurobond, 2.25% fixed	EUR	300	0	2018
EMTN FRN private placement	USD	85	0	2019
EMTN FRN private placement	USD	40	0	2020
Multi Currency Revolving Credit Facility	USD (or equivalent)	550	550	2021
Multi Currency Revolving Credit Facility	EUR (or equivalent)	440	440	2021
EMTN FRN private placement	USD	40	0	2021
EMTN FRN private placement	USD	60	0	2021
EMTN FRN private placement	USD	40	0	2021
EMTN Eurobond, 2.625% fixed	EUR	350	0	2021
EMTN Eurobond, 1.25% fixed	EUR	350	0	2022
Commercial Paper (uncommitted)	SEK	5 000	5 000	n/a

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

The graph below shows the maturity profile as of December 31, 2016 for the Group's interest-bearing debt.



Credit / counterparty risks

Counterparty risk – accounts receivable

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

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

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

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

Counterparty risk – liquid funds

The credit quality of interest-bearing receivables is described below, where 71 percent (75) of interest-bearing receivables have a rating of A1/P1.

CREDIT QUALITY INTEREST-BEARING RECEIVABLES

MSEK	2016	2015
A1/P1	2 135	2 029
Other	880	673
Total interest-bearing receivables	**3 015**	**2 702**

The Group has policies in place that limit the amount of credit exposure to any one financial institution. The use of Credit Support Annexes reduces the Group's counterparty exposures on its outstanding derivatives. Investments of liquid funds may only be made in government paper or with financial institutions with a high credit rating. As of December 31, 2016 the weighted average credit rating of these institutions was short-term A1/P1. The largest total exposure for all instrument types to any one institution was MSEK 1 156 (867).

Rating

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

Fair value of financial instruments

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

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

REVALUATION OF FINANCIAL INSTRUMENTS

MSEK	2016	2015
Recognized in the statement of income		
Financial income[1]	0.1	0.4
Financial expenses[1]	0.0	-0.5
Deferred tax	0.0	0.0
Impact on net income for the year	**0.1**	**-0.1**
Recognized in other comprehensive income		
Transfer to hedging reserve before tax	99.7	-15.4
Deferred tax on transfer to hedging reserve	-21.9	3.4
Transfer to hedging reserve net of tax	**77.8**	**-12.0**
Transfer to statement of income before tax	-77.2	16.4
Deferred tax on transfer to statement of income	17.0	-3.6
Transfer to statement of income net of tax	**-60.2**	**12.8**
Total change of hedging reserve before tax[2]	22.5	1.0
Deferred tax on total change of hedging reserve[2]	-4.9	-0.2
Total change of hedging reserve net of tax	**17.6**	**0.8**
Total impact on shareholders' equity as specified above		
Total revaluation before tax[3]	22.6	0.9
Deferred tax on total revaluation[3]	-4.9	-0.2
Total revaluation after tax	**17.7**	**0.7**

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

FAIR VALUE – HIERARCHY AS PER DECEMBER 31, 2016 AND 2015[1]

	Quoted market prices		Valuation techniques using observable market data		Valuation techniques using non-observable market data		Total	
MSEK	2016	2015	2016	2015	2016	2015	2016	2015
Financial assets at fair value through profit or loss	–	–	59.8	45.7	–	–	59.8	45.7
Financial liabilities at fair value through profit or loss	–	–	-16.1	-3.3	-215.1[2]	-359.9[2]	-231.2	-363.2
Derivatives designated for hedging with positive fair value	–	–	250.8	254.9	–	–	250.8	254.9
Derivatives designated for hedging with negative fair value	–	–	-118.3	-61.5	–	–	-118.3	-61.5

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

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

FINANCIAL INSTRUMENTS BY CATEGORY – CARRYING AND FAIR VALUES

	2016		2015	
MSEK	Carrying value	Fair value	Carrying value	Fair value
Assets				
Financial assets at fair value through profit or loss				
Other interest-bearing current assets (note 27)	59.8	59.8	48.8	48.8
Total	**59.8**	**59.8**	**48.8**	**48.8**
Loans and receivables				
Interest-bearing financial non-current assets (note 22)	162.9	162.9	91.9	91.9
Other long-term receivables (note 23)[1]	461.8	461.8	454.4	454.4
Accounts receivable	13 352.6	13 352.6	11 353.4	11 353.4
Other current receivables (note 26)[2]	3 222.7	3 222.7	2 293.7	2 293.7
Other interest-bearing current assets (note 27)	127.4	127.4	238.8	238.8
Liquid funds (note 28)	2 414.5	2 414.5	2 071.2	2 071.2
Total	**19 741.9**	**19 741.9**	**16 503.4**	**16 503.4**
Liabilities				
Financial liabilities at fair value through profit or loss				
Short-term loan liabilities (note 33)	89.8	89.8	63.2	63.2
Total	**89.8**	**89.8**	**63.2**	**63.2**
Financial liabilities designated as hedged item in a fair value hedge				
Short-term loan liabilities (note 33)[5]	3 348.6	3 360.6	–	–
Long-term loan liabilities (note 30)[5]	9 777.6	10 046.2	9 395.3	9 565.2
Total	**13 126.2**	**13 406.8**	**9 395.3**	**9 565.2**
Other financial liabilities				
Long-term loan liabilities (note 30)	2 985.2	2 985.2	2 732.1	2 732.1
Long-term liabilities (note 30)[3]	141.1	141.1	201.2	201.2
Short-term loan liabilities (note 33)	200.9	200.9	373.1	373.1
Accounts payable	1 332.4	1 332.4	1 100.9	1 100.9
Other current liabilities (note 34)[4]	3 989.6	3 989.6	3 290.5	3 290.5
Total	**8 649.2**	**8 649.2**	**7 697.8**	**7 697.8**
Derivatives designated for hedging				
Interest-bearing financial current assets (note 27)	2.0	2.0	–	–
Interest-bearing financial non-current assets (note 22)	248.8	248.8	251.9	251.9
Total assets	**250.8**	**250.8**	**251.9**	**251.9**
Interest-bearing financial current liabilities (note 33)	0.5	0.5	–	–
Interest-bearing financial long-term liabilities (note 30)	44.1	44.1	1.6	1.6
Total liabilities	**44.6**	**44.6**	**1.6**	**1.6**
Net total	**206.2**	**206.2**	**250.3**	**250.3**
1 Excluding all pension balances and reimbursement rights (note 23)	*307.3*	*307.3*	*241.2*	*241.2*
2 Excluding prepaid expenses	*830.2*	*830.2*	*748.2*	*748.2*
3 Excluding pension balances (note 30)	*117.0*	*117.0*	*110.7*	*110.7*
4 Excluding employee-related accrued expenses and prepaid income	*6 970.7*	*6 970.7*	*6 304.2*	*6 304.2*

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

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Offsetting financial assets and financial liabilities

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

Financial assets

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

MSEK	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instruments not set off in the balance sheet	Net amount
December 31, 2016					
Derivative financial assets	310.6	–	310.6	42.9	267.7
Total	**310.6**	**-**	**310.6**	**42.9**	**267.7**
December 31, 2015					
Derivative financial assets	300.7	–	300.7	45.9	254.8
Total	**300.7**	**-**	**300.7**	**45.9**	**254.8**

Financial liabilities

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

MSEK	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments not set off in the balance sheet	Net amount
December 31, 2016					
Derivative financial liabilities	134.4	–	134.4	38.4	96.0
Total	**134.4**	**-**	**134.4**	**38.4**	**96.0**
December 31, 2015					
Derivative financial liabilities	64.8	–	64.8	45.9	18.9
Total	**64.8**	**-**	**64.8**	**45.9**	**18.9**

NOTE 7 *Transactions with related parties*

Guarantees on behalf of related parties amount to MSEK 6.0 (4.0).

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

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

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

General

Principles

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

The Annual General Meeting on May 4, 2016 decided upon guidelines for remuneration to senior management regarding 2016 in accordance with the following:

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

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

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

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

The cost of the company in terms of its obligation to pay variable remuneration to Group Management is estimated to not exceed a total of MSEK 79 at maximum outcome. Information on previously decided remuneration which has not yet been paid can be found in note 8 of this Annual Report.

The pension rights of senior management employees shall be applicable as from the age of 65 at the earliest and the entire Group Management shall be subject to defined contribution pension plans for which insurance premiums are transferred from the individual's total remuneration and paid by the company during the term of employment. Variable compensation shall not qualify for pension purposes unless local regulations provide otherwise.

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

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

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

The Board of Directors proposal to the Annual General Meeting in May 2017 on guidelines for remuneration to senior management regarding 2017 is presented in the Report of the Board of Directors, in this Annual Report.

Planning and decision-making process

The Board's remuneration committee deals with all the above matters regarding the President and CEO and other members of Group Management, as well as other management levels if the committee so decides. The committee presents its proposals to the Board of Directors, which takes all decisions. The members of the remuneration committee are Marie Ehrling (chairman) and Carl Douglas. The committee has held two meetings in 2016.

Board of Directors

For the 2016 financial year, the Chairman Marie Ehrling received a director's fee, including committee work fee, of MSEK 1.4. The other Directors received an aggregate director's fee, including committee work fee, of MSEK 2.9. The remuneration for each member of the Board of Directors is disclosed in the tables below. The Board of Directors is otherwise not entitled to any other compensation except for travel and lodging expenses.

President and Chief Executive Officer

The President and CEO, Alf Göransson's salary in the financial year 2016, amounted to MSEK 13.9. Other salary benefits amounted to MSEK 0.1.

The President and CEO has a defined contribution pension plan amounting to 30 percent of his annual fixed salary. The retirement age for the President and CEO is 65. In 2016 the pension costs for the President and CEO amounted to MSEK 4.1. No pension benefit is conditioned by future employment.

Upon dismissal, the notice period for the President and CEO amount to 12 months with a right to a severance pay after the end of the notice period, equivalent to 12 months fixed salary.

Other members of Group Management

The other Group Management consisted by the end of 2016 of the following 12 members: Bart Adam (Chief Financial Officer), Martin Althén (Chief Information Officer) as from October 1, 2016, Magnus Ahlqvist (Divisional President, Security Services Europe), William Barthelemy (Chief Operating Officer, Security Services North America), Santiago Galaz (Divisional President, Security Services North America), Gisela Lindstrand (Senior Vice President Corporate Communications and Public Affairs), Jan Lindström (Senior Vice President Finance), Aimé Lyagre (Chief Operating Officer and Chief Technology Officer, Security Services Europe), Marc Pissens (President Aviation and Divisional President, Africa, Middle East and Asia[1]), Luis Posadas (Divisional President, Security Services Ibero-America), Antonio Villaseca Lòpez (Senior Vice President Technical Solutions) and Henrik Zetterberg (Senior Vice President General Counsel).

In the 2016 financial year the other members of Group Management aggregate fixed salaries amounted to MSEK 62.6, and other salary benefits to MSEK 5.0.

The other members of Group Management have individual pension plans. The retirement age varies from country to country and pension plan. The retirement age is 65 years for six members and for six members no retirement age is agreed.

As described under Principles above, members can allocate part of their remuneration to a defined contribution pension plan. All members of Group Management have defined contribution pension plans for which pension premiums are allocated from the member's total remuneration and paid by the company during the term of employment. These premiums may vary but are limited to amounts deductible for tax purposes by the company. In 2016 the pension costs for these members of Group Management amounted to MSEK 9.8. No pension benefits are conditioned by future employment.

Four members have a Swedish defined benefit pension plan (ITP), but can also allocate part of their remuneration to a defined contribution plan. The Swedish defined benefit plan guarantees a lifetime pension from the age of 65. The pension compensation corresponds to a certain percentage of the final salary, and the maximum pensionable income is MSEK 1.8 per employee. This pension benefit is funded through annual premiums paid by the company during the term of employment, and the pension cost for these four members in 2016 was MSEK 1.5 (included in the total pension cost for other Group Management, see also the table below).

Upon dismissal, the notice period and a right to a severance pay after the end of the notice period, is equivalent to a maximum of 24 months fixed salary, for members of Group Management.

Short- and long-term incentives

Short-term as well as long-term incentives for eligible employees in Securitas include clearly measurable performance based targets that are set as close to the local business as possible and aim for long-term profitability of the Group. The performance targets that are required to achieve maximum bonus vary depending on the position of the employee, but are as a principle based on year-on-year improvement of the operating result (EBITA) in the area of responsibility and targets based on improvement of cash flow.

For the President and CEO as well as the five members of Group Management responsible for staff functions, the performance based target is based on year-on-year real improvement of the earnings per share.

The President and CEO and the other members of Group Management are included in the Securitas share-based incentive schemes 2015 and 2016 respectively, which were approved by the Annual General Meetings in these years. These incentive schemes are paid by two thirds in cash in the beginning of the year following the performance year, and the remaining one third is used to acquire Series B shares in Securitas AB over the stock market. These shares are allocated to Group Management in March, two years following the performance year, conditioned by a continuous employment during the vesting period. See further information in note 2 and 12. Information regarding the final allocation of shares to the Group Management in March 2017 under the 2015 share-based incentive scheme, as well as the potential allocation of shares in 2018 under the 2016 share-based incentive scheme and the fair value of these shares, are disclosed in the tables below.

For the President and CEO the variable short-term compensation relating to the 2016 performance amounted to MSEK 8.2, whereof MSEK 2.7 will be allocated in shares in 2018 and MSEK 5.5 will be paid in cash in 2017.

The aggregate short-term variable compensation relating to the 2016 performance to the other members of Group management amounted to MSEK 49.7, whereof MSEK 16.6 will be allocated in shares in 2018 and MSEK 33.1 will be paid in cash in 2017.

During 2016 two members of Group Management have had long-term incentive plans, which are provided for during the performance year and are paid over the three following years. At resignation by a management employee, any unpaid long-term bonus will stay with the company. The aggregate long-term variable compensation and provision relating to the 2016 performance amounted to MSEK 13.0. The accumulated provision for long-term bonus programs amounted to MSEK 20.2 as per December 31, 2016.

ALLOCATION OF SHARES TO GROUP MANAGEMENT RELATING TO SECURITAS SHARE-BASED INCENTIVE SCHEME 2016

	Number of shares[1]	Fair value[2], MSEK
	2016	2016
Alf Göransson, President and CEO	19 666	2.7
Other members of Group Management	121 812	16.9
Total holdings	**141 478**	**19.6**

1 Potential allocation of shares 2018, according to Securitas share-based incentive scheme 2016, according to purchase prices for Securitas Series B shares in March 2017.
2 Fair value of potential allocation of shares based on Securitas Series B share purchase prices in March 2017.

1 Andreas Lindback was appointed to Divisional President Africa, Middle East and Asia as from January 1, 2017.

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Remuneration to the Board of Directors and Group Management

REMUNERATION RELATED TO 2016

KSEK	Base salary/fee	Other benefits	Variable compensation[2]	Pension	Total remuneration
Marie Ehrling, Chairman of the Board[1]	1 400	–	–	–	1 400
Carl Douglas, vice Chairman[1]	825	–	–	–	825
Anders Böös[1]	640	–	–	–	640
Fredrik Cappelen[1]	765	–	–	–	765
Sofia Schörling Högberg[1]	640	–	–	–	640
Subtotal Board of Directors	**4 270**	**–**	**–**	**–**	**4 270**
Alf Göransson, President and CEO	13 876	90	8 190	4 100	26 256
Other members of Group Management[3]	62 604	4 986	62 659	9 782	140 031
Subtotal President and CEO and Group Management	**76 480**	**5 076**	**70 849**	**13 882**	**166 287**
Total	**80 750**	**5 076**	**70 849**	**13 882**	**170 557**

Above information refers to full year remuneration for the current Group Management, unless stated otherwise. The Board of Directors has no pension benefits.

1 Including remuneration for committee work.
2 Refer to the cost for 2016 for Securitas incentive scheme for cash and share-based bonus, see also separate table for the share-based part.
3 The compensation for one member who joined the Group Management during 2016 refers as from this date.

REMUNERATION RELATED TO 2015

KSEK	Base salary/fee	Other benefits	Variable compensation[3]	Pension	Total remuneration
Melker Schörling, Chairman of the Board[1]	1 300	–	–	–	1 300
Carl Douglas, vice Chairman	750	–	–	–	750
Fredrik Cappelen[1]	625	–	–	–	625
Marie Ehrling[1]	750	–	–	–	750
Annika Falkengren[1]	550	–	–	–	550
Sofia Schörling Högberg	500	–	–	–	500
Fredrik Palmstierna	500	–	–	–	500
Subtotal Board of Directors	**4 975**	**–**	**–**	**–**	**4 975**
Alf Göransson, President and CEO[2]	14 450	90	7 800	4 261	26 601
Other members of Group Management[4]	54 171	3 540	52 452	8 479	118 642
Subtotal President and CEO and Group Management	**68 621**	**3 630**	**60 252**	**12 740**	**145 243**
Total	**73 596**	**3 630**	**60 252**	**12 740**	**150 218**

Above information refers to full year remuneration for the current Group Management, unless stated otherwise. The Board of Directors has no pension benefits.

1 Including remuneration for committee work.
2 Whereof KSEK 1 200 refers to temporary remuneration and KSEK 360 refers to pension cost for additional responsibility as Divisional President for Security Services Europe during 2015.
3 Refer to the cost for 2015 for Securitas incentive scheme for cash and share-based bonus, see also separate table for the share-based part.
4 The compensation for one member who joined the Group Management during 2015 refers as from this date.

Shareholdings

The Board of Directors' and Group Management's shareholdings through acquisitions on the stock market as of December 31, 2016, as well as the allocation of shares to the Group Management according to Securitas share-based incentive scheme in March 2017 are detailed in the table below.

BOARD OF DIRECTORS' AND GROUP MANAGEMENT'S HOLDINGS OF SECURITAS SERIES A AND B SHARES[1]

	A shares 2016	A shares 2015	B shares 2016[8]	B shares 2015[8]	B shares Allocation March 2017[9]
Marie Ehrling, Chairman of the Board	–	–	4 000	4 000	–
Carl Douglas, vice Chairman[2]	12 642 600	12 642 600	27 190 000	27 190 000	–
Anders Böös[3]	–	–	25 000	–	–
Fredrik Cappelen	–	–	4 000	4 000	–
Sofia Schörling Högberg[4]	4 500 000	4 500 000	15 237 000	15 237 000	–
Alf Göransson, President and CEO	–	–	80 201	58 698	20 501
Bart Adam	–	–	26 023	20 405	13 148
Magnus Ahlqvist[5]	–	–	100 000	0	3 560
Martin Althén[6]	–	–	0	–	–
William Barthelemy	–	–	42 367	35 416	9 705
Santiago Galaz	–	–	167 493	143 202	34 186
Gisela Lindstrand	–	–	3 091	2 017	2 363
Jan Lindström	–	–	7 679	5 600	4 519
Aimé Lyagre	–	–	18 101	17 347	7 364
Marc Pissens	–	–	35 399	21 011	12 733
Luis Posadas	–	–	24 877	22 547	10 437
Antonio Villaseca Lòpez	–	–	0	990	7 351
Henrik Zetterberg[7]	–	–	301	0	2 384
Total holdings	**17 142 600**	**17 142 600**	**42 965 532**	**42 762 233**	**128 251**

1 Information refers to shareholdings as of December 31, 2016 and 2015.
2 Private holdings and through Investment AB Latour Group.
3 Has joined the Board of Directors during 2016, why earlier holdings is not applicable.
4 Private holdings and through Melker Schörling AB. In addition related parties holds 4 800 series B-shares.
5 Holds 100 000 share options regarding acquisition of Securitas series B-shares, issued by Melker Schörling AB and Investment AB Latour.
6 Has joined the Group management during 2016, why earlier holdings is not applicable.
7 Holds 45 000 share options regarding acquisition of Securitas series B-shares, issued by Melker Schörling AB and Investment AB Latour.
8 Holdings as of December 31 excluding potential allocation of shares according to Securitas share-based incentive scheme (see footnote 9 below).
9 Actual allocation of shares in March 2017 according to Securitas share-based incentive scheme 2015, including shares corresponding to dividend decided related to potential allocation of shares during 2016. The gross number of allocated shares is stated, of which part of the shares may have been sold to cover tax on the benefit. Other holdings of Securitas Series B shares in March 2017 are not included.

NOTE 9 *Segment reporting*

Segment structure

The Group's operations are divided into three reportable segments: Security Services North America, Security Services Europe and Security Services Ibero-America.

All segments apply the accounting principles explained in note 2. The segment reporting follows the format of Securitas' financial model, which provides a foundation for financial planning and reporting from branch office level up to the Board of Directors. Acquisitions of subsidiaries are therefore excluded from the operating cash flow. All material acquisitions are stated at business segment level in the report of the Board of Directors under the heading Acquisitions and divestitures.

Security Services North America

Security Services North America provides security services in the US, Canada and Mexico and comprises 13 business units: the national and global accounts organization, five geographical regions and five specialized business units in the US – critical infrastructure, healthcare, Pinkerton Corporate Risk Management, mobile and Securitas Electronic Security – plus Canada and Mexico. In total, there are approximately 112 000 employees and about 720 branch managers.

Security Services Europe

Security Services Europe provides security services for large and medium-sized customers in 26 countries, and airport security in 15 countries. Security Services Europe offers mobile security services for small and medium-sized businesses and residential sites and electronic alarm surveillance services. In total, the organization has approximately 117 200 employees and 780 branch managers.

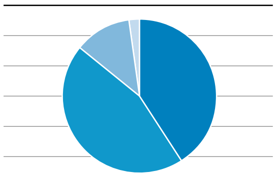
Security Services Ibero-America

Security Services Ibero-America provides security services for large and medium-sized customers in seven Latin American countries as well as Portugal and Spain in Europe. Security Services Ibero-America has a combined total of approximately 60 800 employees and 180 branch managers.

Other

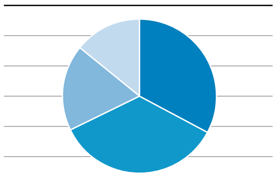
Other includes all other operating segments as well as general administrative expenses, expenses for head offices and other central expenses. All other operating segments comprise the operations in Africa, the Middle East and Asia.

Sales per segment



- Security Services North America 41%
- Security Services Europe 45%
- Security Services Ibero-America 12%
- Other 2%

Number of employees per segment



- Security Services North America 33%
- Security Services Europe 35%
- Security Services Ibero-America 18%
- Other 14%

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

JANUARY – DECEMBER 2016

MSEK	Security Services North America	Security Services Europe	Security Services Ibero-America	Other	Total segments	Eliminations	Group
Income							
Sales, external	36 351	39 694	10 805	1 312	88 162	–	88 162
Sales, intra-group	3	0	0	0	3	-3	–
Total sales	**36 354**	**39 694**	**10 805**	**1 312**	**88 165**	**-3**	**88 162**
Organic sales growth, %	*6*	*6*	*14*	–	–	–	*7*
Operating income before amortization[1]	**2 129**	**2 283**	**473**	**-331**	**4 554**	**–**	**4 554**
of which share in income of associated companies	*8*	–	–	*20*	*28*	–	*28*
Operating margin, %	*5.9*	*5.8*	*4.4*	–	*5.2*	–	*5.2*
Amortization of acquisition related intangible assets	-51	-155	-62	-20	-288	–	-288
Acquisition related costs	-69	-35	-1	-8	-113	–	-113
Operating income after amortization	**2 009**	**2 093**	**410**	**-359**	**4 153**	**–**	**4 153**
Financial income and expenses	–	–	–	–	–	–	-389
Income before taxes	**–**	**–**	**–**	**–**	**–**	**–**	**3 764**
Taxes	–	–	–	–	–	–	-1 118
Net income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**2 646**
Operating cash flow							
Operating income before amortization	**2 129**	**2 283**	**473**	**-331**	**4 554**	**–**	**4 554**
Investments in non-current tangible and intangible assets	-466	-927	-234	-31	-1 658	–	-1 658
Reversal of depreciation[1]	270	776	162	21	1 229	–	1 229
Change in operating capital employed	-401	-244	-246	-195	-1 086	–	-1 086
Cash flow from operating activities	**1 532**	**1 888**	**155**	**-536**	**3 039**	**–**	**3 039**
Cash flow from operating activities, %	*72*	*83*	*33*	–	–	–	*67*
Capital employed and financing							
Operating non-current assets	1 322	2 460	613	239	4 634	–	4 634
Accounts receivable	5 327	5 541	2 378	177	13 423	-70	13 353
Other assets	2 476	1 240	554	1 974	6 244	–	6 244
Other liabilities	-5 122	-8 309	-1 790	-2 296	-17 517	70	-17 447
Total operating capital employed	**4 003**	**932**	**1 755**	**94**	**6 784**	**–**	**6 784**
Operating capital employed as % of sales	*11*	*2*	*16*	–	–	–	*8*
Goodwill	10 370	7 322	1 384	304	19 380	–	19 380
Acquisition related intangible assets	584	544	143	85	1 356	–	1 356
Shares in associated companies	221	32	–	166	419	–	419
Total capital employed	**15 178**	**8 830**	**3 282**	**649**	**27 939**	**–**	**27 939**
Return on capital employed, %	*14*	*26*	*14*	–	–	–	*16*
Net debt	–	–	–	–	–	–	13 431
Shareholders' equity	–	–	–	–	–	–	14 508
Total financing	**–**	**–**	**–**	**–**	**–**	**–**	**27 939**
Net debt equity ratio, multiple	–	–	–	–	–	–	*0.93*
Assets and liabilities							
Non-interest-bearing assets	20 300	17 139	5 072	1 107	43 618	-70	43 548
Unallocated non-interest-bearing assets[2]	–	–	–	–	–	–	1 838
Unallocated interest-bearing assets	–	–	–	–	–	–	3 015
Total assets	**–**	**–**	**–**	**–**	**–**	**–**	**48 401**
Shareholders' equity	**–**	**–**	**–**	**–**	**–**	**–**	**14 508**
Non-interest-bearing liabilities	5 122	8 309	1 790	412	15 633	-70	15 563
Unallocated non-interest-bearing liabilities[2]	–	–	–	–	–	–	1 884
Unallocated interest-bearing liabilities	–	–	–	–	–	–	16 446
Total liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**33 893**
Total shareholders' equity and liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**48 401**

1 Depreciation and amortization of tangible and non-acquisition related intangible assets per segment are specified on the line Reversal of depreciation in the statement of cash flow above. Further information regarding depreciation and amortization is provided in note 13.
2 Included in Other in the table Capital employed and financing.

