

Annual Report

2016



bts

Strategy made personal

Business overview

BTS focuses on the people side of strategy, working with leaders at all levels to help them make better decisions, convert those decisions to actions and deliver results. At our core, we believe people learn best by doing. For 30 years, we've been designing powerful experiences that have profound and lasting impact on people and their careers. We inspire new ways of thinking, build critical capabilities and unleash business success. It's strategy made personal.

The following are some of our service offerings:

Strategy Execution

At our core, we are focused on helping our clients with their strategy implementation needs by harnessing the power of their people. We use business simulations, experiential learning and digital tools to make strategy personal, so that each manager and employee translates it into activities and behaviors they will do and care about – turning it into action.

Leadership Development Programs

Leadership development is essential to the success of any organization, yet it is a well-known fact that most corporate leadership training programs are ineffective. We have been disrupting the leadership training industry through our Define, Assess, Experience and Execute Great Approach to developing leaders.

Assessment

Focused and relevant talent selection and development is critical, yet challenging when faced with a limited resource pool and a highly competitive labor market. BTS Assessment centers and services provide targeted approaches to precisely identify talent and capability gaps, enabling clients to define high performance for critical roles, select the right people and develop their capabilities at all levels.

Developing Business Acumen

Business acumen is the intuitive understanding of how a company makes money, and includes strategic perspective, market orientation and profit acumen. It is an essential skill set that all employees need for an organization to be effective.

Transforming Sales Organizations

Our research shows that senior-level buyers are looking for consultative sales people who will help accelerate their business results. We provide buyer-centric consulting, sales transformation (planning, change management and sales training), assessment, selection and on-the-job execution tools.

Digital Solutions, Events and Services

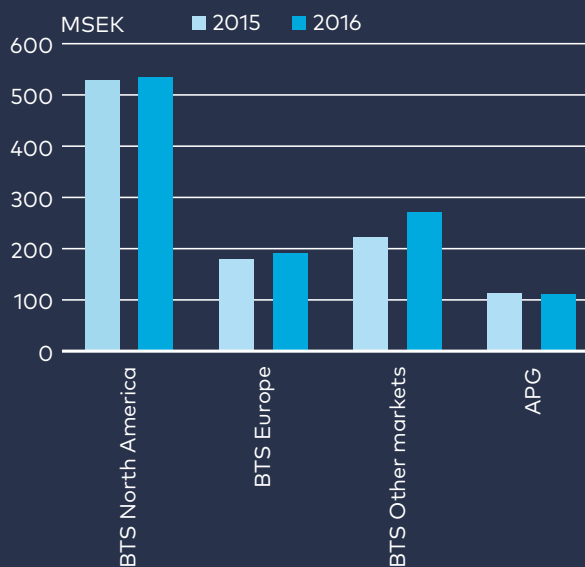
We are the leader in customized cloud-based business simulations and other immersive experiences and tools that can be delivered in a classroom, virtually, or for self-paced applications. We design and implement large leadership and sales conferences using our Pulse™ technology platform, which engages people, gathers their input and ensures outcomes and application back on the job.

Helping the world's leading companies

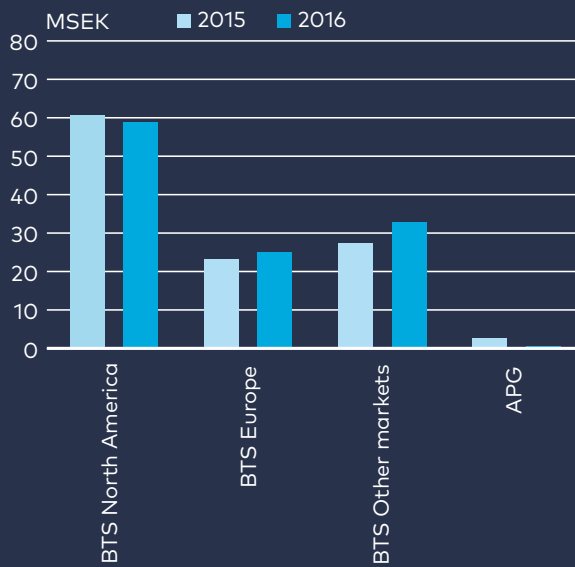
BTS is a global professional services firm headquartered in Stockholm, Sweden, with more than 500 professionals in 35 offices located on six continents.