JANUARY – DECEMBER 2015

MSEK	Security Services North America[3]	Security Services Europe	Security Services Ibero-America	Other[3]	Total segments	Eliminations	Group
Income							
Sales, external	31 131	37 570	10 886	1 273	80 860	–	80 860
Sales, intra-group	14	3	–	0	17	-17	–
Total sales	**31 145**	**37 573**	**10 886**	**1 273**	**80 877**	**-17**	**80 860**
Organic sales growth, %	*4*	*4*	*13*	–	–	–	*5*
Operating income before amortization[1]	**1 745**	**2 143**	**491**	**-290**	**4 089**	**–**	**4 089**
of which share in income of associated companies	*2*	*0*	–	*15*	*17*	–	*17*
Operating margin, %	*5.6*	*5.7*	*4.5*	–	*5.1*	–	*5.1*
Amortization of acquisition related intangible assets	-26	-159	-68	-22	-275	–	-275
Acquisition related costs	–	-11	-1	-17	-29	–	-29
Operating income after amortization	**1 719**	**1 973**	**422**	**-329**	**3 785**	**–**	**3 785**
Financial income and expenses	–	–	–	–	–	–	-309
Income before taxes	**–**	**–**	**–**	**–**	**–**	**–**	**3 476**
Taxes	–	–	–	–	–	–	-1 032
Net income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**2 444**
Operating cash flow							
Operating income before amortization	**1 745**	**2 143**	**491**	**-290**	**4 089**	**–**	**4 089**
Investments in non-current tangible and intangible assets	-206	-925	-168	-30	-1 329	–	-1 329
Reversal of depreciation[1]	202	707	146	17	1 072	–	1 072
Change in operating capital employed	-97	-174	-70	-92	-433	–	-433
Cash flow from operating activities	**1 644**	**1 751**	**399**	**-395**	**3 399**	**–**	**3 399**
Cash flow from operating activities, %	*94*	*82*	*81*	–	–	–	*83*
Capital employed and financing							
Operating non-current assets	890	2 248	516	242	3 896	-24	3 872
Accounts receivable	4 093	5 139	2 005	166	11 403	-50	11 353
Other assets	1 533	1 163	420	1 833	4 949	–	4 949
Other liabilities	-4 125	-7 928	-1 597	-1 989	-15 639	74	-15 565
Total operating capital employed	**2 391**	**622**	**1 344**	**252**	**4 609**	**–**	**4 609**
Operating capital employed as % of sales	*8*	*2*	*12*	–	–	–	*6*
Goodwill	7 755	7 071	1 319	283	16 428	–	16 428
Acquisition related intangible assets	50	651	188	98	987	–	987
Shares in associated companies	196	30	–	143	369	–	369
Total capital employed	**10 392**	**8 374**	**2 851**	**776**	**22 393**	**–**	**22 393**
Return on capital employed, %	*17*	*26*	*17*	–	–	–	*18*
Net debt	–	–	–	–	–	–	9 863
Shareholders' equity	–	–	–	–	–	–	12 530
Total financing	**–**	**–**	**–**	**–**	**–**	**–**	**22 393**
Net debt equity ratio, multiple	–	–	–	–	–	–	*0.79*
Assets and liabilities							
Non-interest-bearing assets	14 517	16 302	4 448	1 042	36 309	-74	36 235
Unallocated non-interest-bearing assets[2]	–	–	–	–	–	–	1 724
Unallocated interest-bearing assets	–	–	–	–	–	–	2 702
Total assets	**–**	**–**	**–**	**–**	**–**	**–**	**40 661**
Shareholders' equity	**–**	**–**	**–**	**–**	**–**	**–**	**12 530**
Non-interest-bearing liabilities	4 125	7 928	1 597	361	14 011	-74	13 937
Unallocated non-interest-bearing liabilities[2]	–	–	–	–	–	–	1 629
Unallocated interest-bearing liabilities	–	–	–	–	–	–	12 565
Total liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**28 131**
Total shareholders' equity and liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**40 661**

1 Depreciation and amortization of tangible and non-acquisition related intangible assets per segment are specified on the line Reversal of depreciation in the statement of cash flow above. Further information regarding depreciation and amortization is provided in note 13.
2 Included in Other in the table Capital employed and financing.
3 The comparatives have been restated due to an organizational change that took place in the Group as of September 1, 2016. This change has had no effect on the total Group level.

GEOGRAPHICAL INFORMATION

	Total sales from external customers[1]		Non-current assets[2]	
MSEK	2016	2015	2016	2015
US	33 209	28 242	11 879	8 434
Sweden[3]	5 143	4 573	1 283	1 149
All other countries[4]	49 810	48 045	12 587	12 071
Total countries	**88 162**	**80 860**	**25 749**	**21 654**
Non-current assets not listed by country[2]	–	–	1 800	1 724
Total non-current assets	**-**	**-**	**27 549**	**23 378**

1 Based on the location of sales offices and corresponds in all material aspects to the geographical location of the customers.
2 Financial instruments, deferred tax assets and post-employment benefit assets are not specified by country. These are instead reported on the line Non-current assets not listed by country.
3 Disclosed as Sweden is the company's country of domicile.
4 Including elimination of intra-group sales.

Note 10 *Allocation of revenue*

Sales

The Group's revenue is generated mainly from various types of security services. Security services are based on customer contracts and these can comprise sales based on hours of work performed with fixed monthly, quarterly or yearly invoicing and also including service level agreements. Sales based on customer contracts can also comprise events such as intervention services. In addition to sales based on customer contracts there is extra sales to either contract customers or event based sales. There is also revenue from the sale of alarm products and, to a limited extent, cash handling services. The breakdown of sales by segment is provided in note 9.

The sales of security solutions and electronic security during the year amounted to BSEK 14.1 (9.3).

Other operating income

Other operating income consists in its entirety of trade mark fees from Securitas Direct AB.

Financial income

Interest income is accounted for in the statement of income in the period to which it is attributable. Financial income and expenses are specified in note 14.

Note 11 *Operating income*

Statement of income

The table below illustrates the statement of income in summary classified according to type of cost.

MSEK	2016	2015
Total sales	**88 162.4**	**80 860.1**
Other operating income	20.5	17.7
Salaries (note 12)	-56 379.2	-53 084.1
Social benefits (note 12)	-12 769.6	-12 308.1
Depreciation and amortization (notes 13, 18, 19, 20)	-1 516.7	-1 346.8
Bad debt losses (note 25)	-88.6	-86.9
Other operating expenses	-13 275.6	-10 267.2
Total operating expenses	**-84 029.7**	**-77 093.1**
Operating income	**4 153.2**	**3 784.7**

Exchange rate differences

Exchange rate differences included in operating income amounted to MSEK -3.1 (-1.4).

Exchange rate differences included in net financial items are specified in note 14.

Items affecting comparability

The table below specifies the cash flow impact from items affecting comparability.

MSEK	2016	2015
Restructuring payments	-6.4	-14.7
Spain – overtime compensation	-0.2	-1.4
Germany – premises	-10.1	-10.8
Total cash flow impact	**-16.7**	**-26.9**

Acquisition related costs

The tables below specify what acquisition related costs are related to and how they would have been classified per function in the statement of income if the items had not been disclosed separately on the face of the statement of income. The tables also specify how the acquisition related costs are split by segment. There is also a specification of the cash flow impact from acquisition related costs.

MSEK	2016	2015
Restructuring and integration costs	-64.8	-17.7
Transaction costs	-43.4	-16.4
Revaluation of deferred considerations	-4.4	4.6
Total acquisition related costs	**-112.6**	**-29.5**

ACQUISITION RELATED COSTS ALLOCATED PER FUNCTION

MSEK	2016	2015
Production expenses	-12.9	–
Selling and administrative expenses[1]	-99.7	-29.5
Total acquisition related costs allocated per function	**-112.6**	**-29.5**

1 All transaction costs and revaluation of deferred considerations would have been classified as selling and administrative expenses in the statement of income if they had not been disclosed separately on the face of the statement of income.

ACQUISITION RELATED COSTS ALLOCATED PER SEGMENT

MSEK	2016	2015
Security Services North America	-69.2	–
Security Services Europe	-34.6	-11.6
Security Services Ibero-America	-1.3	-0.5
Other	-7.5	-17.4
Total acquisition related costs allocated per segment	**-112.6**	**-29.5**

CASH FLOW IMPACT FROM ACQUISITION RELATED COSTS

MSEK	2016	2015
Acquisition related costs according to the statement of income	-112.6	-29.5
Cash flow	-70.1	-34.0
Adjustment for effect on cash flow from acquisition related costs	**42.5**	**-4.5**

Audit fees and reimbursements

The table below specifies what audit fees and reimbursements are related to.

MSEK	2016	2015
PwC		
Audit assignments	37.9	32.4
Additional audit assignments	3.5	3.0
Tax assignments	13.3	14.0
Other assignments[1]	29.0	5.3
Total PwC	**83.7**	**54.7**
Other auditors		
Audit assignments	2.6	3.2
Total	**86.3**	**57.9**

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

Operating leasing contracts and rental contracts

Fees expensed during the year for operating leases for buildings, vehicles and machinery and equipment amounted to MSEK 1 095.0 (998.5).

The table below specifies how the nominal value of contractual future minimum lease payments is distributed.

MSEK	2016	2015
Maturity < 1 year	878.6	805.6
Maturity 1–5 years	1 964.5	1 767.9
Maturity > 5 years	1 005.9	1 187.3

NOTE 12 *Personnel*

AVERAGE NUMBER OF YEARLY EMPLOYEES: DISTRIBUTION BETWEEN WOMEN AND MEN[1]

	Women		Men		Total	
	2016	2015	2016	2015	2016	2015
Security Services North America[2]	28 371	26 395	73 622	72 018	101 993	98 413
Security Services Europe	18 339	18 442	86 353	89 353	104 692	107 795
Security Services Ibero-America	7 932	8 293	51 322	50 277	59 254	58 570
Other[2]	2 097	1 928	13 992	14 536	16 089	16 464
Total	**56 739**	**55 058**	**225 289**	**226 184**	**282 028**	**281 242**

In 2016, the number of Board members and Presidents was 94 (96), of whom 8 (8) were women.

STAFF COSTS FOR BOARD OF DIRECTORS AND PRESIDENTS

	2016			2015			Of which bonuses	
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)	2016	2015
Security Services North America	105.4	31.7	(15.7)	98.2	28.0	(14.4)	45.5	38.5
Security Services Europe	104.4	28.0	(9.0)	87.4	22.6	(7.7)	40.5	26.8
Security Services Ibero-America	36.6	3.9	(0.1)	36.1	3.9	(0.2)	9.8	11.6
Other	100.3	32.4	(8.3)	91.2	30.3	(7.6)	30.6	29.9
Total	**346.7**	**96.0**	**(33.1)**	**312.9**	**84.8**	**(29.9)**	**126.4**	**106.8**

STAFF COSTS FOR OTHER EMPLOYEES

	2016			2015		
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)
Security Services North America[2]	24 746.8	4 495.7	(326.7)	22 380.0	4 304.7	(289.2)
Security Services Europe	23 445.5	6 269.6	(684.2)	22 573.4	6 001.4	(643.7)
Security Services Ibero-America	6 768.7	1 799.6	(22.9)	6 788.9	1 816.2	(18.7)
Other[2]	1 071.5	108.7	(32.3)	1 028.9	101.0	(27.6)
Total	**56 032.5**	**12 673.6**	**(1 066.1)**	**52 771.2**	**12 223.3**	**(979.2)**

TOTAL STAFF COSTS: BOARD OF DIRECTORS, PRESIDENTS AND OTHER EMPLOYEES

	2016			2015		
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)
Security Services North America[2]	24 852.2	4 527.4	(342.4)	22 478.2	4 332.7	(303.6)
Security Services Europe	23 549.9	6 297.6	(693.2)	22 660.8	6 024.0	(651.4)
Security Services Ibero-America	6 805.3	1 803.5	(23.0)	6 825.0	1 820.1	(18.9)
Other[2]	1 171.8	141.1	(40.6)	1 120.1	131.3	(35.2)
Total	**56 379.2**	**12 769.6**	**(1 099.2)**	**53 084.1**	**12 308.1**	**(1 009.1)**

1 Average number of yearly employees exclude employees in associated companies. A complete specification of the average number of yearly employees by country is provided in the Annual Report submitted to the Swedish Companies Registration Office.
2 The comparatives have been restated due to an organizational change that took place in the Group as of September 1, 2016. This change has had no effect on the total Group level.

Further information regarding the Group's pensions and other long-term employee benefits is provided in note 31.

Securitas share-based incentive scheme
Securitas' Annual General Meeting May 4, 2016 resolved on a share and cash bonus scheme, a similar incentive scheme that the Annual General Meeting 2015 resolved on. The participants in the scheme have a variable remuneration based on performance. Two thirds of the variable remuneration/bonus will, according to the incentive scheme, be settled in cash the year after the performance year, while shares will be purchased for the remaining one third. The bonus criteria is based on individual performance and/or the performance for the part of the Group that the individual is responsible for. For Securitas there are no other material costs than the allotted bonus and related social benefits.

The share purchase in Securitas will be handled by trading on the Nasdaq Stockholm exchange through a swap agreement. Shares are purchased corresponding to one third of the total achieved bonus amount. The purchased shares will be allotted to the participants approximately one year after purchase, given that they are still employed by the Group. Securitas will not issue any new shares or similar due to this incentive scheme. The purpose is to replace cash bonus with shares in Securitas AB and thus increase the employees' ownership in Securitas.

The incentive scheme includes 1 358 participants (1 214) that are entitled to receive the share part according to the scheme. The total share-based remuneration for these participants amount to MSEK 147.9 (119.2) and is accounted for as a share-based remuneration in equity. In March 2017, shares in Securitas AB have been purchased corresponding to the value of the total share-based remuneration. The shares have been purchased through a swap agreement, based on the current market price at the time. The number of shares that have been purchased amount to a total of 1 079 190 (903 015) at a value of MSEK 149.8 (117.7). The shares will be allotted to the participants during the first quarter 2018, provided that they are still employed by the Group.

COSTS FOR SHARE-BASED INCENTIVE SCHEME: PRESIDENTS AND OTHER EMPLOYEES

MSEK	2016	2015
Bonus costs for incentive scheme	147.9	119.2
Social benefits for incentive scheme	39.3	38.2
Total	**187.2**	**157.4**

NOTE 13 *Depreciation and amortization*

MSEK	2016	2015
Software licenses	115.6	90.2
Other intangible assets	24.0	25.2
Buildings	12.6	13.0
Machinery and equipment	1 076.8	943.9
Total depreciation and amortization	**1 229.0**	**1 072.3**

DEPRECIATION AND AMORTIZATION FOR THE YEAR IS DISTRIBUTED IN THE STATEMENT OF INCOME AS BELOW

MSEK	2016	2015
Depreciation of tangible non-current assets		
Production expenses	725.7	607.8
Selling and administrative expenses	363.7	349.2
Total depreciation of tangible non-current assets	**1 089.4**	**957.0**
Amortization of intangible assets		
Production expenses	68.4	54.7
Selling and administrative expenses	71.2	60.6
Total amortization of intangible assets	**139.6**	**115.3**
Total depreciation and amortization	**1 229.0**	**1 072.3**

NOTE 14 *Net financial items*

MSEK	2016	2015
Interest income from financial assets at fair value through profit or loss	18.3	12.2
Interest income from loans and receivables	18.5	15.8
Total interest income	**36.8**	**28.0**
Other financial income	3.8	1.0
Exchange rate differences. net[1]	1.6	1.4
Total financial income	**42.2**	**30.4**
Interest expenses from financial liabilities at fair value through profit or loss	-63.0	-45.5
Interest expenses from financial liabilities designated as hedged item in a fair value hedge	-154.9	-139.3
Interest expenses from derivatives designated for hedging	82.7	61.0
Interest expenses from other financial liabilities	-277.7	-190.3
Total interest expenses	**-412.9**	**-314.1**
Revaluation of financial instruments	0.1	-0.1
Other financial expenses	-19.0	-24.5
Total financial expenses	**-431.8**	**-338.7**
Net financial items	**-389.6**	**-308.3**
Of which revaluations estimated with the use of valuation methods	0.1	-0.1

1 Exchange rate differences included in operating income are reported in note 11.

NOTE 15 *Taxes*

Statement of income

TAX EXPENSE

MSEK	2016	%	2015	%
Tax on income before taxes				
Current taxes	-882.3	*-23.4*	-993.0	*-28.6*
Deferred taxes	-235.4	*-6.3*	-39.5	*-1.1*
Total tax expense	**-1 117.7**	***-29.7***	**-1 032.5**	***-29.7***

The Swedish corporate tax rate was 22.0 percent (22.0). Securitas' tax rate was 29.7 percent (29.7).

DIFFERENCE BETWEEN STATUTORY SWEDISH TAX RATE AND ACTUAL TAX EXPENSE FOR THE GROUP

MSEK	2016	%	2015	%
Income before taxes according to the statement of income	**3 764**		**3 476**	
Tax based on Swedish tax rate	-828	*-22.0*	-765	*-22.0*
Difference between tax rate in Sweden and weighted tax rates for foreign subsidiaries	-302	*-8.0*	-266	*-7.7*
Tax related to previous years[1]	-37	*-1.0*	11	*0.3*
Recognition of previously unvalued tax losses	128	*3.4*	54	*1.6*
Revaluation of deferred tax following a change in tax rate	-19	*-0.5*	-15	*-0.4*
Other non-deductible items	-87	*-2.3*	-75	*-2.2*
Other tax exempt items	27	*0.7*	24	*0.7*
Actual tax expense	**-1 118**	***-29.7***	**-1 032**	***-29.7***

1 Whereof tax attributable to Spain MSEK 41. Refer to note 37 for further information.

Tax expense that may arise from dividends out of the distributable earnings have not been provided for. If distributed the tax expense arising would amount to MSEK 42 (58).

Other comprehensive income

TAX ON OTHER COMPREHENSIVE INCOME

MSEK	2016	2015
Deferred tax on remeasurements of defined benefit pension plans	-9.2	-29.3
Deferred tax on cash flow hedges	-4.9	-0.2
Deferred tax on net investment hedges	71.4	-5.4
Deferred tax on other comprehensive income	**57.3**	**-34.9**

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Balance sheet

CURRENT TAX ASSETS/ LIABILITIES

MSEK	2016	2015
Current tax assets	490.4	346.0
Current tax liabilities	401.4	409.9
Current tax assets/liabilities, net	**89.0**	**-63.9**

DEFERRED TAX ASSETS WERE ATTRIBUTABLE TO

MSEK	2016	2015
Pension provisions and employee-related liabilities	807.2	834.1
Liability insurance-related claims reserves	2.2	1.7
Tax loss carryforwards	265.3	242.3
Acquisition related intangible assets	73.5	73.6
Machinery and equipment	109.6	117.3
Other temporary differences	262.2	212.7
Total deferred tax assets	**1 520.0**	**1 481.7**
Whereof deferred tax assets expected to be used within 12 months	*815.0*	*726.2*
Net accounting[1]	-172.1	-104.4
Total deferred tax assets according to the balance sheet	**1 347.9**	**1 377.3**

DEFERRED TAX LIABILITIES WERE ATTRIBUTABLE TO

MSEK	2016	2015
Pension provisions and employee-related liabilities	56.9	49.4
Acquisition related intangible assets	269.6	256.2
Machinery and equipment	62.4	18.0
Other temporary differences	702.4	561.5
Total deferred tax liabilities	**1 091.3**	**885.1**
Whereof deferred tax liabilities expected to be used within 12 months	*209.0*	*192.3*
Net accounting[1]	-172.1	-104.4
Total deferred tax liabilities according to the balance sheet	**919.2**	**780.7**
Deferred tax assets/liabilities, net	**428.7**	**596.6**

1 Deferred tax assets and liabilities are reported in the balance sheet partly on a net basis after considering the set-off possibilities.

DEFERRED TAX ASSETS CHANGE ANALYSIS

MSEK	2016	2015
Opening balance deferred tax assets	1 481.7	1 592.6
Change due to:		
Deferred tax recognized in the statement of income	-11.6	-49.0
Changed tax rate	-20.2	-11.8
Acquisitions	67.2	1.3
Recognized in other comprehensive income	-26.5	-6.0
Translation differences	29.4	-45.4
Closing balance deferred tax assets	**1 520.0**	**1 481.7**
Change during the year	**38.3**	**-110.9**

DEFERRED TAX LIABILITIES CHANGE ANALYSIS

MSEK	2016	2015
Opening balance deferred tax liabilities	885.1	910.3
Change due to:		
Deferred tax recognized in the statement of income	166.2	-12.5
Changed tax rate	-2.0	-2.1
Acquisitions	-11.0	15.7
Recognized in other comprehensive income	27.8	3.6
Translation differences	25.2	-29.9
Closing balance deferred tax liabilities	**1 091.3**	**885.1**
Change during the year	**206.2**	**-25.2**

DEFERRED TAX ASSETS CHANGE ANALYSIS PER CATEGORY IN 2016

MSEK	Opening balance	Deferred tax recognized in the statement of income	Changed tax rate	Acquisitions	Recognized in other compre-hensive income	Translation differences	Closing balance
Pension provisions and employee-related liabilities	834.1	-5.5	-13.4	0.2	-29.3	21.1	807.2
Liability insurance-related claims reserves	1.7	0.3	–	–	–	0.2	2.2
Tax loss carryforwards	242.3	16.2	–	1.5	–	5.3	265.3
Acquisition related intangible assets	73.6	4.9	-6.3	1.3	–	–	73.5
Machinery and equipment	117.3	-10.4	-0.4	0.4	–	2.7	109.6
Other temporary differences	212.7	-17.1	-0.1	63.8	2.8	0.1	262.2
Total deferred tax assets	**1 481.7**						**1 520.0**
Change during the year		**-11.6**	**-20.2**	**67.2**	**-26.5**	**29.4**	**38.3**

DEFERRED TAX LIABILITIES CHANGE ANALYSIS PER CATEGORY IN 2016

MSEK	Opening balance	Deferred tax recognized in the statement of income	Changed tax rate	Acquisitions	Recognized in other compre-hensive income	Translation differences	Closing balance
Pension provisions and employee-related liabilities	49.4	8.7	-0.4	–	-0.8	–	56.9
Acquisition related intangible assets	256.2	-3.3	-2.3	-11.7	23.6	7.1	269.6
Machinery and equipment	18.0	43.5	0.1	–	–	0.8	62.4
Other temporary differences	561.5	117.3	0.6	0.7	5.0	17.3	702.4
Total deferred tax liabilities	**885.1**						**1 091.3**
Change during the year		**166.2**	**-2.0**	**-11.0**	**27.8**	**25.2**	**206.2**

Changes in deferred taxes between 2015 and 2016 are mainly explained by pension provisions, tax loss carryforwards and acquisition related intangible assets. There are no unrecognized temporary differences related to subsidiaries or associated companies. Provisions for taxes are reported in note 32.

Tax loss carryforwards

On December 31, 2016 subsidiaries in primarily Germany and Belgium had tax loss carryforwards of MSEK 1 828 (2 052). These tax loss carry-forwards expire as follows:

TAX LOSS CARRYFORWARDS

2017	13
2018	8
2019	21
2020–	299
Unlimited duration	1 487
Total tax loss carryforwards	**1 828**

Deferred tax assets related to tax losses are accounted for when it is probable that they can be utilized by future profits. As of December 31, 2016, tax loss carryforwards for which deferred tax assets had been recognized amounted to MSEK 914 (874) and deferred tax assets related to the tax losses amounted to MSEK 265 (242). Tax losses can be used to reduce future taxable income and tax payments.

NOTE 16 *Acquisitions and divestitures of subsidiaries*

Acquisition calculations are subject to final adjustment up to one year after the date of acquisition.

MSEK	Purchase price paid/ received[7]	Acquired/ divested net debt	Enterprise value	Goodwill[3]	Acquisition related intangible assets	Operating capital employed	Total capital employed	Share-holders' equity	Total
Diebold's Electronic Security, North America	-3 109.8	-75.9	-3 185.7	1 900.3	550.0	735.4	3 185.7	–	3 185.7
Draht+Schutz, Germany[4]	-98.8	-15.3	-114.1	89.9	26.6	-2.4	114.1	–	114.1
Infratek Security Solutions, Norway	-22.6	-9.1	-31.7	1.6	–	30.1	31.7	–	31.7
JC Ingeniería, Chile[4]	-18.6	1.4	-17.2	21.6	10.4	-14.8	17.2	–	17.2
Other acquisitions and divestitures[1,4]	-22.7	-2.6	-25.3	9.6	9.4	-26.4	-7.4	32.7[5]	25.3
Adjustments[2,4]	-122.4	–	-122.4	-0.6	–	118.6	118.0	4.4[6]	122.4
Total acquisitions and divestitures	**-3 394.9**	**-101.5**	**-3 496.4**	**2 022.4**	**596.4**	**840.5**	**3 459.3**	**37.1**	**3 496.4**
Liquid funds according to acquisition analyses	4.3								
Total effect on Group's liquid funds	**-3 390.6**								

1 Related to other acquisitions and divestitures for the period: Baysecur and BahnBauService, Germany, Sérénitis, France, Waterland Security Services (contract portfolio), LB Security and ESS, the Netherlands, divestiture of ancillary business, South Africa and SKL, South Korea.
2 Related to updated previous year acquisition calculations for the following entities: IBBC, Poland, Tehnomobil and Ozon Project, Croatia, Sensormatic, Turkey, Fuego Red, Argentina and Pinglin, China. Related also to deferred considerations paid in Sweden, Germany, France, the Netherlands, Poland, Croatia, Turkey, Argentina, Uruguay, China and South Africa.
3 Goodwill that is expected to be tax deductible has increased by net MSEK 1 900.3 during the year.
4 Deferred considerations have been recognized mainly based on an assessment of the future profitability development in the acquired entities for an agreed period. The net of new deferred considerations, payments made from previously recognized deferred considerations and revaluation of deferred considerations was MSEK -83.2. Total deferred considerations, short-term and long-term, in the Group's balance sheet amount to MSEK 215.1.
5 Income statement amounts to MSEK -9.2, retained earnings to MSEK 40.7 and non-controlling interest to MSEK 1.2.
6 Income statement amounts to MSEK 4.4 and retained earnings to MSEK 0.0.
7 No equity instruments have been issued in connection with the acquisitions.

The following definitions are used in the tables below

Full year sales: What the contribution to total sales would have been if the acquisition had been consolidated from January 1, 2016.

Contribution to total sales: What the acquisition has contributed to total sales for the year.

Full year net income: What the contribution to net income would have been if the acquisition had been consolidated from January 1, 2016.

Contribution to net income: What the acquisition has contributed to net income for the year.

Acquisition of the business in Diebold's Electronic Security, North America

In October 2015 Securitas agreed to acquire the commercial contracts and operational assets of Diebold Incorporated's Electronic Security business in North America, which is the third largest commercial electronic Security provider in North America. For more than 70 years, Diebold's North American Electronic Security business has brought together technology innovations, security expertise and quality services to become a leading provider of comprehensive electronic security solutions and services to business customers. Diebold's North American Electronic Security business has approximately 1 100 employees. In the beginning of 2016, the regulatory authorities approved Securitas' acquisition of Diebold's North American Electronic Security business. The acquisition was finalized on February 1, 2016, from which date it was consolidated in Securitas. Goodwill, which amounts to MSEK 1 900.3, is mainly related to operational expansion. The acquisition is included in the segment Security Services North America.

SUMMARY BALANCE SHEET AS OF ACQUISITION DATE FEBRUARY 1, 2016

MSEK	Fair value acquisition balance
Operating non-current assets	117.2
Accounts receivable	427.7
Other assets	530.3
Other liabilities	-339.8
Total operating capital employed	**735.4**
Goodwill from the acquisition	1 900.3
Acquisition related intangible assets	550.0
Total capital employed	**3 185.7**
Net debt	-75.9
Total acquired net assets	**3 109.8**
Purchase price paid	-3 109.8
Liquid funds in accordance with acquisition analysis	–
Total impact on the Group's liquid funds	**-3 109.8**

Goodwill that is expected to be tax deductible amounts to MSEK 1 900.3.

ASSETS (MSEK)	
Goodwill	1 900.3
Acquisition related intangible assets	550.0
Interest-bearing financial non-current assets	–
Other non-current assets	182.8
Inventory	111.8
Accounts receivable	427.7
Other interest-bearing current assets	–
Other current assets	352.9
Total assets	**3 525.5**

LIABILITIES (MSEK)	
Long-term loan liabilities[1]	-46.9
Short-term loan liabilities[1]	-29.0
Other non-current liabilities	-8.5
Other current liabilities	-331.3
Total liabilities	**-415.7**
Total acquired net assets	**3 109.8**

OTHER DISCLOSURES DIEBOLD'S ELECTRONIC SECURITY, NORTH AMERICA	
Acquired share, %[2]	–
Full year sales, MSEK	3 076.1
Contribution to total sales, MSEK	2 863.6
Full year net income, MSEK	61.1
Contribution to net income, MSEK	52.8
Provision for bad debt included in accounts receivable, MSEK	-92.9
Transaction costs, MSEK	23.8

1 Related to loans for finance leases.
2 Asset deal.

Acquisition of the business in Draht+Schutz, Germany

Securitas has acquired all of the shares in the electronic security company Draht+Schutz in Germany. Draht+Schutz Unternehmensgruppe is a full-service provider in the electronic security industry. It offers a full spectrum of consulting, design, installation and maintenance of anti-burglary and fire control systems, CCTV, access control and perimeter security systems. Draht+Schutz has national coverage in Germany and mainly operates in the small and medium-sized enterprise segment. The company has a strong focus on multi-location chain accounts and petrol stations, where they offer standardized solutions and a high degree of process automation. Draht+Schutz has 160 employees. The regulatory authorities approved the acquisition on May 2, 2016, from which date it was consolidated in Securitas. Goodwill, which amounts to MSEK 89.9, is mainly related to operational expansion. The acquisition is included in the segment Security Services Europe.

SUMMARY BALANCE SHEET AS OF ACQUISITION DATE MAY 2, 2016

MSEK	Fair value acquisition balance
Operating non-current assets	13.9
Accounts receivable	24.9
Other assets	6.6
Other liabilities	-45.5
Contingent considerations[1]	-2.3
Total operating capital employed	**-2.4**
Goodwill from the acquisition	89.9
Acquisition related intangible assets	26.6
Total capital employed	**114.1**
Net debt	-15.3
Total acquired net assets	**98.8**

Purchase price paid	-98.8
Liquid funds in accordance with acquisition analysis	-15.7
Total impact on the Group's liquid funds	**-114.5**

1 Contingent consideration is conditioned on the renewal of certain customer contracts. The recognized amount is the maximum amount of the final outcome of the payment.

OTHER DISCLOSURES DRAHT+SCHUTZ, GERMANY	
Acquired share, %	100.0
Full year sales, MSEK	168.3
Contribution to total sales, MSEK	116.7
Full year net income, MSEK	-26.8
Contribution to net income, MSEK	-13.8
Provision for bad debt included in accounts receivable, MSEK	-0.4
Transaction costs, MSEK	6.6

Acquisition of the business in Infratek Security Solutions, Norway

Securitas has acquired all of the shares in the electronic security company Infratek Security Solutions in Norway. Infratek Security Solutions delivers technical security solutions to corporations in Norway and, to a lesser extent, in Sweden. Among the deliveries are electronic solutions for the retail business, access control, alarm systems and camera surveillance. The company has 102 employees. This acquisition strengthened Securitas' technology offering in Norway and position as the leading security solutions provider. The acquisition was approved by the regulatory authorities on August 24, 2016, from which point it was consolidated in Securitas. Goodwill, which amounts to MSEK 1.6, is mainly related to operational expansion. The acquisition is included in the segment Security Services Europe.

SUMMARY BALANCE SHEET AS OF ACQUISITION DATE AUGUST 24, 2016

MSEK	Fair value acquisition balance
Operating non-current assets	1.1
Accounts receivable	20.6
Other assets	53.1
Other liabilities	-44.7
Total operating capital employed	**30.1**
Goodwill from the acquisition	1.6
Acquisition related intangible assets	-
Total capital employed	**31.7**
Net debt	-9.1
Total acquired net assets	**22.6**
Purchase price paid	-22.6
Liquid funds in accordance with acquisition analysis	17.3
Total impact on the Group's liquid funds	**-5.3**

OTHER DISCLOSURES INFRATEK SECURITY SOLUTIONS, NORWAY

Acquired share, %	100.0
Full year sales, MSEK	210.9
Contribution to total sales, MSEK	77.0
Full year net income, MSEK	8.5
Contribution to net income, MSEK	9.6
Provision for bad debt included in accounts receivable, MSEK	-0.5
Transaction costs, MSEK	1.5

Acquisition of the business in JC Ingeniería, Chile

Securitas has acquired all of the shares in the electronic security company JC Ingeniería in Chile. JC Ingeniería operates in the fire alarm and surveillance systems area, including design, surveillance and maintenance. The company focuses on designing, engineering and installing integrated security systems. The company has 56 employees and a national coverage but with focus on the area of Santiago de Chile. Securitas has a strong position in Chile, being one of the two leading security services companies in the country. With the acquisition of JC Ingeniería, Securitas Chile will expand in the electronic security area and become a strong actor in fire surveillance. The acquisition was consolidated in Securitas on October 3, 2016. Goodwill, which amounts to MSEK 21.6, is mainly related to operational expansion. The acquisition is included in the segment Security Services Ibero-America.

SUMMARY BALANCE SHEET AS OF ACQUISITION DATE OCTOBER 3, 2016

MSEK	Fair value acquisition balance
Operating non-current assets	0.5
Accounts receivable	2.8
Other assets	3.5
Other liabilities	-5.3
Deferred considerations[1]	-16.3
Total operating capital employed	**-14.8**
Goodwill from the acquisition	21.6
Acquisition related intangible assets	10.4
Total capital employed	**17.2**
Net debt	1.4
Total acquired net assets	**18.6**
Purchase price paid	-18.6
Liquid funds in accordance with acquisition analysis	1.2
Total impact on the Group's liquid funds	**-17.4**

1 Deferred considerations have been recognized mainly based on assessment of the future profitability development for an agreed period. The recognized amount is Securitas' best estimate of the final outcome. Thus, no estimate of the range of outcomes has been calculated. Deferred consideration is linked to the future development of profitability in the acquired company and the final outcome of the payment may consequently exceed the estimated amount.

OTHER DISCLOSURES JC INGENIERÍA, CHILE

Acquired share, %	100.0
Full year sales, MSEK	23.8
Contribution to total sales, MSEK	7.1
Full year net income, MSEK	-1.2
Contribution to net income, MSEK	0.3
Provision for bad debt included in accounts receivable, MSEK	-0.5
Transaction costs, MSEK	1.2

Other acquisitions and divestitures

SUMMARY BALANCE SHEET

MSEK	Fair value acquisition balance
Operating non-current assets	0.2
Accounts receivable	3.2
Other assets	3.1
Other liabilities	-6.8
Deferred considerations[1]	-26.1
Total operating capital employed	**-26.4**
Goodwill from the acquisitions[2]	9.6
Acquisition related intangible assets[3]	9.4
Total capital employed	**-7.4**
Net debt	-2.6
Non-controlling interest	1.2
Total acquired/divested net assets[4]	**-8.8**
Purchase price paid/received[4]	-22.7
Liquid funds in accordance with acquisition analyses	1.5
Total impact on the Group's liquid funds	**-21.2**

1 Deferred considerations for acquisitions made during 2016 have been recognized mainly based on assessment of the future profitability development for an agreed period. The recognized amount is Securitas´ best estimate of the final outcome. Thus, no estimate of the range of outcomes has been calculated. Deferred consideration is linked to the future development of profitability in the acquired companies and the final outcome of the payment may consequently exceed the estimated amount.
2 Mainly related to acquisition of Sérénitis, France and divestiture of ancillary business, South Africa.
3 Mainly related to acquisition of contract portfolio in Sérénitis, France and Waterland Security Services, the Netherlands.
4 Purchase price paid/received differs to total acquired/divested net assets due to capital gain on divestiture of MSEK -9.2 and transactions with non-controlling interests of MSEK 40.7.

Transaction costs amount to MSEK 3.2.
Goodwill that is expected to be tax deductible amounts to MSEK 0.0.

Adjustments and payments of deferred considerations

SUMMARY BALANCE SHEET

MSEK	Fair value acquisition balance
Operating non-current assets	–
Accounts receivable	0.0
Other assets	-9.7
Other liabilities	0.3
Deferred considerations[1]	128.0
Total operating capital employed	**118.6**
Goodwill from the acquisitions[2]	-0.6
Acquisition related intangible assets	–
Total capital employed	**118.0**
Net debt	–
Total acquired/divested net assets[3]	**118.0**
Purchase price paid/received[3]	-122.4
Liquid funds in accordance with acquisition analyses	–
Total impact on the Group's liquid funds	**-122.4**

1 Mainly related to payments of deferred considerations for IBBC, Poland, Tehnomobil and Ozon Project, Croatia, Sensormatic and DAK Güvenlik, Turkey, Pinglin, China and Rentsec and Vamsa, South Africa.
2 Related to update of the acquisition calculation for Pinglin, China.
3 Purchase price paid/received differs to total acquired/divested net assets due to revaluation of deferred consideration of MSEK 4.4.

Transaction costs amount to MSEK 7.1.
Goodwill that is expected to be tax deductible has changed by net MSEK 0.0 during the year.

NOTE 17 *Goodwill and impairment testing*

MSEK	2016	2015
Opening balance	16 794.3	16 606.2
Acquisitions and divestitures	2 022.4	54.2
Translation difference	944.4	133.9
Closing accumulated balance	**19 761.1**	**16 794.3**
Opening impairment losses	-365.9	-378.1
Translation difference	-15.6	12.2
Closing accumulated impairment losses	**-381.5**	**-365.9**
Closing residual value	**19 379.6**	**16 428.4**

GOODWILL ALLOCATED PER SEGMENT

MSEK	2016	2015
Security Services North America[1]	10 369.9	7 754.9
Security Services Europe	7 322.1	7 071.2
Security Services Ibero-America	1 383.8	1 318.9
Other[1]	303.8	283.4
Total goodwill	**19 379.6**	**16 428.4**

1 The comparatives have been restated due to an organizational change that took place in the Group as of September 1, 2016. This change has had no effect on the total Group level.

Impairment testing

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Unit), that is, per country in a segment.

Goodwill and intangible assets with indefinite useful life
Goodwill is tested on an annual basis for possible impairment. Securitas also carries out impairment testing for other intangible assets for which there is an indefinite useful life. Currently these assets are limited to MSEK 15.9 (15.9) and relates to the consideration paid for the brand Securitas in one of the Group's countries of operations. The annual impairment test of all Cash Generating Units (CGUs), which is required under IFRS, took place during the third quarter 2016 in conjunction with the business plan process for 2017. During this year's assessment a total number of 53 CGUs were tested for impairment of goodwill.

Valuation methodology
Value in use is measured as expected future discounted cash flows and is based upon a maximum of three steps: Gordon growth model[1] and a five or ten year discounted cash flow model.

The purpose of using the Gordon growth model is to exclude any CGU that even with this simplified methodology will pass the impairment test, in order to proceed with an in-depth analysis of the remaining CGUs with a carrying amount that exceeds the recoverable amount when employing this simplified model. In addition to this, units whose carrying amount is less than the recoverable amount by a small margin and/or whose financial plans are regarded to be more uncertain will also be a subject of an in-depth analysis. In this subsequent step the cash flows have been calculated based on financial plans developed in each country. The financial plans are built upon the regular business plan for the next financial year which has been ascertained by Group Management and has been presented to the Board of Directors. These financial plans normally cover a forecasted period of five years and include the organic sales growth, the development of operating margin, and changes in the level of operating capital employed. Cash flows beyond the five year forecast have been extrapolated using an estimated growth rate of 2–5 percent for all countries.

1 Gordon's growth model is the geometrical sum of the eternal future cash flows, which are used to determine the terminal value in a discounted cash flow model. The model is less sophisticated than a five or ten year discounted cash flow model as it excludes the forecasting period.

A long-term growth rate of 2 percent for guarding services in mature markets is at present regarded as being a reasonable estimate in view of the business areas' historical organic growth rate and also taking into consideration external estimates of the future. Freedonia for example, estimates that the market for guarding services in Europe will grow at an average rate of some 4 percent per annum during the period 2013 to 2023. The corresponding figure for the North American market is around 5 percent. The market for integrated security solutions is estimated to grow faster than traditional guarding. In developing markets such as Eastern Europe, Latin America, Africa, the Middle East and Asia the growth rate for guarding services is estimated at 5 percent.

Material assumptions

The calculation of the value in use is based on assumptions and assessments in addition to the estimated growth beyond the forecast period. The most significant of these relate to the organic sales growth, the development of the operating margin, the change in operating capital employed as well as the relevant WACC (Weighted Average Cost of Capital) for the valuation, that is WACC after tax used to discount the future cash flows. These assumptions and judgments are also based on financial plans developed in each country and business segment and are built upon the regular business plan for the next financial year which has been ascertained by Group Management and presented to the Board of Directors. In addition to this, the assumptions and judgments are based on each country's and each line of business' growth and profitability level. Assumptions relating to WACC are calculated individually on a CGU-basis.

The table below shows the assumptions and estimates that have formed the base for the impairment testing in summary and by segment.

	Estimated growth rate beyond forecasted period, %	*WACC, %*	*WACC before tax, %*
2016			
Security Services North America[1]	*2.0*	*6.1–10.6*	*7.8–13.4*
Security Services Europe[1]	*2.0*	*4.6–14.0*	*5.4–16.6*
Security Services Ibero-America	*2.0–5.0*	*5.0–20.4*	*5.9–29.3*
Other[2]	*2.0–5.0*	*6.2–18.1*	*7.0–24.4*
2015			
Security Services North America[1]	*2.0*	*6.7–10.8*	*8.7–13.9*
Security Services Europe[1]	*2.0*	*5.3–14.1*	*6.3–16.9*
Security Services Ibero-America	*2.0–5.0*	*5.8–21.0*	*7.0–30.3*
Other[2]	*2.0–5.0*	*6.9–16.4*	*8.0–26.9*

1 Mexico and Eastern Europe is considered to have a higher growth rate beyond forecasted period (2.0–5.0%). These regions represent a minority of the respective segments, hence the growth rate of the segments are reported as 2.0 %.
2 The operations in Africa, the Middle East and Asia are included in Other.

Impairment testing of goodwill and intangible assets with indefinite useful life

The 2016 impairment test showed that none of the CGUs tested for impairment had a carrying amount that exceeded the recoverable amount. During this year's assessment six CGUs in Security Services Europe, three CGUs in Security Services Ibero-America and five CGUs included in Other were tested in accordance with an in-depth analysis. The result of the analysis gave that no impairment losses have been recognized in 2016. No impairment losses of goodwill or other acquisition related intangible assets were recognized in 2015 either.

Sensitivity analysis

The following sensitivity analyses have been made of the estimates of value in use in connection with impairment testing, assumption by assumption: general reduction of 1 percentage point in the organic sales growth rate during the forecasting period; general reduction of 0.5 percentage points in the operating margin; general increase of 0.5 percentage points in the WACC and general decrease of the estimated growth after the forecasted period by 0.5 percentage points. A sensitivity analysis for changes in the assumptions used in the impairment testing has been established for the units that have been tested in accordance with the in-depth analysis of a five or ten year discounted cash flow model. The rationale is that the first step in the test, which is based on the Gordon growth model, is only employed to retrieve the number of units that require an in-depth analysis and the model itself does not incorporate the financial plans that have been adopted for the forecasting period and so the establishment of a sensitivity analysis is not deemed relevant.

For conducted sensitivity analyses, the conclusion is that a reduction of the organic sales growth by 1 percentage point during the forecasting period would result in an impairment loss of goodwill of totally MSEK -0.1 for one CGU in Security Services Ibero-America. Moreover, a reduction of 0.5 percentage points in the operating margin would result in an impairment loss of goodwill of MSEK -0.3 for one CGU in Security Services Europe, total MSEK -4 for two CGU's in Security Services Ibero-America and finally total MSEK -2 for two CGU's in Other which includes the operations in Africa, the Middle East and Asia. An increase in the WACC for conducted sensitivity analyses of 0.5 percentage points would result in an impairment loss of goodwill of totally MSEK -2 for one CGU in Security Services Europe. A general decrease of the estimated growth after the forecasted period for conducted sensitivity analyses by 1 percentage point would result in an impairment loss of goodwill of totally MSEK -2 for one CGU in Security Services Europe. Aside from this, the conducted sensitivity analyses showed that none of the adjustments stand alone would result in an impairment loss in any CGU.

NOTE 18 *Acquisition related intangible assets*[1]

MSEK	2016	2015
Opening balance	2 390.5	2 507.2
Acquisitions and divestitures	596.4	57.2
Derecognition of fully amortized assets[2]	-30.7	-72.0
Translation difference	117.7	-101.9
Closing accumulated balance	**3 073.9**	**2 390.5**
Opening amortization	-1 392.9	-1 252.4
Reversal of amortization on derecognized assets[2]	30.7	72.0
Amortization for the year	-287.7	-274.5
Translation difference	-57.2	62.0
Closing accumulated amortization	**-1 707.1**	**-1 392.9**
Opening impairment losses	-10.3	-10.6
Translation difference	-0.4	0.3
Closing accumulated impairment losses	**-10.7**	**-10.3**
Closing residual value	**1 356.1**	**987.3**

1 The balance consists mainly of contract portfolios and related customer relations.
2 The Group derecognizes fully amortized acquisition related intangible assets if a reliable estimate of future cash flows cannot be established. The net impact of such derecognition on the closing residual value is nil.

Note 19 *Other intangible assets*

	Software licenses		Other intangible assets[1]	
MSEK	2016	2015	2016	2015
Opening balance	1 068.5	952.3	200.1	188.0
Acquisitions and divestitures	50.0	-0.3	–	–
Capital expenditures	117.6	126.4	16.9	31.3
Disposals/write-offs	-40.1	-20.2	-10.7	-8.8
Reclassification	32.4	38.6	0.0	-7.2
Translation difference	31.5	-28.3	5.1	-3.2
Closing accumulated balance	**1 259.9**	**1 068.5**	**211.4**	**200.1**
Opening amortization	-692.2	-638.7	-120.9	-103.3
Acquisitions and divestitures	-8.0	0.3	–	–
Disposals/write-offs	36.0	11.4	7.4	5.5
Reclassification	0.1	3.2	–	-0.1
Amortization for the year	-115.6	-90.2	-24.0	-25.2
Translation difference	-23.5	21.8	-3.7	2.2
Closing accumulated amortization	**-803.2**	**-692.2**	**-141.2**	**-120.9**
Closing residual value	**456.7**	**376.3**	**70.2**	**79.2**

1 Mainly related to individual customer contracts within Security Services Europe.
Furthermore the brand name Securitas in one of the Group's countries of operations is included with MSEK 15.9 (15.9).