Net sales per operative unit



Operating profit (EBITA) per operative unit



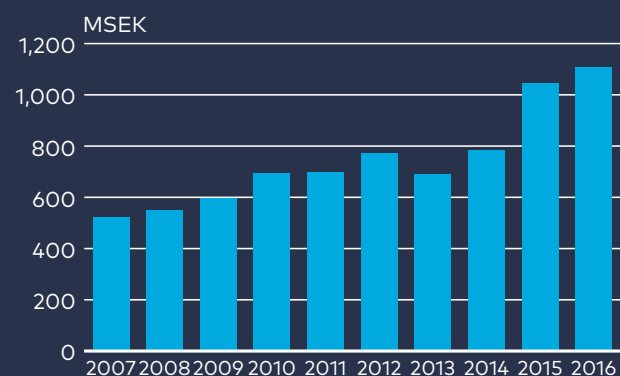
turn strategy into results

We work with our clients to build commitment and capability to accelerate strategy execution and improve business results. Our vision is to be the global leader in turning strategy into action.

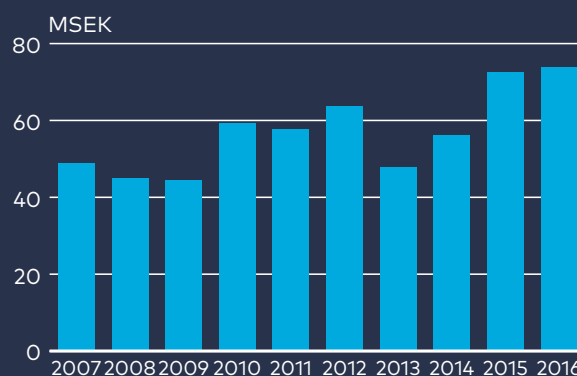
Some of our clients

- Accenture
- ANZ
- Autodesk
- BBVA
- Chevron
- Coca-Cola
- Ericsson
- Gaz Natural
- GlaxoSmithKline
- HP
- Mercado Libre
- Microsoft
- National Australia Bank
- Nike
- Novartis
- Salesforce.com
- SAP
- Standard Bank
- Tencent
- Uber
- Unilever
- Wärtsilä
- Xenel

Net sales



Profit after tax



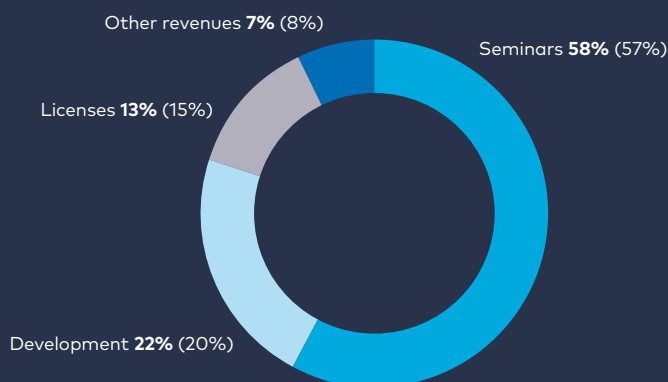
2016 in brief

- Net turnover amounted to MSEK 1,107.6 (1,043.9).
- Revenue growth was 7 percent, adjusted for changes in foreign exchange rates.
- EBITA increased by 3 percent to MSEK 117.5 (113.8).
- Profit before tax increased by 2 percent to MSEK 110.9 (109.2).
- Profit after tax increased by 2 percent to MSEK 73.8 (72.6).
- Earnings per share increased by 2 percent to SEK 3.96 (3.89).