Note 20 *Tangible non-current assets*

	Buildings and land[1,3]		Machinery and equipment[2,3]	
MSEK	2016	2015	2016	2015
Opening balance	629.4	653.1	9 802.0	9 188.7
Acquisitions and divestitures	–	-27.2	116.7	-12.3
Capital expenditures	1.0	33.2	1 732.6	1 298.8
Disposals/write-offs	-1.1	-6.1	-786.5	-544.6
Reclassification	-0.6	-0.5	-23.2	-31.6
Translation difference	18.8	-23.1	318.9	-97.0
Closing accumulated balance	**647.5**	**629.4**	**11 160.5**	**9 802.0**
Opening depreciation	-321.5	-334.1	-7 370.4	-6 931.6
Acquisitions and divestitures	–	13.5	-19.5	8.9
Disposals/write-offs	0.8	1.6	629.2	430.8
Reclassification	0.1	0.0	-3.0	-2.4
Depreciation for the year	-12.6	-13.0	-1 076.8	-943.9
Translation difference	-11.6	10.5	-265.7	67.8
Closing accumulated depreciation	**-344.8**	**-321.5**	**-8 106.2**	**-7 370.4**
Opening impairment losses	-18.4	-19.0	–	–
Translation difference	-0.8	0.6	–	–
Closing accumulated impairment losses	**-19.2**	**-18.4**	**–**	**–**
Closing residual value	**283.5**	**289.5**	**3 054.3**	**2 431.6**

1 The closing residual value of land included in buildings and land above was MSEK 57.5 (55.5).
2 Machinery and equipment comprises vehicles, equipment, security equipment (including alarm systems) and IT and telecom equipment.
3 Of which closing residual value under finance leases for buildings and land MSEK 0.0 (0.0) and for machinery and equipment MSEK 207.2 (126.6).

NOTE 21 *Shares in associated companies*[1]

MSEK	2016	2015
Opening balance	369.0	324.5
Purchase price/investment	0.0	0.1
Share in income of associated companies	28.2	17.3
Dividend	-10.3	-2.4
New issue/contributions	10.5	0.0
Translation differences	22.1	29.5
Closing balance[2]	**419.5**	**369.0**

1 A complete specification of associated companies can be obtained from the Parent Company.
2 Of which goodwill MSEK 371.4 (349.4) and acquisition related intangible assets MSEK 23.2 (24.6).

Financial information associated companies

Summarised financial information regarding the Group's associated companies is specified in the table below. The information is on 100 percent basis.

The Group's share of capital in associated companies amounts to 17–49 percent.

MSEK	2016	2015
Sales	1 877.8	1 539.1
Net income	41.4	29.2
Assets	1 141.1	948.4
Liabilities	809.4	689.7

NOTE 22 *Interest-bearing financial non-current assets*[1]

MSEK	2016	2015
Derivatives with positive fair value, long-term		
Derivatives in fair value hedges[2]	247.1	249.8
Derivatives in cash flow hedges[2]	1.7	2.1
Total derivatives with positive fair value, long-term	**248.8**	**251.9**
Other items[3]	162.9	91.9
Total interest-bearing financial non-current assets	**411.7**	**343.8**

1 Further information regarding financial instruments is provided in note 6.
2 Related to derivatives designated for hedging.
3 Related to loans and receivables.

NOTE 23 *Other long-term receivables*

MSEK	2016	2015
Pension balances, defined contribution plans[1]	117.0	110.7
Pension balances, defined benefit plans[2]	40.1	3.3
Reimbursement rights[3]	150.2	127.2
Other long-term receivables	461.8	454.4
Total other long-term receivables	**769.1**	**695.6**

1 Refers to assets relating to insured pension plans excluding social benefits.
2 Refers to assets related to pensions and other long-term employee benefit plans. Further information is provided in note 31.
3 Refers to assets relating to defined benefit pension plans where compensation is received from another party.

NOTE 24 *Inventories*

MSEK	2016	2015
Material and consumables	337.9	171.5
Advance payments to suppliers	15.2	11.8
Total inventories	**353.1**	**183.3**

NOTE 25 *Accounts receivable*

MSEK	2016	%	2015	%
Accounts receivable before deduction of provisions for bad debt losses	13 875.6	*100*	11 789.4	*100*
Provisions for bad debt losses	-523.0	*-4*	-436.0	*-4*
Total accounts receivable	**13 352.6**	***96***	**11 353.4**	***96***

MSEK	2016	2015
Opening balance provision for bad debt losses	-436.0	-471.2
Provision for expected losses	-206.2	-163.3
Reversed provisions	103.4	82.5
Actual losses	103.9	103.7
Acquisitions	-71.6	0.0
Translation differences	-16.5	12.3
Closing balance provision for bad debt losses[1]	**-523.0**	**-436.0**

1 Expenses for bad debt losses amounted to MSEK 88.6 (86.9).

AGEING OF ACCOUNTS RECEIVABLE BEFORE DEDUCTION OF PROVISION FOR BAD DEBT LOSSES

MSEK	2016	%	2015	%
Overdue 1–30 days	2 685.3	*19*	2 180.0	*18*
Overdue 31–90 days	1 146.9	*8*	808.8	*7*
Overdue 91–180 days	342.6	*3*	212.0	*2*
Overdue >180 days	514.2	*4*	430.8	*4*
Total overdue	**4 689.0**	***34***	**3 631.6**	***31***

NOTE 26 *Other current receivables*

MSEK	2016	2015
Accrued sales income	2 394.1	1 670.8
Prepaid expenses and other accrued income	866.8	814.0
Insurance-related receivables	25.3	48.1
Value added tax	177.2	134.6
Other items	589.5	374.4
Total other current receivables	**4 052.9**	**3 041.9**

NOTE 27 *Other interest-bearing current assets*[1]

MSEK	2016	2015
Derivatives with positive fair value, short-term		
Derivatives in fair value hedges[2]	2.0	–
Derivatives in net investment hedges[2]	0.1	3.0
Other derivatives[3]	59.7	45.8
Total derivatives with positive fair value, short-term	**61.8**	**48.8**
Other interest-bearing current assets	127.4	238.8
Total other interest-bearing current assets	**189.2**	**287.6**

1 Further information regarding financial instruments is provided in note 6.
2 Related to derivatives designated for hedging.
3 Related to financial assets at fair value through profit or loss.

NOTE 28 *Liquid funds*[1]

MSEK	2016	2015
Short-term investments[2]	1 265.8	873.3
Cash and bank deposits[3]	1 148.7	1 197.9
Total liquid funds	**2 414.5**	**2 071.2**

1 Liquid funds include short-term investments with a maximum duration of 90 days that are readily convertible to a known amount of cash and subject to an insignificant risk of change in value. Liquid funds also include cash and bank deposits.
2 Short-term investments refer to fixed interest rate bank deposits.
3 The net position in Group country cash-pool accounts is reported as cash and bank deposits where netting reflects the legal structure of the arrangement.

NOTE 29 *Shareholders' equity*

Number of shares outstanding December 31, 2016

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

The number of Series A and Series B shares is unchanged in relation to December 31, 2015. As of December 31, 2016 there were no outstanding convertible debenture loans that could result in any dilution of the share capital.

Each Series A share carries ten votes and each Series B share one vote. This is the only difference between the two series of shares.

Shareholders with more than 10 percent of the votes

The principal shareholders are Gustaf Douglas, who through family and the companies within the Investment AB Latour Group holds 10.9 percent of the capital and 29.6 percent of the votes, and Melker Schörling, who through family and Melker Schörling AB holds 5.4 percent of the capital and 11.6 percent of the votes.

Dividend

The Board of Directors propose a dividend to the shareholders of the Parent Company of SEK 3.75 per share, or a total of MSEK 1 369.0. The dividend to the shareholders for the financial year 2015, which was paid in 2016, was SEK 3.50 per share, or a total of MSEK 1 277.7.

Presentation of shareholders' equity

According to IAS 1 a company should as a minimum present issued capital and other reserves in the balance sheet. Securitas has chosen to specify shareholders' equity into further components as per below:

- Share capital
- Other capital contributed
- Other reserves
- Retained earnings

Share capital shows the registered share capital of the Parent Company. There were no changes in the share capital in 2016.

In other capital contributed, the total amount of all transactions Securitas AB has had with its shareholders is included. Transactions that have taken place with shareholders are issued capital to premium. The amount presented in this sub-component corresponds to capital received (reduced by commission costs) in excess of par value of issued capital. There were no changes in other capital contributed in 2016.

Other reserves show income and expense items that according to certain standards should be recognized in other comprehensive income. In the case of Securitas, other reserves consist of translation differences attributable to the translation of foreign subsidiaries and associated companies according to IAS 21, and of the hedging reserve of cash flow hedges. The amount in the hedging reserve will be transferred to the statement of income over the following six years.

Retained earnings corresponds to the accumulated profits earned and losses incurred in total for the Group. Retained earnings also include effects of the Group's share-based incentive scheme as well as remeasurements of post-employment benefits posted in other comprehensive income. Retained earnings are further reduced by dividend paid to shareholders of the Parent Company. Transactions with non-controlling interests are also recorded in retained earnings.

Share-based incentive scheme

Securitas' share-based incentive scheme has had the following impact on retained earnings:

MSEK	2016	2015
Swap agreement[1]	-117.7	-93.2
Share-based remuneration to employees	147.9	119.2
Non-vested shares	1.0	2.2
Total	**31.2**	**28.2**

1 The number of shares that have been hedged in this swap agreement amount to a total of 903 015 (795 158) and have been allotted to the participants during the first quarter 2017, provided that they were still employed by the Group at that time.

Non-controlling interests

The table below specifies the Group's non-controlling interests:

MSEK	2016	2015
Opening balance	20.3	18.9
Acquisitions/investments	0.4	–
Disposals	-2.8	–
Dividend	-4.1	-3.5
Capital contribution	0.3	–
Total transactions with non-controlling interests	**-6.2**	**-3.5**
Share in net income	3.9	7.4
Share in other comprehensive income, translation differences	2.7	-2.5
Total comprehensive income for the year	**6.6**	**4.9**
Closing balance	**20.7**	**20.3**

NOTE 30 *Long-term liabilities excluding provisions*[1]

MSEK	2016	2015
EMTN Nom MEUR 350, 2016/2022, Annual 1.25%[2]	3 331.1	-
EMTN Nom MEUR 350, 2013/2021, Annual 2.625%[2]	3 552.7	3 391.6
EMTN Nom MEUR 300, 2012/2018, Annual 2.25%[2]	2 893.8	2 788.2
EMTN Nom MEUR 350, 2012/2017, Annual 2.75%[2]	-	3 215.5
EMTN Nom MUSD 40, 2015/2021, FRN Quarterly[2]	361.7	335.5
EMTN Nom MUSD 40, 2015/2021, FRN Quarterly[2]	361.6	335.4
EMTN Nom MUSD 60, 2014/2021, FRN Quarterly[2]	542.5	503.8
EMTN Nom MUSD 40, 2014/2020, FRN Quarterly[2]	361.7	335.5
EMTN Nom MUSD 85, 2013/2019, FRN Quarterly[2]	768.9	713.2
EMTN Nom MUSD 50, 2011/2018, FRN Quarterly[2]	452.5	419.7
Finance leases	111.1	59.3
Other long-term loans	25.2	29.7
Total long-term loan liabilities excluding derivatives	**12 762.8**	**12 127.4**
Derivatives with negative fair value, long-term[3]	44.1	1.6
Total derivatives with negative fair value, long-term	**44.1**	**1.6**
Total long-term loan liabilities	**12 806.9**	**12 129.0**
Pensions balances, defined contribution plans[4]	117.0	110.7
Deferred considerations[5]	129.6	191.8
Other long-term liabilities	11.5	9.4
Total other long-term liabilities	**258.1**	**311.9**
Total long-term liabilities	**13 065.0**	**12 440.9**

1 For further information regarding financial instruments, refer to note 6.
2 Issued by the Parent Company.
3 Related to derivatives designated for hedging. 2015 relates to cash flow hedges. 2016 relates to both cash flow hedges and fair value hedges. The EUR/USD cross currency interest rate swaps are bifurcated for hedging purposes. The EUR/SEK element, amounting to MSEK -78.0, is accounted for under cash flow hedge accounting. The SEK/USD element, amounting to MSEK 122.1, is accounted for under net investment hedge accounting.
4 Refers to liability for insured pension plan excluding social costs.
5 Recognized at fair value.

LONG-TERM LIABILITIES FALL DUE FOR PAYMENT AS FOLLOWS

MSEK	2016	2015
Maturity < 5 years	9 588.6	7 786.3
Maturity > 5 years	3 476.4	4 654.6
Total long-term liabilities	**13 065.0**	**12 440.9**

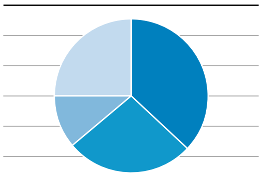
NOTE 31 *Provisions for pensions and similar commitments*

Overview

The Group operates or participates in a number of defined benefit and defined contribution pension and other long-term employee benefit plans throughout the world. These plans are structured in accordance with local rules and practices.

The graphs below provide an overview of the Group's defined benefit plans.

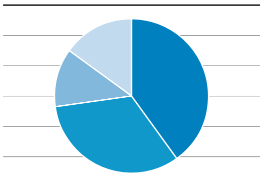
Defined benefit obligations



- US MSEK 1 560, 37%
- Switzerland MSEK 1 151, 27%
- Norway MSEK 473, 11%
- Other countries[1] MSEK 1 068, 25%

Total MSEK 4 252

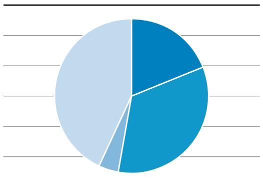
Plan assets



- US MSEK 1 241, 40%
- Switzerland MSEK 1 018, 33%
- Norway MSEK 382, 12%
- Other countries[1] MSEK 475, 15%

Total MSEK 3 116

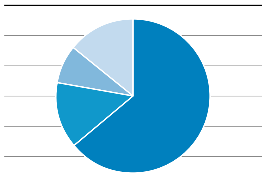
Pension costs



- US MSEK 27, 19%
- Switzerland MSEK 48, 34%
- Norway MSEK 6, 4%
- Other countries[1] MSEK 63, 43%

Total MSEK 144

Employer contributions



- US MSEK 239, 64%
- Switzerland MSEK 51, 14%
- Norway MSEK 29, 8%
- Other countries[1] MSEK 52, 14%

Total MSEK 371

1 In total 18 countries. Most of these countries have unfunded plans. Further information is provided in the section Other countries below.

The table below shows a specification of the members in the Group's significant defined benefit plans, the plans' duration and life expectancy for the members.

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	US	Switzerland	Norway
Active members	173	1 814	371
Deferred members	1 382	–	–
Pensioner members	4 275	177	622
Total number of members	**5 830**	**1 991**	**993**
Duration of plans (years)	10	12	18
Number of years current pensioners are expected to live beyond age 65:			
Men	20	22	21
Women	23	24	24
Number of years future pensioners currently aged 45 are expected to live beyond age 65:			
Men	22	23	24
Women	24	26	27

The Group's significant defined benefit plans are described below.

The US

The Group's US operations participate in two defined benefit pension plans as the named plan sponsor. One of these plans is funded and the other is unfunded. Both plans are closed to new entrants and any future benefit accrual.

The benefits provided constitute pension payments to previous employees and their spouses in the form of annuities or lump sums. The particulars of the benefits and the benefit calculations depend on the original plan to which the plan participant belonged as the current funded plan is an amalgamation of several previous pension plans. The unfunded plan is constituted by a formally adopted and documented plan plus some individual arrangements that, for the purpose of this disclosure, are treated as one plan. In general the benefits are monthly pensions based on earnings and years of service. These benefits are defined with the only uncertainties being how long they will be paid, whether benefits will be paid as a lump sum or as an annuity and, in the case of the funded plan, also regarding investment return on plan assets. Plan contributions are determined annually.

The pension plans are covered under the US Employee Retirement Income Security Act of 1974 (ERISA). Various parts of the ERISA legislation are governed by the Department of Labor, the Internal Revenue Service and the Department of Treasury. The funded plan also pays required premiums to the Pension Benefit Guaranty Corporation, which insures private pension plans in the case the sponsor defaults.

Both pension plans are governed by the Executive Compensation and Benefits Review Committee (ECBRC), which is made up of local Securitas US management representatives. Administration is outsourced to an external service provider. Independent investment managers are utilized and evaluated by independent investment advisors. Assets are pooled with those of other plans in order to reduce the cost.

Since the US pension plans are closed to new entrants and any future benefit accrual and are in a run-off mode, a liability matching approach is applied by the ECBRC in order to de-risk the funded plan. The strategy is that as the funding percentage increases, this will result in a shift from growth assets, such as equities, into fixed income investments. Due to an increase in the plan's funding percentage during 2016, which was primarily due to contributing approximately MUSD 23 during the year, the plan was substantially de-risked by increasing the portion of plan assets allocated to fixed income investments and decreasing the portion allocated to growth investments. This reversed a movement away from fixed income

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

investments in 2015, which was largely the result of a decrease in the funding ratio due to the use of newly introduced mortality tables in 2014.

During 2016 the US Society of Actuaries (SOA) again issued new mortality improvement scales. These scales follow from the major overhaul of mortality tables in 2014 and a subsequent refinement of those tables in 2015. The new 2016 tables and scales reflect three additional years of experience compared to the 2015 tables, and they project slightly shorter life expectancies, which slightly reduces the plans' December 31, 2016 defined benefit obligation for accounting purposes, offsetting the impact of the small decrease in the discount rate during the year. Under IAS 19 the funded ratio was 97 percent based on a defined benefit obligation of MUSD 141 and plan assets of MUSD 137. A funding valuation would result in a significantly higher funding percentage since funding valuations are required by US law to be based on higher discount rates and do not yet reflect the new mortality tables that were first reflected for accounting purposes in 2014. The new mortality tables are not required nor permitted to be used for minimum funding purposes until 2018. On a plan termination basis, the plan's funded ratio would be expected to be lower than both the minimum funding and accounting funded ratios as it would incorporate the use of lower interest rates as well as other factors which would be assumed to come into play in the event of a complete plan termination and settlement. The book value under IAS 19 for the defined benefit obligation for the unfunded plan was MUSD 30 as of December 31, 2016.

The US operations also participate in a defined contribution plan, generally known as a 401(k) plan. There are also a few multi-employer plans, which are governed by collective bargaining agreements. These plans, in most cases, require the employees to contribute to the plan, typically with the employee contributions being partially matched by the employer. In relation to the overall workforce the take up rates are generally low, with voluntary participation rates of approximately five percent. In the federal government sector, Securitas' subsidiary participates on a modified basis, subject to special rules, in the same 401(k). Securitas' subsidiary in the federal government sector also participates in a few union-sponsored defined contribution plans of a similar type. Due to the federal Service Contract Act, under which Securitas' subsidiary in the federal government sector operates, hourly allowances must be paid to employees that can be used for various elected benefits, such as health and disability, with unused portions of the allowances contributed to the 401(k) plan, without additional employer contributions.

Switzerland
The Group's Swiss operations participate in a plan that is a defined benefit plan according to IAS 19 as a result of the residual risk described below. The Swiss operations have chosen to set up an own-foundation, which means that the foundation only covers employees of Securitas' Swiss operations. The plan is open to new employees of Securitas' Swiss operations and benefits are being accrued under the plan. There are no terminated vested members in the plan since pension obligations are transferred to the new employer upon termination.

The benefits provided constitute pension benefits, disability benefits and death-in-service pension to previous employees and their spouses. The pension benefits are normally paid as an annuity based on capital conversion rates that differ between men and women. The disability benefits are calculated as a maximum of the pensionable salary and the death-in-service benefit is in its turn calculated as a percentage of the disability pension. Plan contributions are subject to legal minimum requirements. Rates increase with age and at least half must be paid by the employer while the employee pays the remainder. In the case of Securitas' Swiss subsidiary, the contributions in the plan are split equally with half paid by the company and the other half by the employee. Contributions payable to the plan are calculated each month as a fixed percentage based on the annual salary and age.

Although the contribution levels are defined, there is still a risk of a shortfall in the pension fund as the minimum requirements for interest on capital and conversion to pension need to be met. If there is a shortfall the fund will take steps before asking the company for additional contributions. These steps could include changing plan benefits, lowering returns credited to employees or changing the conversion rate, where possible. The fund has several years to balance a shortfall and payments will never be required from the company for past periods. This means that the actions can be planned and budgeted for. If additional contributions are required from the company, this is also required from the employees.

The pension plan is covered under federal Swiss law that regulates the so called second pillar of the pension system, the pension benefits arising from employment. The pension plan is governed by the board of the pension fund, which is made up of an equal number of employer and employee representatives. The administration is run in-house by a pension fund expert. The pension fund chooses how and where to invest the assets. Swiss law limits both the total share of assets that should be held in certain categories, and for individual asset holdings. The fund has given mandates to manage the investments to three banks and retains an investment committee, a sub-committee of the main fund board. The investment committee compares and reviews the performance of these mandates on a regular basis. In addition, the pension fund engages an external independent advisor as support for the investment committee regarding investments.

The latest funding valuation was carried out on December 31, 2015 and resulted in a funding ratio of 111 percent based on a defined benefit obligation for funding purposes of MCHF 96 and plan assets for funding purposes of MCHF 107.

Norway
The Group's Norwegian operations participate in several defined benefit plans that are both funded and unfunded. All plans are closed to new entrants and currently cover about 12 percent of the employees. New employees are covered by defined contribution plans. The AFP-plan (collective pension agreement) is a multi-employer defined benefit plan. Since the administrator is unable to separately identify the company's share of the total plan assets and total defined benefit obligations, it is accounted for on a defined contribution basis. Premiums paid to the plan in 2016 amounted to MNOK 27 (26). The contribution for the next annual reporting period is expected to be broadly in line with the current year's premium. Securitas' share of total premiums to the plan is approximately 0.4 percent. The latest available funding ratio in this plan, calculated under the plan rules, was 63 percent (52) as of December 31, 2015.

The particulars of the benefits and the benefit calculations vary from plan to plan. In general the benefits are monthly pensions based on earnings and years of service. Since employees are still accruing benefits under these plans, the plans are impacted by expected salary increases, pension increases, uncertainty of how long the benefits will be paid and in the case of the funded plans also return on plan assets.

All funded plans are insured with an insurance company and the plan contributions are determined by the insurance provider, based on salary and membership data reported from the company. If a company decides to change insurance company, the liabilities and the assets are moved to the new insurance company.

The funded plans are minimum regulation plans, which means that future pensions depend on the actual return on assets in the insurance company. There is a guaranteed minimum return on plan assets. If the actual return is lower than the guaranteed minimum return, the insurance company will provide the difference.

The pension plans are covered by Norwegian pension laws, corporate laws and insurance laws. The board of directors and management of the Norwegian operations are responsible for the running of the pension plans even if they are outsourced, as part of their overall corporate governance responsibilities under Norwegian company law. Since the funded plans are insured it means that the investment decisions are taken by the investment managers of the insurance provider.

Other countries
There are also less significant defined benefit arrangements in countries other than those accounted for above. These plans are located in Canada (both funded and unfunded plans providing pension and medical ben-

efits), France (unfunded plans providing retirement indemnities under French law), Germany (unfunded arrangements for pensions and jubilee plans), the Netherlands (funded and unfunded plans providing pension and jubilee benefits for our consultancy operations only) and the UK (funded plan providing pension and death-in-service benefits). The Group also currently has plans that are not significant in 13 other countries.

The defined benefit arrangement for clerical staff in the guarding operations in the Netherlands is accounted for as a defined contribution plan, which is closed to new entrants. New employees are enrolled in another defined contribution plan. The security officers in the guarding operations in the Netherlands also participate in a multi-employer defined benefit plan that is mandatory for all guards from the age of 21 and up. The supervision and administration of the plan is carried out by a collective pension foundation for the security industry. This foundation determines the annual premium. Premiums paid to the plan in 2016 amounted to MEUR 7 (7). The contribution for the next annual reporting period is expected to increase due to an increase of the pension premiums of 1.6 percent in 2017. Securitas' share of total premiums to the plan is approximately 20 percent. This plan covers around 4 240 active employees and around 6 400 previous employees and retirees. Since the administrator is unable to separately identify the company's share of the total plan assets and total defined benefit obligations for this arrangement, the plan is accounted for on a defined contribution basis. The funding ratio in this plan, calculated under the plan rules, was 100 percent (104) as of December 31, 2016.

Sweden

Security officers in Sweden are covered by the SAF-LO collective pension plan, an industry-wide multi-employer defined contribution arrangement. Clerical workers are covered by the ITP plan, which is also based on a collective agreement and operated industry-wide on a multi-employer basis. According to a statement (UFR 10) issued by the Swedish Financial Reporting Board this is a multi-employer defined benefit plan. Alecta, the insurance company that operates this plan, has been unable to provide Securitas, or other Swedish companies, with sufficient information to determine its share of the total assets and liabilities for this arrangement. Consequently this arrangement is accounted for on a defined contribution basis. The cost for 2016 amounts to MSEK 23 (21). The contribution for the next annual reporting period is expected to be broadly in line with the current year's premium. Securitas' share of Alecta's total premiums amounts to less than 0.1 percent. The surplus in Alecta can be allocated to the insured employer and/or the insured employees. Alecta's funding ratio, calculated under the plan rules, was 149 percent (153) as of December 31, 2016.