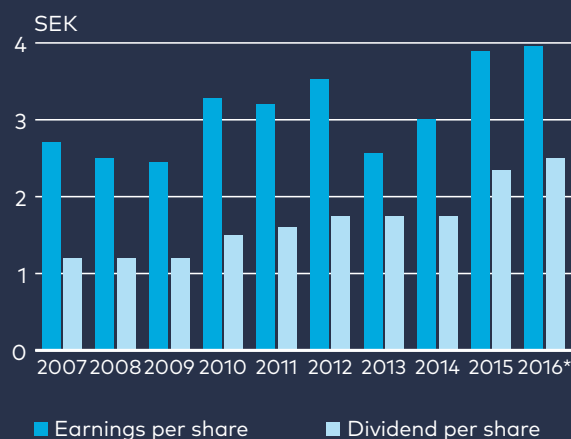
Key ratios	2016	2015
Net sales, MSEK	1,107.6	1,043.9
EBITA, MSEK	117.5	113.8
Operating profit, MSEK	111.7	109.5
Profit before tax, MSEK	110.9	109.2
Profit after tax, MSEK	73.8	72.6
EBITA, margin, %	11	11
Operating margin, %	10	10
Profit margin, %	7	7
Operating capital, MSEK	432.9	360.4

Key ratios	2016	2015
Return on equity, %	14	16
Return on operational capital, %	28	32
Equity ratio at the end of the year, %	58	60
Cash flow from current operations, MSEK	47.5	57.9
Cash flow, MSEK	-15.5	22.6
Liquid funds at the end of the year, MSEK	135.4	139.5
Average number of employees	498	436
Number of employees at the end of the year	523	463
Net turnover per employee, MSEK	2.2	2.4

Net sales by source of revenue 2016 (2015)



Earnings and dividends per share



*Proposed dividend



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Our brave new

Let me start with a story.

Or rather two stories – of two companies experiencing massive digital disruption; one survives and thrives and the other goes bankrupt.

Kodak and Fuji were the two dominant players producing film for pictures and movies. Their businesses were totally disrupted as digital media displaced regular film.

Kodak forcefully reduced costs year after year, protecting margins effectively as their business shrunk. Fuji rationalized their costs as well, but at the same time invested in new products and technologies where their capabilities could be used.

Today, Kodak is in Chapter 11 bankruptcy whereas Fuji is a USD 25 billion business with good margins and healthy growth.

The stories of Kodak and Fuji are relevant for today's brave new world, where businesses are fully exposed to a forceful cocktail of change.

A cocktail of change

Businesses today are experiencing **price pressure**, and at the same time there are more and costlier **regulations** to adhere to – from national, regional and global governments.

Technologies and commercial disruption are significant; most businesses have an "Amazon" – as well as some startups – aiming to take away big chunks of their business, and they simultaneously need to invest in the whole value chain to capture opportunities made possible by technology.

In addition, companies have to adapt to **shifting societal values**; businesses are meeting consumers and employees who think and act differently.

Let me double click on these last two. A big change driver today is **the relentless and powerful consumer**. Today's consumer expects immediate responses with flawless and pleasant experiences. We are all used to this from our smartphones, apps or Amazon shopping, and expect the same everywhere. And we have access to a lot more information, making us much more powerful as consumers.

Companies are adapting by creating **new ways to work**. Senior leaders no longer manage a pyramid; they oversee a broad network of people. Work does not flow from the top to the bottom, but from side to side across the organization,

and from the bottom up. Work is more about collaboration by peers and is less directed by senior management. Information and knowledge is spread throughout the organization rather than concentrated in the hands of senior leaders. Insight often comes from those closest to the customers.

Now, this is a challenging cocktail of change. How are businesses responding? Let us allow for a bit of simplification and divide businesses into three categories.

Winners, losers and aspirers

The **winners** are businesses which get real tailwind from these forces of change, which are growing and see more opportunities. Here we have many tech and internet companies, as well as professional services firms.

In a second category we see companies responding to these challenges with pure cost-cutting, zero-based budgeting, etc. These companies may maintain and even increase margins in the short term, but there is often no real vision on how to win in our Brave New World. I will call these companies the **losers**.

Finally, the **aspirers**; they are increasing productivity and reducing cost, and they have a vision of future success which they are investing into. These companies can at the same time profitably manage their mature business and explore building new businesses. They are reinventing business models that are attractive to consumers and allow for a competitive cost base.

Our opportunity

In the Brave New World, almost every company has a new strategy, or at least should have one. And the new environment and the shift in values require a new type of agile and modern leadership. The old leadership models – top down, hierarchical – are not effective.

Companies are investing significantly in making these strategies happen, and to create a more effective leadership across the business. At BTS, we see an increasing number of these projects, and we are winning more of them.

BTS is very well positioned to win – we have a lot of the capabilities businesses are asking for:

- We are global
- We are digital

world

- We have a great offering that produces results – and higher impact because of our passion for the client's context
- We have integrated practices of business acumen, leadership, innovation, sales and assessment
- We have the BTS organization – 500+ highly experienced and talented employees across the world.

Results for our customers

In the Brave New World we are entering, the “nice to have” consulting and training will decline and disappear; businesses will demand real results. And since everything is being digitized, measurements are expected.

BTS's focus on results for our customers is relentless. We are clear with our customers about the expected business results, we drive them through each project, and we leverage digital tools to enforce and measure. Let me share a few examples.

- We worked with 5,000 managers from one of Europe's largest utilities companies. During our two years together, their NPS – how the customers scored them – grew from –3 percent to +56 percent.
- A financial service firm asked us to develop 1,500 vice presidents to become more effective leaders. At the end of our work over two-thirds of them were rated significantly better as leaders by both their managers and their direct reports.
- We worked with the sales leaders of an industrial business all across APAC; the close rate of their sales rose from 18 percent to 32 percent.
- A large telecom organization asked us to develop 6,000 front- and mid-level leaders – reporting 10 times return on the investment.
- Our Innovation Practice developed leaders on all levels of a media and entertainment business. As a result a number of new business teams are working in start-up fashion; the short-term financial results so far are USD 50 million in increased revenues and reduced costs.

These are a few examples from hundreds of results where we are helping our clients to turn strategies into action through their people.



A record year

In the record year of 2016, our sales exceed SEK 1.1 billion. Revenue growth – adjusted for currency changes – was 7 percent.

During BTS's first ten years we grew to SEK 76 million (1996). In the next decade we reached SEK 379 million (2006), and during the latest decade we grew to over SEK 1.1 billion.

Our earnings grew slightly during 2016, with continued significant R&D investments in digital solutions of circa 4 percent of revenue.

We achieved strong growth in Other markets, 25 percent, and grew 14 percent in Europe. In our largest market, North America, revenue development was flat. We appointed a new President, Jessica Parisi, after Jonas Åkerman, who has led the successful creation and building of BTS USA from scratch, decided to move home to Sweden. The new leadership of BTS USA has significantly developed the strategy and operating model with the goal of increasing growth and margin. In APG, we saw a slight decline during the year, but growth during the second half.

Outlook for 2017

The results before taxes for 2017 is expected to be better than last year.

Stockholm, April 2017

A handwritten signature in blue ink, appearing to read 'Henrik Ekelund', written over a light background.

Henrik Ekelund
Founder and CEO of BTS Group AB

The global leader in turning strategy into action

BTS focuses on the people side of strategy, working with leaders at all levels to help them make better decisions, convert those decisions to actions and deliver results. At our core, we believe people learn best by doing. For 30 years, we've been designing fun, powerful experiences that have a profound and lasting impact on people and their careers. We inspire new ways of thinking, build critical capabilities and unleash business success. It's strategy made personal.

Vision

The global leader in turning strategy into action.

Purpose

We inspire and equip people to do the best work of their lives, creating better businesses and a better planet.

Value Proposition

We make strategy personal and drive great execution. Our unforgettable experiences create levels of alignment, mindset, and capability that deliver better results, faster.

Financial Goals

BTS's financial goals over time are to be:

- A revenue growth, adjusted for changes in exchange rates, of 20 percent, primarily organic.
- An EBITA margin of 15 percent.
- An equity ratio that does not fall below 50 percent over extended periods.

Strategic Principles

The BTS Group's 11 strategic principles

Focus

We focus on our world-class capability to customize and deliver discovery-based solutions that give our clients superior business results and ROI. Every new solution/service we develop shall build on the core competencies of BTS.

Internationalization

BTS is a global organization, providing services around the world to a client base of mainly international organizations.

Organic growth complemented by acquisitions

BTS grows organically, building on its core competencies and customer base. Acquisitions must provide major synergies and complement new markets, new customer bases, and new areas of expertise/solutions.

BTS enters new geographic markets and new sectors through a customer-driven approach – revenues and customers first, cost second.