Consolidated statement of income

The table below shows expense (+) and income (-) from the Group's defined benefit and defined contribution plans.

MSEK	2016	2015
Current service cost	108.1	109.8
Administration cost	16.2	16.2
Interest income or expense	31.1	31.0
Remeasurements of other long-term employee benefits	0.1	-0.8
Past service cost and gains and losses arising from settlements	-11.9[1]	-0.5
Total pension costs for defined benefit plans	**143.6**	**155.7**
Pension costs for defined contribution plans	955.6	853.4
Total pension costs	**1 099.2**	**1 009.1**

1 Mainly related to settlement gains in Norway.

The table below shows costs for defined benefit plans allocated per function.

MSEK	2016	2015
Production expenses	90.9	93.6
Selling and administrative expenses	52.7	62.1
Total pension costs for defined benefit plans	**143.6**	**155.7**

Consolidated balance sheet

The table below shows how the net defined benefit obligations have been determined. It also shows the Group's reimbursement rights.

MSEK	2016	2015
Present value of the defined benefit obligations	4 252.4	3 862.1
Fair value of plan assets[1]	-3 115.5	-2 592.4
Defined benefit obligations, net[2]	**1 136.9**	**1 269.7**
Reimbursement rights (note 23)	150.2	127.2

1 Includes effect of the asset ceiling amounting to MSEK 0.6 (1.9). The effect is related to the UK.
2 Related to the net of plans reported under provisions for pensions and similar commitments, MSEK 1 177.0 (1 273.0), and plans reported under other long-term receivables (note 23), MSEK -40.1 (-3.3).

The reimbursement rights are related to a contractual agreement where Securitas provide security services at a customer site in Canada. The agreement requires Securitas to make provisions for post-retirement medical benefits. The costs of this benefit are carried by Securitas who, in turn, are reimbursed by the customer. This reimbursement right is accounted for as an other long-term receivable in note 23.

The table below shows how remeasurements net of taxes recognized in other comprehensive income have been determined.

MSEK	2016	2015
Remeasurements of provisions for pensions and similar commitments before taxes	5.3	-115.5
Remeasurements of reimbursement rights before taxes	-2.7	5.9
Taxes	9.2	29.3
Total remeasurements recognized in other comprehensive income	**11.8**	**-80.3**

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

Movement in provisions for pensions and similar commitments

			2016			2015
MSEK	Obligations	Plan assets	Net	Obligations	Plan assets	Net
Opening balance	3 862.1	-2 592.4	1 269.7	3 958.0	-2 516.6	1 441.4
Current service cost	108.1	–	108.1	109.8	–	109.8
Administration cost	16.2	–	16.2	16.2	–	16.2
Interest income (-) or expense (+)	103.0	-71.9	31.1	96.1	-65.1	31.0
Remeasurements of other long-term employee benefits	0.1	–	0.1	-0.8	–	-0.8
Past service cost and gains and losses arising from settlements	-29.5	17.6	-11.9	-0.5	–	-0.5
Total pension costs included in the consolidated statement of income	**197.9**	**-54.3**	**143.6**	**220.8**	**-65.1**	**155.7**
Remeasurements of post-employment benefits:						
Return on plan assets, excluding amount included in interest income or expense	–	-96.0	-96.0	–	86.9	86.9
Changes in the effect of the asset ceiling, excluding amount included in interest income or expense[1]	–	-1.3	-1.3	–	1.9	1.9
Actuarial gains (-) and losses (+) from changes in demographic assumptions	28.7	–	28.7	-219.2	–	-219.2
Actuarial gains (-) and losses (+) from changes in financial assumptions	80.7	–	80.7	-65.7	–	-65.7
Actuarial gains (-) and losses (+) due to experience	-6.8	–	-6.8	80.6	–	80.6
Total remeasurements of post-employment benefits[2]	**102.6**	**-97.3**	**5.3**	**-204.3**	**88.8**	**-115.5**
Contributions by employers[3]	–	-371.1	-371.1	–	-228.6	-228.6
Contributions by plan participants	48.1	-48.1	–	42.2	-42.2	–
Benefits paid to plan participants	-214.0	214.0	–	-240.0	240.0	–
Administration costs paid	-16.2	16.2	–	-16.2	16.2	–
Acquisitions/divestitures/reclassifications	0.4	–	0.4	14.0	-10.4	3.6
Translation difference	271.5	-182.5	89.0	87.6	-74.5	13.1
Closing balance	**4 252.4**	**-3 115.5**	**1 136.9**	**3 862.1**	**-2 592.4**	**1 269.7**

1 Related to the UK.
2 Included net of taxes in other comprehensive income.
3 Contributions by employers have increased in 2016 due to a one time extra payment. In 2017, contributions by employers are estimated to be lower than in 2016.

Plan assets

The table below presents a breakdown of the various types of investments in which the assets of the Group's funded benefit arrangements are invested.

MSEK	2016	%	2015	%
Equity instruments				
US	193.9		313.8	
Switzerland	188.3		173.9	
Canada	51.9		42.8	
UK	21.8		41.2	
Other countries	336.4		283.4	
Total equity instruments	**792.3**	***25***	**855.1**	***33***
Debt instruments				
Government bonds	849.8		485.2	
Corporate bonds, investment grade (AAA to BBB-)	527.0		471.9	
Corporate bonds, non-investment grade (below BBB-)	82.2		48.7	
Total debt instruments	**1 459.0**	***47***	**1 005.8**	***38***
Other investment funds	**1.2**	***0***	**1.3**	***0***
Property	**282.7**	***9***	**250.4**	***10***
Qualifying insurance policies	**497.3**	***16***	**439.7**	***17***
Cash and cash equivalents	**83.0**	***3***	**40.1**	***2***
Total plan assets	**3 115.5**	***100***	**2 592.4**	***100***

The plan assets are well diversified on countries and industries, so the failure of any single investment is not estimated to have a material impact on the overall level of assets.

The plan assets do not include any property owned by Securitas or financial instruments issued by Securitas. The share of unquoted plan assets is non-material.

Actuarial assumptions and sensitivity analysis

The table below shows the significant financial actuarial assumptions used for determining the defined benefit obligations at the end of the year as well as in determining the pension costs for the coming year.

%, per annum	*Discount rate*	*Salary increases*	*Inflation*	*Pension increases*	Mortality
2016					
US	*3.40–3.70*	*n/a*	*n/a*	*n/a*	RP 2006 white collar/blue collar with MP-2016 improvements
Switzerland	*0.50*	*1.00*	*1.00*	*0.00*	LPP 2015
Norway	*2.00*	*2.50*	*n/a*	*0.00–2.25*	K 2013
Eurozone	*1.30–1.50*[1]	*2.00–2.75*	*1.75–2.00*	*0.00–1.75*	–
Other countries	*2.80–4.00*	*2.50–3.00*	*2.00–3.50*	*0.00–3.50*	–
2015					
US	*3.60–3.80*	*n/a*	*n/a*	*n/a*	RP 2006 white collar/blue collar with MP-2015 improvements
Switzerland	*0.80*	*1.00*	*1.00*	*0.00*	LPP 2010
Norway	*1.90*	*2.50*	*n/a*	*0.00–2.25*	K 2013
Eurozone	*1.40–2.70*[1]	*2.00–2.75*	*1.75–2.00*	*0.00–1.75*	–
Other countries	*3.80–4.20*	*2.50–3.00*	*2.00–3.30*	*0.00–3.30*	–

1 The interval excludes immaterial plans in Germany and the Netherlands.

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

The table below shows the methods used to set significant actuarial assumptions for the Group's main defined benefit plans.

	Discount rate	Salary increases	Inflation	Pension increases	Mortality
US	Cash flow matching approach applied to the Citigroup yield curve	n/a	n/a	n/a	Latest tables available
Switzerland	Chamber of Pensions Actuaries	Company's best estimate	Long-term expectations in Switzerland	When financially bearable by pension plan	Latest tables available
Norway	NRS guidance	NRS guidance	n/a	NRS guidance	Latest tables available

Assumptions are set by the company based on actuarial advice and the company's experience in each territory.

The table below indicates the sensitivity to changes in significant assumptions for provisions for pensions and similar commitments.

MSEK		Increase (+)/decrease (-) in provision
Discount rate – pension plans	increase of 0.1 percentage points	-47.1
	decrease of 0.1 percentage points	48.0
Inflation – pension plans	increase of 0.1 percentage points	5.9
	decrease of 0.1 percentage points	-5.6
Life expectancy – pension plans	one year increase	122.6
Health-care cost rate – medical plans	increase of 1 percentage point	27.1[1]
	decrease of 1 percentage point	-21.1[2]

1 The corresponding effect on the statement of income is an increase of costs of MSEK 1.6.
2 The corresponding effect on the statement of income is a decrease of costs of MSEK -1.2.

The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period and may not be representative of the actual change. The sensitivity analysis is further based on a change in one assumption while holding all other assumptions constant, although in reality changes in some assumptions may be correlated.

The same method used to calculate the provisions for pensions and similar commitments, that is the projected unit credit method, is used for calculating the sensitivities.

There have been no changes in the methods and assumption changes used in preparing the sensitivity analysis compared to the previous year.

Risks

The table below shows significant risks that the Group is exposed to through its defined benefit plans.

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, a deficit will be created. In a long-term perspective, equities are expected to outperform corporate bonds, but in the short-term perspective the yield on the Group's investments in equity instruments may cause volatility.
Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings. In the US, an asset-liability matching approach is practiced to mitigate the risks associated with changes in bond yields as far as possible.
Inflation risk	Some of the Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. However, the Group's plans in the US and Norway are not linked to inflation, which makes the inflation risk less significant for the Group.
Life expectancy	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. In some countries, the benefit provided at retirement is a lump sum payment and therefore increases in life expectancy do not impact liabilities in these countries.

NOTE 32 *Other long-term provisions*

The movement in the balance sheet for provisions for pensions and similar commitments is provided in note 31. The movement in the balance sheet for deferred tax liabilities is provided in note 15.

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MSEK	Claims reserves	Provisions for taxes	Other provisions	Total
Opening balance	582.8	300.2	91.9	974.9
Reclassification	0.4	–	2.0	2.4
New/increased provisions	35.7	14.5	41.3	91.5
Utilized provisions	–	–	-22.2	-22.2
Reversal of unutilized provisions	-40.7	–	-2.1	-42.8
Translation differences	45.4	22.0	-1.4	66.0
Closing balance	**623.6**	**336.7**	**109.5**	**1 069.8**

Claims reserves

Liability insurance-related claims reserves primarily consist of provisions for the portion of claims payable by the Group, that is its self-retention. Claims reserves comprise a large number of individual insurance cases where some cases are compensated with a lump sum payment and others are paid over a longer period of time. It is thus not possible to disclose any detailed information regarding the timing of outflows from claims reserves.

Provisions for taxes

Provisions for taxes primarily consist of provisions related to ongoing tax audits. Tax audits are often lengthy processes that go on for several years. It is thus not possible to disclose any detailed information regarding the timing of outflows from taxes.

Other provisions

Other provisions include various long-term items, among them provisions related to litigations. Other provisions are difficult to assess from a timing perspective. It is thus not possible to disclose any detailed information regarding the timing of outflows from other provisions.

NOTE 33 *Short-term loan liabilities*[1]

MSEK	2016	2015
Commercial paper issued[2]	–	250.0
Finance leases	107.3	67.6
EMTN Nom MEUR 350, 2012/2017, Annual 2.75%[3]	3 349.0	-
Other short-term loans	93.2	55.5
Total short-term loan liabilities excluding derivatives	**3 549.5**	**373.1**
Derivatives with negative fair value, short-term		
Derivatives in cash flow hedges[4]	0.5	-
Derivatives in net investment hedges[4]	73.7	59.9
Other derivatives[5]	16.1	3.3
Total derivatives with negative fair value, short-term	**90.3**	**63.2**
Total short-term loan liabilities	**3 639.8**	**436.3**

1 For further information regarding financial instruments refer to note 6.
2 Commercial paper is issued by the Parent Company within the framework of a MSEK 5 000 Swedish commercial paper program. Commercial paper is accounted for at the issued amount, that is below par.
3 Issued by the Parent Company.
4 Related to derivatives designated for hedging.
5 Related to financial liabilities at fair value through profit or loss.

NOTE 34 *Other current liabilities*

MSEK	2016	2015
Employee-related items[1]	6 900.2	6 206.4
Accrued interest and financial expenses	226.1	137.8
Other accrued expenses and deferred income	1 679.1	1 226.1
Value added tax	1 374.6	1 198.1
Deferred considerations	85.5	168.2
Other items	694.8	658.1
Total other current liabilities	**10 960.3**	**9 594.7**

1 Accounted for net of government grants when applicable.

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

NOTE 35 *Short-term provisions*

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MSEK	Claims reserves	Other provisions	Total
Opening balance	642.5	477.2	1 119.7
Reclassification	-0.4	-2.0	-2.4
New/increased provisions	432.6	461.4	894.0
Utilized provisions	-465.8	-276.8	-742.6
Reversal of unutilized provisions	-1.7	-9.8	-11.5
Translation differences	48.6	22.7	71.3
Closing balance	**655.8**	**672.7**	**1 328.5**

Claims reserves

Liability insurance-related claims reserves primarily consist of provisions for the portion of claims payable by the Group, that is its self-retention.

Spain – overtime compensation

A detailed account of the overtime compensation case in Spain has been presented in press releases and interim and annual reports for 2007 to 2015. The provision for the overtime compensation in Spain is included in the column other provisions in the table above. It amounts to MSEK 24.8 (24.1) as of December 31, 2016. This is deemed sufficient for the remaining exposure. Securitas also estimates that the majority of the remaining part of the provision will be utilized during the coming twelve month period and has consequently kept the short-term classification.

NOTE 36 *Pledged assets*

MSEK	2016	2015
Pension balances, defined contribution plans	117.0	110.7
Finance leases	207.2	126.6
Total pledged assets	**324.2**	**237.3**

NOTE 37 *Contingent liabilities*

MSEK	2016	2015
Guarantees[1]	22.8	23.5
Guarantees related to discontinued operations	15.6	17.7
Total contingent liabilities	**38.4**	**41.2**

1 Guarantees on behalf of related parties are disclosed in note 7.

In addition to the contingent liabilities accounted for in the table, the following contingent liabilities, for which no amount can be determined, also exist:

Brazil – Estrela Azul

In connection with the efforts of Securitas to expand its activities in Latin America, Securitas entered into an agreement in 2005 with respect to the possible acquisition of a guarding company in Brazil. In order to support this company while required governmental approvals were sought, Securitas provided a bank guarantee for the benefit of the subject company. The governmental approvals took much longer time than anticipated to obtain and during such period the financial condition of the target company substantially deteriorated. Given the decline in the financial condition of the company, in December 2006 Securitas exercised its right not to complete the acquisition. The governmental approval had then been received. In view of the decision not to complete the subject transaction, a provision in the amount of the bank guarantee was recognized as of December 31, 2006.

The target company in 2007 filed for protection from its creditors under Brazilian legislation providing for a judicial restructuring process. Securitas, having applied to be registered as a creditor in the insolvency matter, objected to the company's restructuring plan proposed in the judicial restructuring process. The insolvency judge decided against Securitas' objections and this decision was appealed by Securitas in 2008. The Court of Appeal upheld the lower courts' decision. The company has thereafter, on November 9, 2009, been declared bankrupt and the restructuring process has been replaced by bankruptcy proceedings. The bankruptcy process continues and efforts to sell the estates assets are ongoing. Various attempts by the Trustee to increase the liability of Securitas in the bankruptcy will be vigorously rejected. Securitas do not believe that such proceedings will increase Securitas overall risk in the Estrela Azul litigations.

In connection with the judicial restructuring process, the company (now in bankruptcy) asserted a claim of MBRL 314, which as of December 31, 2016 was equivalent to MSEK 867 (due to currency fluctuation the same claim was equivalent to MSEK 661 as of December 31, 2015) against Securitas, alleging that Securitas is responsible for the company's financial failure. Securitas denies all responsibility for such claim. The defense of these cases has been entrusted to one of the leading law firms in Brazil. In a decision by the first instance court in Brazil the claim was fully rejected. The judgment was appealed by the bankruptcy estate to the Brazilian Court of Appeals and this Court decided on formal grounds to nullify the judgment and to remand the case to the first instance court for retrial. In accordance with the Court of Appeals decision the first instance court has decided to allow new evidence in the case. The Court has appointed an Expert to assist the Court in investigating parts of the claim. The Expert's report became public in the first part of 2016. The report supports the arguments presented by Securitas, but the report also lacks clarity on certain issues. Securitas maintains its previous position to the claim.

In addition, several former employees of Estrela Azul have sued Securitas and other parties in court and claim inter alia wages and other compensations in pending labor suits. The number of labor law cases involving Securitas continued to decrease during 2015 and the number of new cases where Securitas is a named defendant decreased significantly also in 2016. The claimed amounts are in average relatively low. The defense of these labor cases has been entrusted to one of the leading labor law firms in Brazil – specializing in labor law matters. Securitas denies all responsibility for such labor claims.

Spain – tax audit

The Spanish tax authority has, in connection with audits of Securitas Spain, challenged certain interest payments in 2009, 2012 and 2014, and decided to reject interest deductions made for the financial years 2003–2005, 2006–2007 and 2008–2009 respectively, where the different years are currently tried at different levels of the Spanish court system.

The Spanish Supreme Court issued their judgement during the first quarter of 2016 regarding the years 2003–2005, implying that the years 2003-2004 were resolved as time barred and the majority of the interest deductions for 2005 were disallowed. Securitas has in December 2016 paid MEUR 4.3 (equivalent to MSEK 41) in tax and interest in accordance with the tax authority's final assessment for 2005.

In 2015 Securitas appealed a negative judgment from the first level of court, Tribunal Económico Administrativo Central, concerning the years 2006–2007, to the superior court Audiencia Nacional. Further, Securitas is waiting for the first level of court to resolve on the years 2008-2009. This concerns the same matter as resolved by the Supreme Court for the year 2005, and Securitas will now have to wait for the competent courts to judge the years 2006–2009 in order to fully understand the impact for the later years of the Supreme Court judgment.

If finally upheld by Spanish courts, the resolution by the Spanish tax authorities regarding rejected interest deductions for all years 2006–2009, would result in a tax of MEUR 31, equivalent to MSEK 296, including interest up to December 31, 2016 (as of December 31, 2015 this exposure, including the now paid tax for year 2005, was estimated to MEUR 38, equivalent to MSEK 349). No further exposure exists for similar rejected interest deductions after the financial year 2009, as the Group adjusted the capitalization of Securitas Spain in 2009 to avoid future challenges of interest deductions.

Further, the Spanish tax authority has, in connection with an audit of Securitas Spain in 2013, decided to reject a tax exemption for the demerger of the Spanish Systems company, in connection with Securitas AB's distribution of the shares in Securitas Systems AB to its shareholders and the listing on the Stockholm Stock Exchange in 2006. In 2015, Securitas received a negative judgment from the first level of court, Tribunal Económico Administrativo Central, which was appealed in 2016 to the next level of court, Audiencia Nacional.

If finally upheld by Spanish courts, the resolution by the Spanish tax authorities, concerning the demerger case, would result in a tax of MEUR 20, equivalent to MSEK 191, including interest up to December 31, 2016 (as of December 31, 2015 this exposure was estimated to MEUR 20, equivalent to MSEK 183).

Further, in 2014 the tax authority has decided to reject a deduction for a currency related liquidation loss in the financial year 2010, relating to a company that was acquired in 2004.

If finally upheld by Spanish courts, the resolution by the Spanish tax authorities would result in a tax of MEUR 17, equivalent to MSEK 163, including interest up to December 31, 2016 (as of December 31, 2015 this exposure was estimated to MEUR 17, equivalent to MSEK 156).

Provided that the courts decides in Securitas cases in accordance with the 2016 Supreme Court judgment, the exposure for the currency related liquidation loss for the financial year 2010 is expected to cease.

Securitas believes it has acted in accordance with applicable law and will defend its position in the courts. However, the tax resolutions causes some uncertainty and it may take several years until all final judgments have been received.

Spain – Mutua

Securitas in Spain has received a claim of MEUR 6.3 from the social security authorities relating to services allegedly received from Mutua Universal in the period 1998 to 2007. The authorities are questioning whether such services, in such case, were allowed to be provided under applicable regulations. This is a consequence of a lawsuit against some of Mutua Universal's former employees. Securitas is affected, as 2 300 other companies, as an indirect beneficiary of the services rendered. Securitas is convinced that it has acted in accordance with applicable law.

US – the events of September 11, 2001

A detailed account of the developments surrounding the events of September 11, 2001 has been presented in press releases and interim and annual reports for 2001 to 2015.

All injury and fatality cases against Securitas subsidiary Globe Aviation Services Corporation ("Globe") and other Securitas companies as a result of the September 11 events have been dismissed or settled. Globe and other Group companies, together with the relevant airline and other parties, remain defendants in one lawsuit regarding property and business damage pertaining to the events of September 11, 2001. Through a settlement agreement with the majority of the plaintiffs in the property damage claims in the September 11 case, the majority of such claims was settled. The settlement agreement has been confirmed by the Court of Appeals and became thereby final and binding.

The remaining property damage claim is such that the value of the claims filed can exceed the insurance coverage estimated to exist as a potential source of recovery. Globe and the other Group companies and the other defendants in the property damage case are challenging the claim in all material respects. This property and business interruption claim was decided by the Trial Court in New York, NY, US on August 1, 2013. In its judgment, the Court rejected plaintiffs claim for damages from Globe and the other defendants for the destruction of the World Trade Center properties in all material respects. The decision was appealed by the plaintiff. The case was handled by the Court of Appeals in New York which on September 17, 2015 decided the appeal largely in favor of Globe and the other defendants. The Court of Appeals however remanded the case back to the Trial Court with instructions to reconsider the methodology used in calculating the fair market value of leaseholds of the WTC buildings. The case will in this part be handled during 2016 and 2017.

Due to the statutory liability cap in relation to the events of September 11, 2001, such liability will be limited to the amount of liability insurance coverage maintained at the time of the incident.

All coverage disputes with the relevant September 11, 2001 insurers have been resolved. The proceedings against other Securitas Group companies than Globe have, with the consent of the Court and the Plaintiffs, been temporarily stayed. Any liabilities arising out of the September 11, 2001 litigation are not expected to materially impact Securitas' business operation or financial position.

Other proceedings

Over the years, Securitas has made a number of acquisitions in different countries. As a result of such acquisitions, certain contingent liabilities of the businesses acquired have been assumed. The risks relating to such contingent liabilities are covered by contractual indemnification, insurance or adequate reserves.

Companies within the Securitas Group are also involved in a number of other legal proceedings and tax audits arising out of the business. Any liabilities arising out of such proceedings are not expected to be material to the business operations or the financial position of the Group.