Top clients and long-term partnerships

BTS's clients shall be predominantly high-image/large clients – and the most demanding and professional clients.

BTS establishes long-term partnerships with clients, built on delivery of top-quality and highly visible results and strong customer relations.

By leveraging our portfolio of solutions and capabilities, we build suites of solutions used throughout our clients' organizations, resulting in a recurring and growing flow of revenues over a long period of time.

Differentiation – higher value and premium position

BTS's services are differentiated through superior business results and ROI. Some differentiation factors for BTS are:

- Discovery-based learning
- Customization
- Results process
- Customer intimacy and focus
- Great people driven by excellence and quality
- Global coverage
- Broad range of solutions
- Innovation

Offer solutions and IP – not sell time

BTS's prices are generally fixed and are not set per unit of time.

BTS capitalizes on its IP (Intellectual Property), creating recurring revenues while striving to increase the share of total sales attributable to license revenues.

Network-oriented sales and marketing

BTS continuously increases the quantity of, and improves the quality of, resources dedicated to client contacts and sales.

These are key drivers of growth for BTS. Our priorities:

- Existing clients and account management
- New targets generated through the network of existing clients
- Qualified new targets that can profit from our competitive advantages

Value chain – focus on strategic assets and high value

- BTS owns and sources internally:
- Intellectual Property
- Customization
- Client contacts
- High level/critical delivery

BTS uses independent resources and contractors – to gain access to expertise and for optimal resource planning – in order to maximize quality and productivity.

BTS builds partnerships in order to gain access to customers and to combine capabilities.

One company – one best practice

BTS has detailed processes and best practice exchanges to ensure compatible methods throughout the Group – leveraging the company's knowledge and increasing productivity. We deliver well-coordinated and integrated services across the globe.

Innovate! – and develop close to the customer

BTS invests in development to cover the key needs of our clients and to provide the best solutions. BTS adapts existing solutions and develops new solutions in joint projects with clients to secure effective and client-needs-driven innovation.

The people and the company spirit

BTS's professionals are all very visible to the client, and the company spirit is a main driver of client and employee satisfaction. BTS emphasizes a positive and professional company culture expressed in six core values.

Recruitment, development, and motivation of our people – creating business-focused high performers throughout the organization – are key drivers of our growth.



Practice Areas

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Strategic Alignment and Business Acumen

Turning strategy into action for better results, faster

Conventional wisdom holds that poor strategies rarely yield positive results. However, good strategies can fail as well. The most common reason for this failure is that firms don't recognize, or develop, the three core drivers of exceptional execution.

Our strategy execution framework: E=AMC

Through working with many of the world's leading companies over the past 30 years, BTS has developed a framework that captures the inner architecture of exceptional strategy execution.

Strategy execution is defined as the practice of bringing a strategy to fruition. The three forces that power exceptional execution are Alignment, Mindset and Capability. You achieve better and faster results when people understand the strategy and its implications at an individual level (Alignment), when they are excited and passionate about the strategy (Mindset), and when they have the skills and confidence (Capability) to execute. These forces are influenced by how much pressure to perform is perceived within the environment.

A study by the Boston Consulting Group showed that focusing on strategy alignment could result in an increase in Return on Equity of as much as 12.5 percent.

Customized business simulations make strategy personal

A research report from BTS and the Economist Intelligence Unit, titled "Mindsets: Gaining Buy-in to Strategy," discovered that firms typically find it difficult to drive buy-in of strategic direction among middle- and lower-ranked employees, but top-performing companies (defined as those reporting above-average profitability relative to peers) regularly achieve

widespread buy-in at all levels of the organization. BTS helps organizations increase buy-in and win the hearts and minds of their employees through customized business simulations and experiential learning tools designed to engage people more deeply in the strategy and support the skill development and behavioral change necessary for execution.

Business acumen: Critical to effective strategy execution

Another recent study from BTS and the Economist Intelligence Unit, titled *Skills Mismatch: Business Acumen and Strategy Execution*, reports that two-thirds of corporate executives believe a lack of business skills or business acumen inhibits their company from meeting strategic priorities.

“A study by the Boston Consulting Group showed that focusing on strategy alignment could result in an increase in Return on Equity of as much as 12.5 percent.”