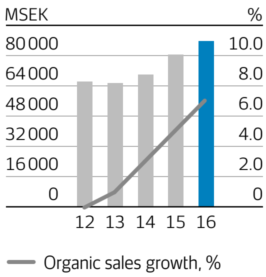
NOTE 38 *Financial five year overview*[1]

MSEK	2012	2013	2014	2015	2016
INCOME					
• **Total sales**	**66 458.2**	**65 700.1**	**70 217.1**	**80 860.1**	**88 162.4**
of which acquired business	2 418.4	682.6	353.3	269.9	3 136.4
• ***Acquired sales growth, %***	***4***	***1***	***1***	***0***	***4***
• ***Organic sales growth, %***	***0***	***1***	***3***	***5***	***7***
• ***Real sales growth, %***	***4***	***2***	***4***	***6***	***11***
Operating income before amortization	**3 027.7**	**3 329.0**	**3 504.7**	**4 088.7**	**4 553.5**
• ***Operating margin, %***	***4.6***	***5.1***	***5.0***	***5.1***	***5.2***
Amortization and impairment of acquisition related intangible assets	-297.1	-273.7	-250.8	-274.5	-287.7
Acquisition related costs	-49.5	-26.8	-17.1	-29.5	-112.6
Items affecting comparability	-424.3	–	–	–	–
Financial income and expenses	-573.0	-385.0	-327.6	-308.3	-389.6
• **Income before taxes**	**1 683.8**	**2 643.5**	**2 909.2**	**3 476.4**	**3 763.6**
Taxes	-509.2	-787.9	-837.7	-1 032.5	-1 117.7
Net income for the year	**1 174.6**	**1 855.6**	**2 071.5**	**2 443.9**	**2 645.9**
– whereof attributable to non-controlling interests	0.4	3.1	3.1	7.4	3.9
Average number of shares after dilution ('000)	365 059	365 059	365 059	365 059	365 059
• **Earnings per share after dilution (SEK)**	**3.22**	**5.07**	**5.67**	**6.67**	**7.24**
CASH FLOW					
Operating income before amortization	**3 027.7**	**3 329.0**	**3 504.7**	**4 088.7**	**4 553.5**
Investments in non-current tangible and intangible assets	-1 039.2	-804.0	-1 113.2	-1 328.6	-1 658.3
Reversal of depreciation	946.1	945.6	966.9	1 072.3	1 229.0
Change in accounts receivable	205.4	1.0	-114.5	-707.0	-1 039.3
Changes in other operating capital employed	60.8	-241.5	-381.2	273.8	-45.8
Cash flow from operating activities	**3 200.8**	**3 230.1**	**2 862.7**	**3 399.2**	**3 039.1**
• ***as % of operating income before amortization***	***106***	***97***	***82***	***83***	***67***
Financial income and expenses paid	-531.9	-532.0	-311.4	-322.0	-301.4
Current taxes paid	-583.3	-610.4	-696.6	-914.0	-1 016.7
• **Free cash flow**	**2 085.6**	**2 087.7**	**1 854.7**	**2 163.2**	**1 721.0**
as % of adjusted income	***108***	***93***	***75***	***78***	***52***
Free cash flow per share	***5.71***	***5.72***	***5.08***	***5.93***	***4.71***
Cash flow from investing activities, acquisitions and divestitures	-677.3	-294.7	-385.0	-147.4	-3 566.5
Cash flow from items affecting comparability	-193.8	-307.5	-72.8	-26.9	-16.7
Cash flow from financing activities	1 222.7	-2 270.5	-2 107.8	-3 302.5	2 145.8
Cash flow for the year	**2 437.2**	**-785.0**	**-710.9**	**-1 313.6**	**283.6**
Interest-bearing net debt at beginning of year	-10 348.8	-9 864.6	-9 609.8	-10 421.6	-9 862.7
Change in loans	-2 317.9	1 175.3	1 012.6	2 207.3	-3 423.5
Revaluation of financial instruments	10.6	10.9	-0.4	0.9	22.6
Translation differences on interest-bearing net debt	354.3	-146.4	-1 113.1	-335.7	-451.3
Interest-bearing net debt at year-end	**-9 864.6**	**-9 609.8**	**-10 421.6**	**-9 862.7**	**-13 431.3**

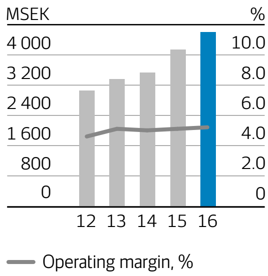
MSEK	2012	2013	2014	2015	2016
CAPITAL EMPLOYED AND FINANCING					
Non-current assets excluding acquisition related items	3 374.7	3 200.2	3 641.4	3 872.3	4 633.8
Accounts receivable	10 490.1	9 676.4	10 815.5	11 353.4	13 352.6
Other operating capital employed	-11 283.3	-9 695.7	-10 532.9	-10 617.3	-11 202.4
Operating capital employed	**2 581.5**	**3 180.9**	**3 924.0**	**4 608.4**	**6 784.0**
• ***as % of total sales***	***4***	***5***	***6***	***6***	***8***
Goodwill	14 275.4	14 361.9	16 228.1	16 428.4	19 379.6
Acquisition related intangible assets	1 501.9	1 315.6	1 244.2	987.3	1 356.1
Shares in associated companies	108.0	132.7	324.5	369.0	419.5
Capital employed	**18 466.8**	**18 991.1**	**21 720.8**	**22 393.1**	**27 939.2**
• ***Return on capital employed, %***	***14***	***18***	***16***	***18***	***16***
Net debt	**9 864.6**	**9 609.8**	**10 421.6**	**9 862.7**	**-13 431.3**
Net debt equity ratio, multiple	***1.15***	***1.02***	***0.92***	***0.79***	***0.93***
Interest coverage ratio, multiple	***4.9***	***7.9***	***10.4***	***13.1***	***11.1***
• ***Free cash flow in relation to net debt***	***0.21***	***0.22***	***0.18***	***0.22***	***0.13***
Shareholders' equity attributable to equity holders of the Parent Company	**8 588.3**	**9 365.3**	**11 280.3**	**12 510.1**	**14 487.2**
Non-controlling interests	**13.9**	**16.0**	**18.9**	**20.3**	**20.7**
Equity per share	***23.5***	***25.7***	***30.9***	***34.3***	***39.7***
Return on equity, %	***13***	***21***	***20***	***21***	***20***
Equity ratio, %	***22***	***25***	***28***	***31***	***30***
Financing of capital employed	**18 466.8**	**18 991.1**	**21 720.8**	**22 393.1**	**27 939.2**

1 For definitions and calculation of key ratios refer to note 3.
• Group key ratios according to Securitas' financial model. Refer to pages 46–47.

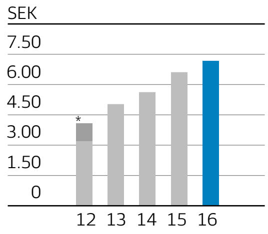
Total sales and organic sales growth



Operating income before amortization and operating margin

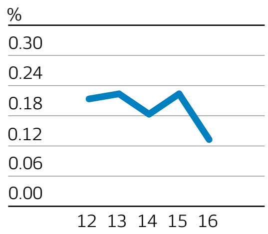


Earnings per share



* Adjusted for items affecting comparability and impairment losses.

Free cash flow in relation to net debt



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

Parent Company statement of income

MSEK	Note	2016	2015
License fees and other income	41	1 004.1	974.0
Gross income		**1 004.1**	**974.0**
Administrative expenses	43, 44	-660.1	-713.1
Other operating income	43	20.5	17.7
Operating income		**364.5**	**278.6**
Result of financial investments			
Dividend	41	1 874.3	1 729.6
Interest income	41	343.6	223.7
Interest expenses	41	-381.4	-289.1
Other financial income and expenses, net[1]	45	221.0	125.6
Total financial income and expenses[1]		**2 057.5**	**1 789.8**
Income after financial items[1]		**2 422.0**	**2 068.4**
Appropriations			
Group contributions from subsidiaries	41	316.3	11.0
Group contributions to subsidiaries	41	-8.9	-270.3
Depreciation and amortization in excess of plan	54	-11.9	-10.9
Transfer to tax allocation reserve	54	-228.1	–
Total appropriations		**67.4**	**-270.2**
Income before taxes[1]		**2 489.4**	**1 798.2**
Current taxes	46	-151.0	-19.5
Deferred taxes[1]	46	-46.2	0.2
Net income for the year[1]		**2 292.2**	**1 778.9**

Parent Company statement of comprehensive income

MSEK	Note	2016	2015
Net income for the year[1]		**2 292.2**	**1 778.9**
Other comprehensive income			
Items that subsequently may be reclassified to the statement of income			
Cash flow hedges net of tax	42	17.6	0.8
Total items that subsequently may be reclassified to the statement of income[1]		**17.6**	**0.8**
Other comprehensive income[1]	**46**	**17.6**	**0.8**
Total comprehensive income for the year[1]		**2 309.8**	**1 779.7**

Parent Company statement of cash flow

MSEK	Note	2016	2015
Operations			
Operating income		364.5	278.6
Reversal of depreciation	47, 48	26.6	21.1
Financial items received		2 219.0	1 954.8
Financial items paid		-311.7	-326.9
Current taxes paid		-22.4	-20.4
Change in other operating capital employed		1.6	-152.7
Cash flow from operations		**2 277.6**	**1 754.5**
Investing activities			
Investments in non-current tangible and intangible assets	47, 48	-26.6	-21.9
Shares in subsidiaries	49	-3 707.6	-34.9
Cash flow from investing activities		**-3 734.2**	**-56.8**
Financing activities			
Dividend paid		-1 277.7	-1 095.2
Proceeds from bond loans		3 261.6	664.9
Redemption of bond loans		–	-1 329.7
Proceeds from commercial paper		600.0	4 198.3
Redemption of commercial paper		-850.0	-5 120.0
Change in other interest-bearing net debt excluding liquid funds		546.7	-683.0
Cash flow from financing activities		**2 280.6**	**-3 364.7**
Cash flow for the year		**824.0**	**-1 667.0**
Liquid funds at beginning of year		400.8	2 067.8
Liquid funds at year-end	**52**	**1 224.8**	**400.8**

Parent Company balance sheet

MSEK	Note	2016	2015
ASSETS			
Non-current assets			
Intangible assets	47	110.6	113.0
Machinery and equipment	48	17.3	14.9
Shares in subsidiaries	49	40 947.8	37 282.1
Shares in associated companies	50	112.1	112.1
Interest-bearing financial non-current assets	42	1 029.8	799.9
Deferred tax assets	46	27.4	25.7
Other long-term receivables		253.4	156.9
Total non-current assets		**42 498.4**	**38 504.6**
Current assets			
Current receivables from subsidiaries		375.1	75.3
Interest-bearing current receivables from subsidiaries	42	5 088.0	4 545.5
Other current receivables		11.3	18.8
Current tax assets		1.4	1.2
Prepaid expenses and accrued income	51	33.2	26.6
Other interest-bearing current assets	42	36.4	10.5
Cash and bank deposits	52	1 224.8	400.8
Total current assets		**6 770.2**	**5 078.7**
TOTAL ASSETS		**49 268.6**	**43 583.3**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital		365.1	365.1
Legal reserve		7 362.6	7 362.6
Development expenditure reserve		19.2	–
Total restricted equity		**7 746.9**	**7 727.7**
Non-restricted equity			
Hedging reserve		18.0	0.4
Retained earnings[1]		16 640.8	16 182.3
Net income for the year[1]		2 292.2	1 778.9
Total non-restricted equity		**18 951.0**	**17 961.6**
Total shareholders' equity	**53**	**26 697.9**	**25 689.3**
Untaxed reserves	**54**	**250.9**	**10.9**
Long-term liabilities			
Long-term loan liabilities	42	12 648.4	12 015.9
Other long-term liabilities		145.5	140.7
Deferred tax liabilities		55.2	2.4
Total long-term liabilities	**55**	**12 849.1**	**12 159.0**
Current liabilities			
Current liabilities to subsidiaries		269.3	462.5
Interest-bearing current liabilities to subsidiaries	42	4 649.9	4 071.0
Group account bank overdraft		643.0	618.2
Other short-term loan liabilities	42	3 431.8	311.5
Accounts payable		31.8	11.5
Accrued expenses and prepaid income	56	307.6	211.1
Other current liabilities		137.3	38.3
Total current liabilities		**9 470.7**	**5 724.1**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**49 268.6**	**43 583.3**

1 Comparatives have been restated as an effect of a change in accounting principle RFR 2: IAS 21. The effect from the restatement on net income for the year 2015 is MSEK 103.9. For further information refer to note 39, Accounting principles.

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

Parent Company statement of changes in shareholders' equity

MSEK	Share capital[1]	Legal reserve	Development expenditure reserve	Hedging reserve	Translation reserve	Retained earnings and net income for the year	Total share-holders' equity
Opening balance 2015	**365.1**	**7 362.6**	**–**	**-0.4**	**850.7**	**16 448.6**	**25 026.6**
Effect of change in accounting principle RFR 2: IAS 21[3]	–	–	–	–	-850.7	850.7	-
Opening balance adjusted in accordance with new accounting principle	**365.1**	**7 362.6**	**–**	**-0.4**	**–**	**17 299.3**	**25 026.6**
Net income for the year	**–**	**–**	**–**	**–**	**–**	**1 778.9**	**1 778.9**
Other comprehensive income							
Items that subsequently may be reclassified to the statement of income							
Cash flow hedges[2]							
Total change of hedging reserve before tax	–	–	–	1.0	–	–	1.0
Deferred tax on total change of hedging reserve	–	–	–	-0.2	–	–	-0.2
Total items that subsequently may be reclassified to the statement of income	**–**	**–**	**–**	**0.8**	**–**	**–**	**0.8**
Other comprehensive income	**–**	**–**	**–**	**0.8**	**–**	**–**	**0.8**
Total comprehensive income for the year	**–**	**–**	**–**	**0.8**	**–**	**1 778.9**	**1 779.7**
Share-based incentive scheme[1]	–	–	–	–	–	-21.8	-21.8
Dividend paid to shareholders of the Parent Company	–	–	–	–	–	-1 095.2	-1 095.2
Closing balance 2015	**365.1**	**7 362.6**	**–**	**0.4**	**–**	**17 961.2**	**25 689.3**
Opening balance 2016	**365.1**	**7 362.6**	**–**	**0.4**	**–**	**17 961.2**	**25 689.3**
Net income for the year	**–**	**–**	**–**	**–**	**–**	**2 292.2**	**2 292.2**
Other comprehensive income							
Items that subsequently may be reclassified to the statement of income							
Cash flow hedges[2]							
Total change of hedging reserve before tax	–	–	–	22.5	–	–	22.5
Deferred tax on total change of hedging reserve	–	–	–	-4.9	–	–	-4.9
Total items that subsequently may be reclassified to the statement of income	**–**	**–**	**–**	**17.6**	**–**	**–**	**17.6**
Other comprehensive income	**–**	**–**	**–**	**17.6**	**–**	**–**	**17.6**
Total comprehensive income for the year	**–**	**–**	**–**	**17.6**	**–**	**2 292.2**	**2 309.8**
Share-based incentive scheme[1]	–	–	–	–	–	-23.5	-23.5
Dividend paid to shareholders of the Parent Company	–	–	–	–	–	-1 277.7	-1 277.7
Transfer to development expenditure reserve	–	–	19.2	–	–	-19.2	-
Closing balance 2016	**365.1**	**7 362.6**	**19.2**	**18.0**	**–**	**18 933.0**	**26 697.9**

1 Further information is provided in note 53.
2 A specification can be found in note 42, table revaluation of financial instruments.
3 Comparatives have been restated as an effect of a change in accounting principle RFR 2: IAS 21. The effect from the restatement on net income for the year 2015 is MSEK 103.9. For further information refer to note 39, Accounting principles.

Notes

NOTE 39 *Accounting principles*

The Parent Company's financial statements are prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 2 Accounting for Legal Entities. The Parent Company thus follows the same accounting principles as the Group, which are described in note 2, when relevant and except in the cases stated below. The differences that exist between the Parent Company's and the Group's accounting principles are a result of the restrictions that the Swedish Annual Accounts Act, the Swedish Act on Safeguarding of Pension Commitments and the options that RFR 2 allow for IFRS in the Parent Company.

Amendment of RFR 2: IAS 21

Securitas AB has adopted the Swedish Financial Reporting Board's amendment of the standard RFR 2 Accounting for Legal Entities. The amendment is related to IAS 21 and states that exchange rate differences arising on a monetary item that forms part of the Parent Company's net investment in a foreign subsidiary should be accounted for in the Parent Company's statement of income. Before the amendment came into force, RFR 2 stated that these exchange rate differences should be accounted for in other comprehensive income, which was not in line with IAS 21 paragraph 32. The amendment applies to financial years beginning on or after January 1, 2016. Securitas AB has restated the comparative numbers for 2015 according to this amendment. The effect from the restatement on net income for the year 2015 in Securitas AB is MSEK 103.9.

RFR 2: IFRS 3 Business combinations

The Parent Company measures the acquisition cost as the sum of the acquisition-date fair values of assets transferred, liabilities incurred or transferred and all costs that are directly attributable to the acquisition. Contingent considerations are recognized as part of the acquisition cost if it is probable that they will be realized. The acquisition cost is adjusted in subsequent periods if the initial assessment needs to be revised.

RFR 2: IAS 18 Revenue

Anticipated dividend from a subsidiary is recognized as income in the Parent Company in accordance with RFR 2 if the Parent Company has the exclusive right to decide the amount of the dividend from the subsidiary. The Parent Company must furthermore ensure that the dividend is in line with the subsidiary's dividend capacity. Dividend from a subsidiary that has not been anticipated is accounted for on a cash basis.

RFR 2: IAS 19 Employee benefits

Accounting for defined benefit plans according to the Swedish Act on Safeguarding of Pension Commitments leads to differences between the accounting in the Parent Company and the Group. These differences have no material impact on the employee benefits relating to the employees of the Parent Company. Pension solutions either fall within the framework of the ITP-plan that is insured via Alecta, which is described in note 31, or in all material aspects consist of other defined contribution plans.

RFR 2: IAS 27 Consolidated and separate financial statements

The Parent Company applies the alternative rule in RFR 2: IAS 27 related to Group contributions, which means that Group contributions from subsidiaries as well as Group contributions to subsidiaries are accounted for as appropriations in the statement of income.

RFR 2: IAS 39 Financial instruments: Recognition and measurement

The Parent Company follows IAS 39 with the exception of financial guarantees in relation to subsidiaries. For further information refer to the accounting principles adopted by the Group for recognition and measurement of financial instruments in note 2.

Shares in subsidiaries

Shares in subsidiaries are initially accounted for at cost with subsequent adjustments for capital contributions, impairment and revaluation of deferred considerations. Shares in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Securitas' share-based incentive scheme

In addition to the Group's accounting principles for share-based payments (IFRS 2) as described in note 2 Accounting principles, the following has been applied in the Parent Company's financial statements. The Parent Company has secured the delivery of shares according to Securitas share-based incentive scheme by entering into a swap agreement with a third party regarding purchase of shares. To the extent that shares according to the swap agreement is subject to delivery to employees in other Group companies than the Parent Company, a liability to Group companies has been recorded in the Parent Company's accounts. This liability is recorded at the value of the commitment that Securitas AB has to the subsidiaries to deliver shares, that is the number of shares to be delivered according to the swap agreement at the latest share price for Securitas AB's series B share. Social security expenses are calculated based on the market value of the shares that potentially will be allocated. Fluctuations in the share price for these shares thus lead to changes in social security expenses that impact the Parent Company's and Group's income. This is the only impact on the Parent Company's and Group's income due to fluctuations in the share price for the shares that potentially will be allocated. This means that any possible increase or decrease of the liability to Group companies has not been accounted for in the Parent Company's income statement.

NOTE 40 *Events after the balance sheet date*

Approval of the Annual Report and Consolidated Financial Statements for 2016

This Annual Report including the Consolidated Financial Statements was approved by the Board of Directors of Securitas AB on March 14, 2017.

Other significant events after the balance sheet date

In January 2017 Securitas AB extended the maturity of its Revolving Credit Facility to 2022.

On February 13, 2017 Securitas AB issued a seven year MEUR 350 Eurobond. Settlement date was February 20, 2017.

In order to hedge the share portion of Securitas share-based incentive scheme 2016, Securitas AB entered into a swap agreement with a third party in the beginning of March 2017.

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

NOTE 41 *Transactions with related parties*

Transactions between the Parent Company and subsidiaries are priced in accordance with business principles.

THE PARENT COMPANY'S TRANSACTIONS WITH RELATED PARTIES COMPRISE

MSEK	2016	2015
License fees from subsidiaries	986.5	957.6
Other income from subsidiaries	17.6	16.4
Dividends from subsidiaries	1 874.3	1 729.6
Group contributions from subsidiaries	316.3	11.0
Group contributions to subsidiaries	-8.9	-270.3
Interest income from subsidiaries	327.4	214.4
Interest expenses to subsidiaries	-27.6	-26.1
Guarantees issued on behalf of subsidiaries	2 379.8	2 198.4
Guarantees issued on behalf of associated companies	6.0	–

NOTE 42 *Financial risk management*

The Parent Company follows, as stated in note 39, IAS 39 Financial instruments: Recognition and measurement. Refer to note 2 and note 6 for further information about financial risks that are applicable also for the Parent Company.

LIQUIDITY REPORT AS PER DECEMBER 31, 2016 AND 2015

MSEK	Total	< 1 year	Between 1 year and < 3 years	Between 3 years and 5 years	> 5 years
December 31, 2016					
Borrowings	-19 700	-6 586	-4 463	-5 262	-3 389
Derivatives outflows	-24 206	-21 166	-72	-68	-2 900
Accounts payable	-32	-32	–	–	–
Total outflows	**-43 938**	**-27 784**	**-4 535**	**-5 330**	**-6 289**
Investments	6 311	6 274	9	28	–
Derivatives receipts	24 181	21 140	164	129	2 748
Accounts receivable	–	–	–	–	–
Total inflows	**30 492**	**27 414**	**173**	**157**	**2 748**
Net cash flows, total[1]	**-13 446**	**-370**	**-4 362**	**-5 173**	**-3 541**
December 31, 2015					
Borrowings	-15 771	-3 262	–	-8 033	-4 476
Derivatives outflows	-18 203	-18 183	-20	–	–
Accounts payable	-12	-12	–	–	–
Total outflows	**-33 986**	**-21 457**	**-20**	**-8 033**	**-4 476**
Investments	4 982	4 974	–	8	–
Derivatives receipts	18 517	18 178	136	151	52
Accounts receivable	–	–	–	–	–
Total inflows	**23 499**	**23 152**	**136**	**159**	**52**
Net cash flows, total[1]	**-10 487**	**1 695**	**116**	**-7 874**	**-4 424**

1 Variable rate cash flows have been estimated using the relevant yield curve.

REVALUATION OF FINANCIAL INSTRUMENTS

MSEK	2016	2015
Recognized in the statement of income		
Financial income and expenses	0.4	0.4
Deferred tax	-0.1	-0.1
Impact on net income for the year	**0.3**	**0.3**
Recognized via hedging reserve in other comprehensive income		
Transfer to hedging reserve before tax	99.7	-15.4
Deferred tax on transfer to hedging reserve	-21.9	3.4
Transfer to hedging reserve net of tax	**77.8**	**-12.0**
Transfer to statement of income before tax	-77.2	16.4
Deferred tax on transfer to statement of income	17.0	-3.6
Transfer to statement of income net of tax	**-60.2**	**12.8**
Total change of hedging reserve before tax[1]	22.5	1.0
Deferred tax on total change of hedging reserve[1]	-4.9	-0.2
Total change of hedging reserve net of tax	**17.6**	**0.8**
Total impact on shareholders' equity as specified above		
Total revaluation before tax[2]	22.9	1.4
Deferred tax on total revaluation[2]	-5.0	-0.3
Total revaluation after tax	**17.9**	**1.1**

1 Total of transfer to hedging reserve and transfer from hedging reserve to statement of income.
2 Total revaluation and deferred tax recognized via statement of income and via other comprehensive income.

DERIVATIVES IN THE BALANCE SHEET

MSEK	2016	2015
Interest-bearing financial non-current assets		
Fair value hedges	247.1	249.8
Cash flow hedges	1.7	2.1
Total derivatives included in interest-bearing financial non-current assets	**248.8**	**251.9**
Interest-bearing current receivables from subsidiaries		
Other derivative positions	2.4	0.6
Total derivatives included in interest-bearing current receivables from subsidiaries	**2.4**	**0.6**
Other interest-bearing current assets		
Fair value hedges	2.0	-
Other derivative positions	34.4	10.5
Total derivatives included in other interest-bearing current assets	**36.4**	**10.5**
Long-term loan liabilities		
Cash flow hedges	-78.0	1.6
Fair value hedges	122.1	-
Total derivatives included in long-term loan liabilities	**44.1**	**1.6**
Interest-bearing current liabilities to subsidiaries		
Other derivative positions	24.6	31.9
Total derivatives included in interest-bearing current liabilities to subsidiaries	**24.6**	**31.9**
Other short-term loan liabilities		
Cash flow hedges	0.5	-
Other derivative positions	82.8	61.9
Total derivatives included in other short-term loan liabilities	**83.3**	**61.9**

FAIR VALUE – HIERARCHY AS PER DECEMBER 31, 2016 AND 2015

	Quoted market prices		Valuation techniques using observable market data		Valuation techniques using non-observable market data		Total	
MSEK	2016	2015	2016	2015	2016	2015	2016	2015
Financial assets at fair value through profit or loss	–	–	35.8	8.1	–	–	35.8	8.1
Financial liabilities at fair value through profit or loss	–	–	-9.0	-33.9	-8.4[1]	-39.3[1]	-17.4	-73.2
Derivatives designated for hedging with positive fair value	–	–	251.8	254.9	–	–	251.8	254.9
Derivatives designated for hedging with negative fair value	–	–	-143.0	-61.5	–	–	-143.0	-61.5

1 Related to deferred considerations. These have been recognized mainly based on an assessment of the future profitability development in the acquired entities for an agreed period.