BTS E=AMC Strategy Execution Framework





Business Acumen for the 21st Century

To help executives address this problem and think about the critical capabilities and leadership skills needed to navigate intensely competitive markets, we have developed Business Acumen for

the 21st Century, a framework laid out by Dan Parisi in the foundational article of the same title. Business Acumen for the 21st Century is a new, robust, adaptive approach with five distinct pillars.



1. **"Lead Your Business"** is, at its core, understanding how a company makes money and the levers that can be pulled to create value. It is also the capability to see the bigger picture of your business outside of your function.
2. **"Business Decision Making Capability"** captures the fact that there are hundreds of tactical decisions across functions, management layers and budgets that must be mastered for a strategy to succeed.
3. **"Customer Centricity"** is a marked shift from internal to external business perspectives. Customer centricity is about understanding the customer's business with the intention of being a better partner and increasing customer loyalty and market share.

4. **"Lead Your Value Chain"** is about having a deep understanding of and navigating the uncertain and unpredictable aspects of your broader industry value chain or ecosystem. This value chain or business ecosystem includes suppliers, customers and important alliance partners.
5. **"Innovate"** is about developing the adaptive capabilities and innovation leadership skills needed to thrive in 21st-century markets. If you don't refresh and disrupt your organization's cherished beliefs, someone else will. This last pillar is about product, process and business model innovation which, in turn, cycles back to "Lead Your Business" and creates sustainable growth.

The BTS Results Assurance Process

BTS Strategic Alignment and Business Acumen programs blend consultant-led workshops, online learning and interactive business simulations to create the optimal learning environment for individuals and organizations. These highly customized designs are in service of one thing: your business results. The BTS Results Assurance Process starts with a discovery process to identify what results are most meaningful to you in the context of your business. Some clients measure results in terms of increased cash flow, others in terms of market share growth, others in terms of employee engagement or customer loyalty. Whatever the result you desire, the entire BTS learning journey is designed to drive those results. BTS uses proprietary technology and collaboration with our clients to turn learning into action. These actions are often driven through 'learning cohorts' that meet once per month after a BTS experience, creating an execution cadence that turns the learning into doing, and the doing into measurable results.

Making strategy personal for success in software

In 2016 BTS continued its engagement with a leading software company as a critical partner on the people side of a major business transformation. After successfully partnering to align over 2,000 employees to the critical business and mindset shifts required for the transition to a Software as a Service business model, we're tackling the culture shifts most critical to furthering the company's transition to cloud. We created a half-day experience for all employees, focused on critical choices and moments employees face and examining the 'great' new behaviors around collaboration, decision making, and execution. This global, all-company alignment experience has established a more powerful approach to annual communication and alignment.

Other ongoing efforts to support the company's transformation include:

- Simulations for leaders at all levels to experience and internalize the current to future state evolution of the business: making critical trade-offs, executing strategy, and managing financial performance in the midst of shifting business models and customer and market expectations
- Multiple solutions to equip salespeople and partners with the skills needed to sell new models and products, such as navigating new opportunities, engaging with new buyers, and advanced business process discovery conversations

Making the turn from director to officer at a major US utility company

To prepare leaders for the next level of enterprise responsibility at a major US utility company, BTS created a dynamic, experiential leadership laboratory. The immersive leader lab consists of a highly custom business simulation, which models the key drivers of value creation inside this client's utility business model. This unique solution forces senior directors to grapple with ROE management across electric and gas generation, transmission and distribution. The experience also challenges senior directors with managing multiple stakeholders, such as industrial customers, local communities and regulators. For the select group of senior directors chosen to attend, the program goes much further than business and financial acumen.

Every leader also receives a 360 before hand and spends time with an executive coach. At the 3.5 day program, the executive coaches have a great opportunity to observe these future executive leaders 'under pressure'. In an environment specially designed to create tension and stress, the coaches can observe the quality of each individual's leadership behaviors, team effectiveness and business decision making



skills. The senior directors are also tested during dynamic human role plays. For example, one role play includes a tense, high stakes meeting with federal regulators where rate case negotiations take place. In addition to executive coaches, senior leaders like the CHRO and CFO attend, teach and coach participants. Every participant leaves with a plan to directly impact business results across various KPI areas, such as safety, compliance, risk and financial results. This solution is a rigorous approach to preparing senior business managers for the next level of executive leadership.