NOTE 43 *Administrative expenses and other operating income*

Administrative expenses

AUDIT FEES AND REIMBURSEMENTS

MSEK	2016	2015
PwC		
Audit assignments	5.7	6.6
Additional audit assignments	1.7	1.9
Tax assignments	1.9	2.7
Other assignments[1]	1.6	1.4
Total	**10.9**	**12.6**

1 The cost of other assignments carried out by PwC includes fees for audit-related advisory services relating to accounting, including IFRS, IT, acquisitions, divestments and matters concerning the Group's internal bank.

Other operating income

Other operating income consists in its entirety of trade mark fees from Securitas Direct AB.

NOTE 44 *Personnel*

AVERAGE NUMBER OF YEARLY EMPLOYEES: DISTRIBUTION BETWEEN WOMEN AND MEN

	Women		Men		Total	
	2016	2015	2016	2015	2016	2015
Board of Directors	2	3	3	4	5	7
President	–	–	1	1	1	1
Other employees, Sweden	26	25	26	25	52	50

STAFF COSTS

	2016			2015			Of which bonuses	
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)	2016	2015
Board of Directors and President[1,2]	26.4	13.4	(4.1)	27.3	13.9	(4.3)	8.2	7.8
Other employees	73.8	39.0	(11.8)	62.6	33.2	(11.2)	22.4	15.0
Total	**100.2**	**52.4**	**(15.9)**	**89.9**	**47.1**	**(15.5)**	**30.6**	**22.8**

1 Refer to note 8 for further information regarding remuneration to the Board of Directors and President.
2 Whereof 2015 for salaries MSEK 1.2 refers to temporary remuneration and MSEK 0.4 refers to pension cost to the President for additional responsibility as Divisional President for Security Services Europe during 2015.

NOTE 45 *Other financial income and expenses, net*

MSEK	2016	2015
Impairment losses, shares in subsidiaries[1]	-30.9	–
Liquidation losses, shares in subsidiaries	–	-10.0
Exchange rate differences, net[2]	268.9	158.5
Bank costs and similar income/expense items	-17.4	-23.3
Revaluation of financial instruments (IAS 39)	0.4	0.4
Total other financial income and expenses, net[2]	**221.0**	**125.6**

1 Impairment losses for three subsidiaries have been recognized as a combination of adverse movements in foreign currency rates and negative underlying performance.
2 Comparatives have been restated as an effect of a change in accounting principle RFR 2: IAS 21. The effect from the restatement on other financial income and expenses 2015 is MSEK 133.2. For further information refer to note 39, Accounting principles.

NOTE 46 *Taxes*

Statement of income

TAX EXPENSE

MSEK	2016	2015
Tax on income before taxes		
Current taxes	-151.0	-19.5
Deferred taxes[1]	-46.2	0.2
Total tax expense[1]	**-197.2**	**-19.3**

The Swedish corporate tax rate was 22.0 percent in 2016 and 2015.

DIFFERENCE BETWEEN STATUTORY SWEDISH TAX RATE AND ACTUAL TAX EXPENSE FOR THE PARENT COMPANY

MSEK	2016	2015
Income before taxes according to the statement of income[1]	**2 489**	**1 798**
Tax based on Swedish tax rate[1]	-548	-395
Tax related to provisions for untaxed reserves	-53	-2
Tax related to previous years / foreign withholding tax	-1	-1
Tax related to non-taxable income	413	381
Tax related to non-deductible expenses	-8	-2
Actual tax expense[1]	**-197**	**-19**

Tax related to non-taxable income mainly relates to dividends from subsidiaries. Tax related to non-deductible expenses mainly relates to write-down of shares in subsidiaries. Previous year tax related to non-deductible expenses was mainly related to liquidation of a subsidiary.

Other comprehensive income

TAX ON OTHER COMPREHENSIVE INCOME

MSEK	2016	2015
Deferred tax on cash flow hedges	-4.9	-0.2
Deferred tax on other comprehensive income[1]	**-4.9**	**-0.2**

1 Comparatives have been restated as an effect of a change in accounting principle RFR 2: IAS 21. The effect from the restatement on income before taxes 2015 is MSEK 133.2. The effect on deferred taxes 2015 is MSEK -29.3. For further information refer to note 39, Accounting principles.

Balance sheet

Deferred tax assets are attributable to employee related debt.

Tax loss carryforwards

The tax loss carryforwards for the Parent Company amounted to MSEK 0 (0) as of December 31, 2016.

NOTE 47 *Intangible assets[1]*

MSEK	2016	2015
Opening balance	226.6	213.5
Capital expenditures	19.3	13.1
Closing accumulated balance	**245.9**	**226.6**
Opening amortization	-113.6	-96.3
Amortization for the year	-21.7	-17.3
Closing accumulated amortization	**-135.3**	**-113.6**
Closing residual value	**110.6**	**113.0**

1 Mainly related to Securitas Guard Management System, which is a system used for communicating, coordinating, performing and reporting services. The estimated useful life is 15 years, based on how similar communication systems are used. The amortization rate is set to the corresponding period. Furthermore the brand name Securitas in one of the Group's countries of operations is included with MSEK 15.9 (15.9). The trademark is tested annually for impairment. Refer to note 17 section impairment testing for further information.

NOTE 48 *Machinery and equipment*

MSEK	2016	2015
Opening balance	45.2	36.4
Capital expenditures	7.3	8.8
Closing accumulated balance	**52.5**	**45.2**
Opening depreciation	-30.3	-26.5
Depreciation for the year	-4.9	-3.8
Closing accumulated depreciation	**-35.2**	**-30.3**
Closing residual value	**17.3**	**14.9**

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

NOTE 49 *Shares in subsidiaries*[1]

Subsidiary name	Corporate identity no.	Domicile	Number of shares 2016	*% of share capital/ voting rights 2016*	Book value 2016, MSEK	Book value 2015, MSEK
Alert Services Holding NV[2]	0461.466.414	Brussels	3 311 669	*53.01*	576.4	576.4
Grupo Securitas Mexico S.A de C.V[3]	GSM930817U48	Monterrey	4 999	*99.98*	14.5	14.5
Ozon Project d.o.o	MBS 080689871	Zagreb	1	*100*	0.8	0.8
Protectas S.A.	CH-550-0084385-3	Lausanne	50 000	*100*	32.8	32.8
Seccredo Holding AB	556734-1283	Stockholm	–	–	-	36.9
Securitas Argentina S.A.[4]	1587929	Buenos Aires	282 399	*20*	13.5	13.5
Securitas Asia Holding AB	556691-8800	Stockholm	100 000	*100*	259.0	259.0
Securitas BH d.o.o.	65-01-0503-11	Sarajevo	–	*100*	86.8	86.8
Securitas Biztonsági Szolgáltatások Magyarország Kft	Cg.01-09-721946	Budapest	–	*100*	17.8	15.9
Securitas Canada Ltd	454437-4	Toronto	4 004	*100*	85.6	85.6
Securitas CR sro	43872026	Prague	–	*100*	185.5	185.5
Securitas Eesti AS	10188743	Tallinn	1 371	*100*	32.1	32.1
Securitas Egypt LLC	17556	Cairo	30 000	*100*	2.5	10.0
Securitas Fire & Safety Services SRL[5]	J40/13561/2007	Bucharest	1	*5*	0.0	0.0
Securitas Group Reinsurance Ltd	317030	Dublin	2 000 000	*100*	576.5	576.5
Securitas Holding GmbH	HRB 33348	Düsseldorf	1	*100*	2 572.3	2 572.3
Securitas Holdings Inc.	95-4754543	Parsippany	100	*100*	2 208.0	2 208.0
Securitas Hrvatska d.o.o	MBS 080132523	Zagreb	1	*100*	121.6	121.6
Securitas Iberia Holding BV	34170899	Amsterdam	180	*100*	660.6	–
Securitas Invest AB	556630-3995	Stockholm	1 000	*100*	7.1	7.1
Securitas Middle East and Africa Holding AB	556771-4406	Stockholm	100 000	*100*	97.7	97.7
Securitas Montenegro d.o.o.	02387620	Niksic	–	*100*	0.8	0.8
Securitas Nordic Holding AB	556248-3627	Stockholm	1 000 000	*100*	9 269.5	9 269.5
Securitas NV[6]	0427.388.334	Brussels	999	*99.90*	272.8	272.8
Securitas Polska Sp. z o. o.	000036743	Warsaw	18 000	*100*	27.4	27.4
Securitas Rental AB	556376-3829	Stockholm	1 000	*100*	3.6	3.6
Securitas SA Holdings Pty Ltd	2008/028411/07	Johannesburg	70	*70*	55.6	55.6
Securitas Security Consulting Holding AB	556087-1468	Stockholm	1 000	*100*	91.0	38.6
Securitas Security Services Ireland Ltd	275069	Dublin	2 410 002	*100*	28.9	28.9
Securitas Seguridad Holding SL	B83446831	Madrid	7 023	*100*	8 042.8	8 042.8
Securitas Services d.o.o.	17487809	Belgrade	–	*100*	147.6	131.0
Securitas Services Holding U.K. Ltd	5759961	London	34 000 400	*100*	976.2	976.2
Securitas Services International BV	33287487	Amsterdam	25 000	*100*	1 535.1	1 535.1
Securitas Services Romania SRL	J40/2222/2001	Bucharest	21 980	*100*	49.5	49.5
Securitas Sicherheitsdienstleistungen GmbH	FN148202w	Vienna	–	*100*	92.3	92.3
Securitas SK sro[7]	36768073	Prievidza	–	*4.65*	0.8	0.8
Securitas Toolbox Ltd	316907	Dublin	100	*100*	0.0	–
Securitas Transport Aviation Security AB	556691-8917	Stockholm	5 100 000	*100*	272.6	272.6
Securitas Treasury Ireland Ltd	152440	Dublin	21 075 470	*100*	12 475.0	9 475.0
Securitas UAE LLC[8]	615702	Dubai	5 725	*49/51*	0.2	10.6
Tehnomobil d.o.o	MBS 080011254	Zagreb	1	*100*	55.0	66.0
Total shares in subsidiaries					**40 947.8**	**37 282.1**

1 The main business in the subsidiaries is specialized guarding and mobile services, monitoring, technical solutions and consulting and investigations. The subsidiaries also comprise of the Group's internal bank, Securitas Treasury Ireland Ltd, as well as the Group's internal insurance company, Securitas Group Reinsurance Ltd. A complete specification of the subsidiaries can be obtained from the Parent Company.
2 Through the holdings in Securitas Seguridad Holding SL, the remaining 46.99 percent of Alert Services Holding NV are held.
3 The remaining 0.02 percent of Grupo Securitas Mexico S.A de C.V are held by Securitas Rental AB.
4 The remaining 80 percent of Securitas Argentina S.A. are held by Securitas Seguridad Holding SL.
5 The remaining 95 percent of Securitas Fire & Safety Services SRL are held by Securitas Services Romania SRL.
6 The remaining 0.1 percent of Securitas NV are held by Securitas Rental AB.
7 The remaining 95.35 percent of Securitas SK sro are held by Securitas CR sro.
8 Securitas AB appoints the majority of the Board of Directors and has a controlling interest through a shareholders' agreement.

CHANGE ANALYSIS OF SHARES IN SUBSIDIARIES

MSEK	2016	2015
Opening balance	37 282.1	37 257.5
Acquisitions[1]	673.7	–
Divestitures[2]	-36.9	–
Liquidation[3]	–	-10.0
Capital contributions	3 070.8	34.9
Impairment losses[4]	-30.9	–
Revaluation of deferred considerations	-11.0	-0.3
Closing balance	**40 947.8**	**37 282.1**

1 Acquisition relates to Securitas Iberia Holding BV.
2 Divestiture of Seccredo Holding AB.
3 Related to 2015 and Securitas Alert Services Polska Sp.z o.o.
4 Impairment losses for three subsidiaries have been recognized as a combination of adverse movements in foreign currency rates and negative underlying performance.

NOTE 50 *Shares in associated companies*

HOLDINGS 2016 AND 2015

Company	Domicile	*Share in equity, %*	*Voting rights, %*	Book value, MSEK
Walsons Services Pvt Ltd	Delhi	*49*	*49*	112.1
Holdings 2016				**112.1**
Walsons Services Pvt Ltd	Delhi	*49*	*49*	112.1
Holdings 2015				**112.1**

NOTE 51 *Prepaid expenses and accrued income*

MSEK	2016	2015
Prepaid software licenses and support costs	8.2	9.2
Prepaid insurance premiums	1.1	1.0
Other prepaid expenses	19.9	15.1
Accrued income	4.0	1.3
Total prepaid expenses and accrued income	**33.2**	**26.6**

NOTE 52 *Liquid funds*

Liquid funds include short-term investments with a maximum duration of 90 days that are readily convertible to a known amount of cash and subject to an insignificant risk of change in value. Liquid funds also include cash and bank deposits. Short-term investments refer to fixed interest rate bank deposits.

In the Parent Company's balance sheet, utilized internal credits in the Swedish cash-pool account are reported under the Group account bank overdraft.

NOTE 53 *Shareholders' equity*

Number of shares outstanding December 31, 2016

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

The number of Series A and Series B shares is unchanged in relation to December 31, 2015. As of December 31, 2016 there were no outstanding convertible debenture loans that could result in any dilution of the share capital.

Each Series A share carries ten votes and each Series B share one vote. This is the only difference between the two series of shares.

Shareholders with more than 10 percent of the votes

The principal shareholders are Gustaf Douglas, who through family and the companies within the Investment AB Latour Group holds 10.9 percent of the capital and 29.6 percent of the votes, and Melker Schörling, who through family and Melker Schörling AB holds 5.4 percent of the capital and 11.6 percent of the votes.

Proposed allocation of earnings

The statements of income and the balance sheets of the Parent Company and the Group are subject to adoption by the Annual General Meeting on May 3, 2017.

RETAINED EARNINGS IN THE PARENT COMPANY AVAILABLE FOR DISTRIBUTION

	MSEK[1]
Hedging reserve	18.0
Retained earnings	16 640.8
Net income for the year[2]	2 292.2
Total	**18 951.0**

THE BOARD OF DIRECTORS PROPOSED THAT THE EARNINGS ARE ALLOCATED AS FOLLOWS

	MSEK[1]
a dividend to the shareholders of SEK 3.75 per share	1 369.0
retained earnings to be carried forward	17 582.0
Total	**18 951.0**

1 Refer to the Report of the Board of Directors for the proposed allocation of earnings in SEK and for the Board's statement on the proposed dividend.
2 Includes Group contributions to subsidiaries of MSEK 8.9.

Share-based incentive scheme

Securitas' share-based incentive scheme has had the following impact on retained earnings:

MSEK	2016	2015
Swap agreement[1, 2]	-117.7	-93.2
Redemption of previous year's swap agreement[1]	93.2	65.6
Share-based remuneration to employees[3]	7.1	6.1
Settlement of previous year's share-based remuneration to employees[3]	-6.1	-0.3
Total	**-23.5**	**-21.8**

1 Related to the whole Group's share-based incentive scheme.
2 The number of shares that have been hedged in this swap agreement amount to a total of 903 015 (795 158) and have been allotted to the participants during the first quarter 2017, provided that they were still employed by the Group at that time.
3 Related to share-based remuneration for Securitas AB's employees only.

NOTE 54 *Untaxed reserves*

MSEK	2016	2015
Accumulated depreciation and amortization in excess of plan	22.8	10.9
Tax allocation reserve	228.1	–
Total untaxed reserves	**250.9**	**10.9**

NOTE 55 *Long-term liabilities*

LONG-TERM LIABILITIES FALL DUE FOR PAYMENT AS FOLLOWS

MSEK	2016	2015
Maturity < 5 years	9 417.8	7 542.7
Maturity > 5 years	3 431.3	4 616.3
Total long-term liabilities	**12 849.1**	**12 159.0**

NOTE 56 *Accrued expenses and prepaid income*

MSEK	2016	2015
Employee-related items	56.7	57.1
Accrued interest expenses	226.1	137.8
Other accrued expenses	24.8	16.2
Total accrued expenses and prepaid income	**307.6**	**211.1**

NOTE 57 *Pledged assets*

MSEK	2016	2015
Pension balances, defined contribution plans	117.0	110.7
Total pledged assets	**117.0**	**110.7**

NOTE 58 *Contingent liabilities*

MSEK	2016	2015
Guarantees	22.7	21.1
Guarantees related to discontinued operations	15.6	17.7
Total contingent liabilities[1]	**38.3**	**38.8**

1 Guarantees on behalf of subsidiaries are disclosed in note 41.

The Board of Directors and the President declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The statutory administration report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

The statements of income and balance sheets of the Parent Company and the Group are subject to adoption by the Annual General Meeting on May 3, 2017.

Stockholm, March 14, 2017

Marie Ehrling
Chairman

Carl Douglas
Vice Chairman

Anders Böös
Director

Fredrik Cappelen
Director

Sofia Schörling Högberg
Director

Susanne Bergman Israelsson
Director
Employee Representative

Åse Hjelm
Director
Employee Representative

Jan Prang
Director
Employee Representative

Alf Göransson
President and Chief Executive Officer, Director

Our report has been submitted on March 14, 2017
PricewaterhouseCoopers AB

Patrik Adolfson
Authorized Public Accountant
Auditor in charge

Madeleine Endre
Authorized Public Accountant

Auditor's report

(This is a translation of the Swedish original. For any interpretation the Swedish version prevail)

To the general meeting of the shareholders of Securitas AB (publ), corporate identity 556302-7241

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Securitas AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 49–126 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Securitas' business consists of performing various protective services. Its customers differ in size and operate in diverse segments and businesses. The Group has arisen through acquisitions and contracts with customers. Operations are conducted in 53 countries. The business is labour intensive, and the number of employees amounts to about 335 000 people.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates. Our audit can be summarised as follows:

- In the Group audit, we focused on the operations of the Parent Company and the 11 most significant reporting units. These units account for approximately 78 percent of sales, 93 percent of operating profit and 71 percent of the Group's assets. For the seven largest entities and the Parent Company, our audit activities encompassed a limited review of the half-yearly report as of 30 June, an assessment of key controls related to financial reporting according to Securitas' framework, early warning of the closing on 30 September prior to the year-end closing, and an audit of the year-end closing as a basis for the Group's consolidated financial closing. For the other entities, our audit focused on internal control over financial reporting and the year-end closing.
- During the year, the auditor in charge, the co-signer and members of the audit team visited some 15 countries in order to gain a further understanding of the operations in these countries, perform an overall review of the financial reporting based on the Group's accounting principles and evaluate compliance with Securitas' framework for internal control. Some of these countries are included in the audit procedures described above, and are also subject to a statutory audit. The countries visited account for approximately 10 percent of the Group's sales.

For other reporting units, analytical audit procedures are performed as a part of the audit of the consolidation. In addition to this, statutory audit procedures are performed in some 27 countries or entities, corresponding to 18 percent of sales, 3 percent of operating profit and 27 percent of the Group's assets. The statutory audit has in most cases not been completed prior to signing the audit opinion for the group. The outcome of the statutory audits are reported separately to Securitas in connection with the review of half-yearly report. As this is not deemed to be material, is not used as support in the audit of the financial closing for the group. The outcome is used in the planning of the audit in order to follow up on any significant matters noted for any reporting unit regarding financial reporting or internal control.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Purchase price allocation for the acquisition of Securitas Electronic Security and the subsequent consolidation in Securitas *We refer to note 16 Acquisitions and divestitures of subsidiaries and note 17 Goodwill and impairment testing.* Goodwill and other acquisition-related intangible assets, including customer contracts, totalling MSEK 20 736 amount to a significant part of Securitas' consolidated balance sheet at 31 December 2016, corresponding to 43 percent of the balance sheet total. The most important event affecting goodwill in 2016 was the acquisition of Securitas Electronic Security (SES). This was the Group's most significant acquisition in several years. As such, the financial reporting for SES constituted a key audit matter. The purchase price allocation that has been prepared implies significant values referring to goodwill of MSEK 1 900 and other intangible assets of MSEK 550. There is a risk that the assets and liabilities included in the purchase price allocation may not have been correctly valued at fair value per the acquisition date, and that the accounting is not in accordance with IFRS, as the company has earlier reported in accordance with US GAAP. Securitas acquired part of a company (a so-called acquisition of assets and liabilities) and has, therefore, through an agreement with the previous owner, purchased administrative services during the year, primarily regarding accounting and payroll. A project has been ongoing during the year with the purpose of building an independent administration, including routines and processes, inter alia, to ensure the reliability of the financial reporting.	We have audited Securitas' impairment test of goodwill, and other acquisition-related intangible assets, primarily for the purpose of ensuring the correctness and valuation. This was, in all material aspects, performed through testing of significant assessments, evaluating and challenging the information used in the calculations versus Securitas' financial plan and, when possible, external information. Regarding the acquisition of Securitas Electronic Security, we have, except for the audit procedures referred to above regarding the valuation of goodwill and other acquisition related assets, inter alia, performed the following audit procedures: • The auditor in charge and co-signer visited Securitas Electronic Security together with the local audit team and representatives for Securitas AB. The purpose was to examine the financial reporting, including the opening balance sheet item per the acquisition date, in order to be able to examine the purchase price allocation. • We examined the financial reporting of the company for the second and third quarters as well as the year-end closing for 2016 based on a specially tailored work program, including selected routines and controls, in order to be able to conclude that the financial reports have been correctly included in Securitas' consolidated accounts in accordance with IFRS. • We also concluded on whether the model used by Securitas for the valuation of assets is in accordance with IFRS. For this purpose, we used PwC's valuation experts. We also used valuation experts for the evaluation of the significant assumptions included in the purchase price allocation. We also audited significant parts of the purchase price allocation to supporting documentation and the reasonability of the estimates made. This primarily pertained to assumptions regarding future sales, the discount rate (WACC), the customer churn rate, and the closing accounts per the acquisition day. Based on our audit, we have determined that the opening balance sheet per 2 February 2016 contained certain items that have later, in all material aspects, been adjusted per the year-end closing 2016. These adjustments have, in accordance with IAS 38, been accounted for in goodwill. Furthermore, the assumptions used for the valuation of depreciable intangible assets in the purchase price allocation are deemed to be within a reasonable interval. However, the purchase price allocation is preliminary until 1 February 2017, and can therefore be further adjusted. Based on our audit, we have not reported any other significant observations to the audit committee.

Key audit matter	How our audit addressed the Key audit matter
Valuation of provisions related to disputes, and disclosures on contingent liabilities *We refer to note 4 Critical estimates and judgments, and note 37 Contingent liabilities.* Subsidiaries within the Group are involved in a number of legal proceedings and related matters. These legal disputes include litigations in various countries, for example, Estrela Azul (Brazil) and Mutua (Spain). The key assumption is management's assessment of the future outcome of the ongoing proceedings and exposures, which directly affects the valuation of these matters and the disclosures provided in the financial reports. The company consults external legal advisors regarding significant queries relating to these matters. The future outcome of the matters, and the accounting effects thereof, are based on assessments and complex legal matters which may take time to finally solve. The risk primarily regards the valuation of the outcome of these cases. As a part of our audit, we have considered the ongoing matters and disputes given the inherent subjectivity and uncertainty regarding the final outcome. Securitas has an established routines whereby the Group's General Counsel reports each quarter on the development of and significant events related to these matters to the President and CEO and audit committee. This report is also sent to the Board of Directors.	In our audit, we examined the accuracy and valuation of the aforementioned matters. Securitas has a documented assessment of the outcome of the ongoing cases and exposures, and monitors these on a continuous basis, assisted by both in-house legal counsel and external lawyers. A follow-up is conducted at both the local and Group level. We have discussed these assumptions with representatives for subsidiaries and the company's in-house legal counsel, and with Group legal for some of the more significant cases. We have evaluated the assessments and estimates made by management with regard to the existing disputes and exposures. This was performed based on documentation of the individual matters, the historical outcome of similar cases and statements from external legal advisors regarding disputes, contingent liabilities and other exposures of which they are aware, or for which they are supporting or representing Securitas. As outlined in the financial statements, the outcome of such matters are dependent on the future outcome of continuing legal and regulatory procedures. As such, calculations of provisions are subject to inherent uncertainty. We have not noted any inconsistencies in the documentation that we have received and examined, or that the disclosures provided did not correspond to the requirements in IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Key audit matter

Valuation of provisions for tax-related matters

We refer to note 4 Critical estimates and judgments, and note 15 Taxes.

Companies within the Group are involved in tax-related matters and tax audits. This includes, inter alia, the ongoing tax audits in the US and Spain. The key assumption is management's assessment of the future outcome of the ongoing proceedings and exposures, which directly affects the valuation of these matters, and the disclosures provided in the financial reports. The risk primarily regards the valuation of the outcome of these cases. As a part of our audit, we considered the tax cases, given the inherent subjectivity and uncertainty related to the final outcome.

The company consults external legal advisors and tax advisors for significant queries. The future outcome of the matters, and the accounting effects thereof, are based on assessments and complex legal matters which may take time to finally solve. The risk primarily regards the valuation of the outcome of these cases. As a part of our audit, we have considered the ongoing matters and disputes given the inherent subjectivity and uncertainty regarding the final outcome.

How our audit addressed the Key audit matter

In our audit, we checked the accuracy and valuation of these matters. Securitas has a documented assessment of the outcome of the ongoing matters and exposures, and monitors these on an ongoing basis. The audit procedures performed include, for example:

- Discussion of these matters with the company's in-house tax counsel for some of the more significant matters.
- Examination of Securitas' tax calculations and application of tax regulations.
- Evaluation of the assessments and estimates made by management with regard to the existing tax disputes and ongoing tax audits. This was based on the historical outcome of similar cases and statements from external legal advisors regarding disputes, contingent liabilities and other exposures of which they are aware or for which they are supporting or representing Securitas.
- Review of the written communication between the company and the tax authorities with regard to ongoing tax audits. For these cases, we also consulted PwC tax experts, who participated in our audit.

As disclosed in the financial statements, the outcome of these matters are dependent on the future outcome of legal procedures, and associated with an inherent uncertainty. Thus, the calculations of the provisions are subject to inherent uncertainty. We have not noted any inconsistencies in the documentation that we have received and examined, or that the disclosures provided did not correspond to the requirements in IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Key audit matter

Routines and processes including accounting of employee-related expenses and pension and medical plans

We refer to note 4 Critical accounting estimates and assessments, note 8 Remuneration to the Board of Directors and senior management, note 12 Personnel, note 31 Provisions for pensions and similar commitments as well as note 32 Other long-term provisions, note 34 Other current liabilities and note 35 Short-term provisions.

Securitas has more than 335 000 employees in its subsidiaries. The Group's employee-related expenses mainly regard salaries and payroll overhead, including social charges and employers' contributions as well as other short-term remuneration, including holiday pay and variable compensation. Employee-related expenses amount to approximately BSEK 69, corresponding to 82 percent of operating costs. This is thus the most significant cost item in Securitas' consolidated income statement. The related costs consist of both salaries and other remuneration, including variable compensation and directly related taxes and social contributions.

In addition to this, Securitas is responsible for, or its employees participate in, a number of pension plans and plans implying medical benefits to employees, including the Affordable Care Act plan in the US operations. For these plans, Securitas has an obligation, which is recognised a liability.

The risk refers partly to the completeness of these items, meaning that they are correctly calculated, properly cut off and valued. There is also an inherent complexity in the management of payroll when various groups of empolyees are under different employment contracts and collective agreements, which in itself gives rise to differences in how salaries, other remuneration and benefits should be calculated, and which actuarial assumptions are to be used regarding the plans. Securitas' internal control framework includes specific controls on the management of payroll and personnel costs to ensure that proper salaries and remuneration and attributable taxes and charges are paid.

How our audit addressed the Key audit matter

In order to be able to pay salaries to 335 000 employees on a monthly basis, or in some cases more frequently, there must be well-functioning routines and processes in place in order to calculate and control the salaries and remuneration to be paid.

Our audit is therefore based both on an evaluation of the internal control environment and on other analytical procedures, including system-based analysis of certain balance sheet and income statement items for selected subsidiaries, and detailed testing. These subsidiaries correspond to some 72 percent of the employee-related costs and have approximately 235 000 employees.

The basis for the evaluation of internal control has been Securitas' internal control framework for financial reporting. The testing of controls and amounts has been performed on a sample basis. Our audit procedures have, inter alia, included:

- Reconciling significant accruals and/or provisions regarding, for example, holiday pay, accrued salaries, taxes and social charges with system-generated support and calculations and estimates made by management.
- Auditing of employee-related costs, including plans, using analytical procedures with regard to changes in costs in the income statement, accruals and provisions compared with our knowledge and understanding and use of systems based data analysis.
- With regards to pension and medical plans, we have audited significant supporting assumptions, assessed historical outcome and assessed the reasonability of management's estimates. Wherever possible, we also verified this information with external support, including reports from independent and external actuaries.

Based on our audit, no significant observations have been noted which have resulted in reporting to the audit committee. Our overall conclusion is that there are, in all material respects, proper processes in place to manage and account for payroll and employee-related expenses.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–25. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the President and CEO are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the President and CEO are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the President and CEO intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the President and CEO of Securitas AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President and CEO be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The President and CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

Stockholm, March 14, 2017
PricewaterhouseCoopers AB

Patrik Adolfson
Authorised public accountant
Auditor in charge

Madeleine Endre
Authorised public accountant

Statement of income 2016[1]

MSEK	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Sales	20 108.5	20 733.8	21 461.9	22 721.8
Sales, acquired business	505.9	783.1	853.5	993.9
Total sales	**20 614.4**	**21 516.9**	**22 315.4**	**23 715.7**
Organic sales growth, %	*8*	*8*	*7*	*5*
Production expenses	-17 079.6	-17 754.7	-18 376.0	-19 476.5
Gross income	**3 534.8**	**3 762.2**	**3 939.4**	**4 239.2**
Selling and administrative expenses	-2 548.0	-2 687.1	-2 723.9	-3 011.8
Other operating income	4.6	5.1	5.2	5.6
Share in income of associated companies	4.4	6.9	9.4	7.5
Operating income before amortization	**995.8**	**1 087.1**	**1 230.1**	**1 240.5**
Operating margin, %	*4.8*	*5.1*	*5.5*	*5.2*
Amortization of acquisition related intangible assets	-66.0	-69.0	-65.9	-86.8
Acquisition related costs	-20.1	-20.6	-25.6	-46.3
Operating income after amortization	**909.7**	**997.5**	**1 138.6**	**1 107.4**
Financial income and expenses	-83.6	-98.0	-101.9	-106.1
Income before taxes	**826.1**	**899.5**	**1 036.7**	**1 001.3**
Net margin, %	*4.0*	*4.2*	*4.6*	*4.2*
Current taxes	-204.5	-209.6	-248.8	-219.4
Deferred taxes	-40.9	-57.4	-59.2	-77.9
Net income for the period	**580.7**	**632.5**	**728.7**	**704.0**
Whereof attributable to:				
Equity holders of the Parent Company	579.7	632.1	729.1	701.1
Non-controlling interests	1.0	0.4	-0.4	2.9
Earnings per share before and after dilution (SEK)	1.59	1.73	2.00	1.92

Statement of cash flow 2016[1]

MSEK	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Operating income before amortization	**995.8**	**1 087.1**	**1 230.1**	**1 240.5**
Investments in non-current tangible and intangible assets	-324.9	-542.3	-382.5	-408.6
Reversal of depreciation	282.2	284.1	325.8	336.9
Change in accounts receivable	-187.0	-356.2	-199.2	-296.9
Change in other operating capital employed	-591.5	100.2	160.2	285.3
Cash flow from operating activities	**174.6**	**572.9**	**1 134.4**	**1 157.2**
Cash flow from operating activities, %	*18*	*53*	*92*	*93*
Financial income and expenses paid	-192.9	-37.1	-38.0	-33.4
Current taxes paid	-208.5	-321.2	-227.6	-259.4
Free cash flow	**-226.8**	**214.6**	**868.8**	**864.4**
Free cash flow, %	*-32*	*28*	*99*	*94*
Cash flow from investing activities, acquisitions	-3 199.8	-180.8	-80.7	-105.2
Cash flow from items affecting comparability	-3.2	-5.6	-6.5	-1.4
Cash flow from financing activities	4 166.8	-684.3	-599.8	-736.9
Cash flow for the period	**737.0**	**-656.1**	**181.8**	**20.9**

Capital employed and financing 2016[1]

MSEK	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Operating capital employed	**5 918.4**	**6 405.4**	**6 487.5**	**6 784.0**
Operating capital employed as % of sales	*7*	*7*	*7*	*8*
Return on operating capital employed, %	*79*	*79*	*80*	*80*
Goodwill	17 997.8	18 623.9	18 959.0	19 379.6
Acquisition related intangible assets	1 427.0	1 433.2	1 398.8	1 356.1
Shares in associated companies	359.2	379.2	396.0	419.5
Capital employed	**25 702.4**	**26 841.7**	**27 241.3**	**27 939.2**
Return on capital employed, %	*16*	*16*	*16*	*16*
Net debt	**-13 150.4**	**-14 578.3**	**-13 945.8**	**-13 431.3**
Shareholders' equity	**12 552.0**	**12 263.4**	**13 295.5**	**14 507.9**
Net debt equity ratio, multiple	*1.05*	*1.19*	*1.05*	*0.93*

1 For definitions and calculation of key ratios refer to note 3.

Statement of income 2015[1]

MSEK	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Sales	19 423.6	19 803.5	20 390.4	20 972.7
Sales, acquired business	62.6	71.5	77.5	58.3
Total sales	**19 486.2**	**19 875.0**	**20 467.9**	**21 031.0**
Organic sales growth, %	*5*	*4*	*4*	*7*
Production expenses	-16 136.0	-16 475.0	-16 876.5	-17 255.7
Gross income	**3 350.2**	**3 400.0**	**3 591.4**	**3 775.3**
Selling and administrative expenses	-2 448.4	-2 482.3	-2 478.9	-2 653.6
Other operating income	4.5	4.4	4.3	4.5
Share in income of associated companies	2.6	4.1	4.2	6.4
Operating income before amortization	**908.9**	**926.2**	**1 121.0**	**1 132.6**
Operating margin, %	*4.7*	*4.7*	*5.5*	*5.4*
Amortization of acquisition related intangible assets	-68.0	-66.2	-67.3	-73.0
Acquisition related costs	-9.6	-6.9	-4.8	-8.2
Operating income after amortization	**831.3**	**853.1**	**1 048.9**	**1 051.4**
Financial income and expenses	-75.3	-75.9	-78.0	-79.1
Income before taxes	**756.0**	**777.2**	**970.9**	**972.3**
Net margin, %	*3.9*	*3.9*	*4.7*	*4.6*
Current taxes	-189.0	-194.3	-242.8	-366.9
Deferred taxes	-31.8	-32.6	-40.8	65.7
Net income for the period	**535.2**	**550.3**	**687.3**	**671.1**
Whereof attributable to:				
Equity holders of the Parent Company	531.7	549.7	686.5	668.6
Non-controlling interests	3.5	0.6	0.8	2.5
Earnings per share before and after dilution (SEK)	1.46	1.51	1.88	1.83

Statement of cash flow 2015[1]

MSEK	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Operating income before amortization	**908.9**	**926.2**	**1 121.0**	**1 132.6**
Investments in non-current tangible and intangible assets	-316.1	-403.2	-276.8	-332.5
Reversal of depreciation	261.6	263.4	266.9	280.4
Change in accounts receivable	-212.6	-260.7	-186.8	-46.9
Change in other operating capital employed	-207.0	31.1	373.3	76.4
Cash flow from operating activities	**434.8**	**556.8**	**1 297.6**	**1 110.0**
Cash flow from operating activities, %	*48*	*60*	*116*	*98*
Financial income and expenses paid	-203.3	-36.6	-40.3	-41.8
Current taxes paid	-164.5	-261.6	-227.0	-260.9
Free cash flow	**67.0**	**258.6**	**1 030.3**	**807.3**
Free cash flow, %	*10*	*39*	*129*	*117*
Cash flow from investing activities, acquisitions	-90.3	-29.6	-16.5	-11.0
Cash flow from items affecting comparability	-6.1	-3.5	-5.2	-12.1
Cash flow from financing activities	-908.3	-326.6	-753.3	-1 314.3
Cash flow for the period	**-937.7**	**-101.1**	**255.3**	**-530.1**

Capital employed and financing 2015[1]

MSEK	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Operating capital employed	**4 646.8**	**4 919.6**	**4 571.9**	**4 608.4**
Operating capital employed as % of sales	*6*	*6*	*6*	*6*
Return on operating capital employed, %	*86*	*86*	*94*	*96*
Goodwill	17 010.4	16 511.9	16 687.6	16 428.4
Acquisition related intangible assets	1 211.0	1 146.4	1 099.1	987.3
Shares in associated companies	370.8	357.4	363.2	369.0
Capital employed	**23 239.0**	**22 935.3**	**22 721.8**	**22 393.1**
Return on capital employed, %	*16*	*17*	*17*	*18*
Net debt	**-10 971.4**	**-11 557.7**	**-10 717.9**	**-9 862.7**
Shareholders' equity	**12 267.6**	**11 377.6**	**12 003.9**	**12 530.4**
Net debt equity ratio, multiple	*0.89*	*1.02*	*0.89*	*0.79*

1 For definitions and calculation of key ratios refer to note 3.

The Securitas Share

At year-end, the closing price of the Securitas share on Nasdaq Stockholm was SEK 143.40, corresponding to a market capitalization of MSEK 49 891 (45 229). Earnings per share amounted to SEK 7.24 (6.67), a total change of 9 percent compared with 2015. Earnings per share increased 9 percent in 2016 also adjusted for changes in exchange rates. The Board proposes that a dividend of SEK 3.75 (3.50) per share be paid to shareholders.

Performance of the share in 2016

At year-end, the closing price of the Securitas share was SEK 143.40 (130.00). The share price increased by 10 percent in 2016, compared with the OMX Stockholm Price index, which increased 6 percent. The highest price paid for a Securitas share in 2016 was SEK 152.90, which was noted on September 6, and the lowest price paid was SEK 110.00, which was noted on February 9.

At the end of 2016, Securitas' weight in the OMX Stockholm Price index was 0.82 percent (0.79) and 1.32 percent (1.26) in the OMX Stockholm 30 index. During the year, the OMX Stockholm Price index increased by 6 percent and the OMX Stockholm 30 index increased by 5 percent.

Market capitalization for Securitas at year-end was MSEK 49 891 (45 229), which corresponded to 0.8 percent of the total value of Nasdaq Stockholm.

Trading

A total of 327 million (322) Securitas shares were traded on Nasdaq Stockholm, representing a value of MSEK 43 148 (37 324). The turnover velocity in 2016 was 92 percent (92), compared with a turnover rate of 69 percent (73) for the entire Nasdaq Stockholm. The average number of Securitas shares traded each day was 1 293 800.

The trading on Nasdaq Stockholm represented 35 percent of all traded Securitas shares in all categories of venues in 2016 (includes, for example BATS Chi-X Europe, Turquoise as well as dark pools and off-book).

Share capital and shareholder structure

At December 31, 2016, the share capital amounted to SEK 365 058 897, distributed between an equal number of shares, each with a quota value of SEK 1.00. Of these shares, 17 142 600 are Series A shares and 347 916 297 are Series B shares. Each Series A share carries ten votes and each Series B share carries one vote. The free float of the Securitas share is 88 percent.

At December 31, 2016, Securitas had 31 221 shareholders (25 734). In terms of the number of shareholders, private individuals make up the largest shareholder category with 27 037 shareholders, corresponding to 87 percent of the total number of shareholders. In terms of capital and votes, institutional and other corporate entities dominate with 96 and 97 percent, respectively.

Shareholders based in Sweden hold 48 percent of the capital and 64 percent of the votes. Compared with 2015, the proportion of foreign shareholders in the shareholder base has slightly decreased. At December 31, 2016, shareholders outside Sweden owned 52 percent (53) of the capital and 36 percent (37) of the votes. The largest shareholdings held by foreign shareholders are in the UK and the US, with 16 percent of the capital and 11 percent of the votes in the UK and 15 percent of the capital and 10 percent of the votes in the US. Foreign shareholders are not always recorded in the share register. Foreign banks and other custodians may be recorded for multiple customers' shares and the actual owners are then not displayed in the register.

At December 31, 2016, the principal shareholders in Securitas were Gustaf Douglas, who through his family and Investment AB Latour Group holds 10.9 percent (10.9) of the capital and 29.6 percent (29.6) of the votes, and Melker Schörling, who through his family and the company Melker Schörling AB holds 5.4 percent (5.4) of the capital and 11.6 percent (11.6) of the votes. These shareholders are represented on the Board of Directors by Carl Douglas and Sofia Schörling Högberg.

Dividend policy and cash dividend

With a balanced growth strategy comprising both organic and acquisition-driven growth and continued investments in security solutions and electronic security, Securitas should be able to sustain a dividend level in the range of 50–60 percent of the annual net income. The Board of Directors proposes a dividend of SEK 3.75 (3.50) per share, corresponding to 52 percent of net income. Based on the share price at the end of 2016, the dividend yield for 2016 amounted to 2.6 percent.

Authorization to repurchase shares in Securitas AB

The 2016 Annual General Meeting resolved to authorize the Board to resolve upon the acquisition of the company's own shares up to a maximum of 10 percent of the outstanding shares and for a period up to the Annual General Meeting in 2017.

Securitas share in brief

Series B Securitas shares are traded on Nasdaq Stockholm, part of Nasdaq Nordic, and on other trading venues such as BATS Chi-X Europe. Securitas is listed on Nasdaq Stockholm on the Large Cap List for companies, which includes large companies with a market capitalization of more than MEUR 1 000, and is included in the Industrial Goods & Services sector. The ISIN code for the Securitas share on Nasdaq Stockholm is SE0000163594. The ticker code for the Securitas share is SECU B on Nasdaq Stockholm, SECUB:SS on Bloomberg and SECUb.ST on Reuters. Securitas has been listed on the stock exchange since 1991.

DATA PER SHARE

SEK/share	2016	2015	2014	2013	2012
Earnings per share[4, 5]	7.24	6.67	5.67	5.07	4.11[1]
Dividend	3.75[2]	3.50	3.00	3.00	3.00
Dividend as % of earnings per share	*52*[3]	*52*	*53*	*59*	*73*
Yield, %	*2.6*[3]	*2.7*	*3.2*	*4.4*	*5.3*
Free cash flow per share	4.71	5.93	5.08	5.72	5.71
Share price at end of period	143.40	130.00	94.45	68.35	56.70
Highest share price	152.90	135.00	95.80	75.00	67.30
Lowest share price	110.00	90.10	65.20	55.30	47.85
Average share price	132.01	115.80	76.94	64.68	55.80
P/E ratio	20	19	17	13	14[1]
Number of shares outstanding (000s)[4]	365 059	365 059	365 059	365 059	365 059
Average number of shares outstanding (000s)[4]	365 059	365 059	365 059	365 059	365 059

1 Calculated excluding items affecting comparability as well as impairment losses of goodwill and other acquisition-related intangible assets.
2 Proposed dividend.
3 Calculated on proposed dividend.
4 There are no outstanding convertible debenture loans. Consequently, there is no potential dilution.
5 Number of shares used for calculation of earnings per share includes shares related to the Group's share-based incentive schemes that have been hedged through swap agreements.

LARGEST SHAREHOLDERS AT DECEMBER 31, 2016

Shareholder	Series A shares	Series B shares	*% of capital*	*% of votes*
Gustaf Douglas via companies and family[1]	12 642 600	27 190 000	*10.9*	*29.6*
Melker Schörling via company and family[2]	4 500 000	15 241 800	*5.4*	*11.6*
AMF	0	14 216 020	*3.9*	*2.7*
Prudential Assurance Co Ltd	0	9 731 436	*2.7*	*1.9*
Swedbank Robur Funds	0	9 041 586	*2.5*	*1.7*
SEB Investment Management	0	7 263 760	*2.0*	*1.4*
CBNY Norges Bank	0	6 795 628	*1.9*	*1.3*
Banque Internationale Luxembourg S.A.	0	6 460 000	*1.8*	*1.2*
Clearstream Banking S.A.	0	5 839 299	*1.6*	*1.1*
Standard Life Assurance Ltd	0	5 509 536	*1.5*	*1.1*
Total, ten largest shareholders	**17 142 600**	**107 289 065**	***34.2***	***53.6***
Total, rest of owners	**0**	**240 627 232**	***65.8***	***46.4***
Total as of December 31, 2016	**17 142 600**	**347 916 297**	***100.00***	***100.00***

1 Includes the holdings of family members and Investment AB Latour Group.
2 Includes the holdings of family members and Melker Schörling AB.

Source: Euroclear Sweden

SHAREHOLDER SPREAD AT DECEMBER 31, 2016

Number of shares	Number of shareholders	Number of Series A shares	Number of Series B shares	*% of capital*	*% of votes*
1–500	22 869	0	3 321 873	*0.91*	*0.64*
501–1 000	3 492	0	2 882 251	*0.79*	*0.55*
1 001–5 000	3 391	0	7 808 848	*2.14*	*1.50*
5 001–10 000	456	0	3 447 457	*0.94*	*0.66*
10 001–15 000	160	0	2 050 395	*0.56*	*0.39*
15 001–20 000	138	0	2 479 080	*0.68*	*0.48*
20 001–	715	17 142 600	325 926 393	*93.98*	*95.78*
Total	**31 221**	**17 142 600**	**347 916 297**	***100.00***	***100.00***

Source: Euroclear Sweden

Share prices for Securitas, January 1 – December 31, 2012–2016

Definitions

Free cash flow per share: Free cash flow in relation to the number of shares outstanding.

Market capitalization: The number of shares outstanding times the market price of the share price at year-end.

P/E ratio (Price/Earnings): The share price at the end of each year relative to earnings per share after taxes.

Turnover velocity: Turnover during the year relative to the average market capitalization during the same period.

Yield: Dividend relative to share price at the end of each year. For 2016, the proposed dividend is used.

Financial Information and Invitation to the Annual General Meeting

Reporting dates

Securitas will release financial information for 2017 as follows:

Interim Reports 2017	
January – March	May 3, 2017
January – June	July 28, 2017
January – September	October 27, 2017
January – December	January 31, 2018

Financial information

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

Securitas AB
Investor Relations
P.O. Box 12307
SE-102 28 Stockholm
Sweden

Telephone: +46 10 470 30 00
E-mail: ir@securitas.com
www.securitas.com

Investor Relations activities conducted in 2016

Securitas arranged an Investor Day in Malmö, Sweden, in June 2016. Securitas also participated in investor meetings, investor conferences and roadshows in Amsterdam, Brussels, London, New York and Stockholm throughout the year.

Financial analysts who cover Securitas

COMPANY NAME	NAME
AlphaValue	Hélène Coumes
Bank of America Merrill Lynch	Nicholas de la Grense
Barclays	Paul Checketts
Carnegie	Viktor Lindeberg
Citi	Ed Steele
Credit Suisse	Andrew Grobler
Danske Equities	Mikael Holm
Deutsche Bank	Sylvia Foteva
DNB	Karl-Johan Bonnevier
Exane BNP Paribas	Allen Wells
Goldman Sachs	Daria Fomina
Handelsbanken	Staffan Åberg
HSBC	Rajesh Kumar
JP Morgan Cazenove	Robert Plant
Morgan Stanley	Andrew Farnell
Nomura	Andrew Chu
Nordea	Henrik Nilsson
Pareto Securities	Henrik Falk
Redburn	Gideon Adler
RBC Capital Markets	Andrew Brooke
SEB Enskilda	Stefan Andersson
UBS	Bilal Aziz

Annual General Meeting of shareholders in Securitas AB (publ.)

The shareholders in Securitas AB are hereby invited to attend the Annual General Meeting (AGM) to be held at 4.00 p.m. CET on Wednesday May 3, 2017 at Hilton Stockholm Slussen Hotel, Guldgränd 8, Stockholm, Sweden. Registration for the AGM begins at 3.00 p.m. CET.

Notice of attendance

Shareholders who wish to attend the AGM must:
(i) be recorded in the share register maintained by Euroclear Sweden AB (Euroclear), made as of Wednesday, April 27, 2017,
and
(ii) notify Securitas AB of their intent to participate in the AGM at the address:

Securitas AB, "AGM"
P.O. Box 7842, SE-103 98 Stockholm, Sweden
or
by telephone +46 10 470 31 30
or via the company website www.securitas.com/agm2017,
by Wednesday, April 27, 2017, at the latest.

On giving notice of attendance, the shareholder shall state name, personal identity number or equivalent (corporate identity number), address and telephone number. A proxy form is available on the company website www.securitas.com/agm2017 and will be sent by mail to shareholders informing the company of their address and their wish to receive a copy of the proxy form. Proxy and representative of a legal person shall submit papers of authorization prior to the AGM. As confirmation of the notification, Securitas AB will send an entry card, which should be presented at registration for the AGM.

In order to participate in the proceedings of the AGM, owners with nominee-registered shares must request their bank or broker to have their shares temporarily owner-registered with Euroclear. Such registration must be made as of Wednesday, April 27, 2017 and the banker or broker should therefore be notified in due time before said date.

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