How to win in wireless: Building business acumen with a custom learning journey

One of the largest wireless carriers in the US engaged BTS to help build business acumen. The focus of the solution was to teach managers the drivers of cash flow and, more importantly, how they could personally act to increase cash flow in their unique functions and roles. BTS created



a customized Results Assurance Process (RAP) to turn the learning into doing, and to assure that the doing turned into measurable business results and ROI.

The journey started first with an assessment to gauge each individual's current skill gaps and existing financial acumen. Next, participants embarked on a self-paced, web-based financial acumen course called Why Finance Matters. The next step was a two-day experience broken into two separate days with different objectives. Day one was used to teach the fundamental business model drivers of a wireless carrier. The broad perspective provided by this part of the experience enabled teams to understand ARPU, subscriber growth, churn and the criticality of generating cash flow to fund large Cap Ex investments.

Day two was focused on the tactical moves they could make in each of their functions and job roles to help drive cash flow. The program used real life scenarios (co-created by BTS and client senior executives) and a dynamic 'cash flow

simulator' loaded with real life numbers and relationships. Teams got to test, discuss and practice through the scenarios to study cause and effect. The end of the day culminated in each participant creating a 'Go-Do' within their function/job role and loading it into the act@bts software platform, which begins the execution phase of the journey. The Go-Do for each participant was a very specific action connected to a change in KPI within a certain time period.

The execution phase included monthly coaching cohort calls where teams meet monthly for one hour to discuss Go-Do progress and to coach each other around obstacles and toward completing their Go-Do's. The BTS Results Assurance Process at this client is so far yielding cash flow improvements (cost reduction, asset efficiency and revenue increases) that are many times the investment in the BTS solution.

Leadership and Management Development

Learning and development as a strategic differentiator

Accelerating strategy execution capability and delivering results

Leadership and management are essential to the success of any organization. No matter what measure you use, companies with effective leaders execute better and deliver long-term business results. In fact, high-performing organizations that have continually invested in their leaders have "generated nearly 60 percent improved business growth, reported a 66 percent increase in bench strength, and showed a 62 percent improvement in employee retention."¹

As constant organizational change has become the new normal, today's leaders face an increasingly steep uphill battle in their attempt to inspire, align and motivate their employees. In a world where a meager average of 13 percent of employees are fully engaged in their jobs (Gallup, 2013), leaders need to be able to recharge their people's commitment and sense of optimism to boost their organizations' competitiveness. Leaders must make strategy personal, simultaneously gaining and maintaining their people's emotional and mental commitment to achieve the organizational strategy and work with change.

The BTS approach: Disrupting leadership development

The BTS approach to developing leadership and management combines our 25 years of experience working with world-class organizations with proprietary research and the findings of leading authorities. We work with business and talent leaders to develop their people at all levels using customized leadership development

programs, business simulations, and experiential learning tools.

In an increasingly VUCA environment (Volatile, Uncertain, Complex, Ambiguous), the leader takes the pivotal role linking strategy and execution. Our tried-and-tested approaches to leadership and management interlace the personal (e.g. strengths, values, purpose with strong communication and development focus) with the application through forward-looking simulations, observation and personalized feedback, followed by action planning to sustain momentum and to drive the implementation cascade through the organization in an inspiring way. This is how we make strategy personal.

To maximize the impact of leadership development programs, BTS engages leaders over time, building critical leadership capability and behavior through comprehensive Learning and Execution Journey processes. Our Define, Assess, Experience and Execute Great Approach organizations determine what "great" leadership looks like for their company and bring that to life at every level. While each Learning and Execution Journey is unique, the flow generally involves a series of engaging, blended experiences tailored to the individual and company's business needs. Leveraging leader involvement, high-impact experiential learning tools and a results assurance process, BTS closely links skill building to organizational goals and priorities. The result: leadership becomes a source of strategic differentiation and competitive advantage. It has proven successful for companies as diverse as SAP, Deutsche Bank, Chevron, ING, National Australian Bank, Unilever and VMware.

CLIENT TESTIMONIAL

"We have partnered BTS on key leadership programmes in the last four years with great success and feedback. Last year, we worked with them for our Group Leadership Offsite hosted by our CEO Piyush Gupta, for about 250 senior Managing Directors in DBS. The customized case studies and new learning methodology deployed resulted in multi-dimensional perspectives to the issues and led to impactful discussions. Through the innovative learning methodology, and the close partnership with BTS, we had a very meaningful engagement with the senior leaders. The engagement brought to surface fundamental challenges, which we will tackle as a team as DBS pursues its strategic intent. Many thanks to BTS for their out-of-the box thinking and for being part of DBS' transformational journey."

Lee Yan Hong, Head, Group Human Resources, DBS Bank

¹ Bersin & Associates, High-Impact Leadership Development for the 21st Century, 2011.



CLIENT STORIES – CASES IN POINT

Top to bottom leadership development at SAP

Over the past two years, SAP has been on a journey to shift its leadership culture to support its transformation. During the journey, 6,000+ leaders participated in flagship development programs that would enable them to transform the company. The topics were designed to align leaders to the overall strategy, establish a mindset to multiply the intelligence of their talent, and give leaders the skills and abilities needed to execute the company vision. The results have been incredible, including:

- Leadership Trust NPS Scores increase from +28 in 2013 to +52 in 2015
- Increased Employee Engagement, which has demonstrable impact on Operating Profit
- Action and accountability for leaders to lead in new ways
- Growth across new cloud and services businesses exceeding expectations and outperforming the competition

An integrated leadership and strategy execution simulation at one of Europe's most innovative banks

Having developed a new strategy, one of Europe's most innovative banks set out to align its top leaders around the

new strategy and embed the new behavioral code based on the bank's values. To help the bank achieve this, BTS created a learning experience to drive leaders' alignment, shift their mindsets and enhance their capabilities.

Our integrated approach simulated both the different dynamics of regional markets as well as the overarching global environment based on real data and market occurrences. We then used this simulation to run a behavioral lab, where participants received personalized, in-depth feedback both on their business as well as their personal performance over multiple rounds of the simulation. The design of the solution shifted the ownership of the feedback and application to the participants, thus driving involvement and ownership of the behavioral code.

This project was a great example of deep collaboration and involvement with the client at the highest levels, working directly with the Chief Strategy Officer, and having 35 senior leaders input into the design. In delivery, there is tremendous support and endorsement by the bank's country CEOs and regional heads.

Sales

Changing behavior, driving execution

A multinational technology firm wanted reorganize their salespeople into verticals. This would change not only how they sold, but also would require radically improved industry acumen. Change how 3,500 people do their jobs in just a few days? Challenge accepted.

In regional meetings around the globe, we simulated their customers' businesses (across 10 industries) and had their salespeople run those businesses to get a gut-level understanding of what matters to their customers. Then they practiced selling back to those customers, using their new understanding to communicate how their technology drives what customers really care about leading to bigger deals, closed faster.

Our approach

We view each sales execution project through three lenses:

- Top performers: We study what our clients' top-performing salespeople and sales managers do differently.
- BTS research: We lead quantitative and qualitative research into what customers expect from salespeople today.
- Client strategy: We incorporate our clients' strategies into the programs,

so that our programs drive alignment and mindset, as well as capability.

We use the Great Framework to identify and scale what is unique about our clients' high-performing sellers and sales managers:

- Define Great: We codify what your great people do and enhance with an external perspective. Example: Role profiles and playbooks
- Assess Great: We evaluate knowledge, skills, behaviors and mindsets for

CLIENT STORIES – CASES IN POINT



DEFINE GREAT

- 1 month of research, site visits, ridealongs and interviews
- 2 playbooks—managers and sellers
- 2 fully custom sales approaches for different roles
- 3 ideal customer profiles
- 5 Great Manager Actions defined
- 7 Great Sales Actions defined



ASSESS GREAT

- 1 virtual "Day in the Life" simulation
- 2 new roles to sort sales population into
- 6 industrial psychologist role-played customers and managers
- 38 market-level talent reports
- 87 behavioral data points mapped to roles



EXPERIENCE GREAT

- 4 quick-start training to get reps moving in month two
- 5 in-person, two-day manager trainings
- 8 virtually facilitated sales rep trainings using digital simulations
- 38 in-person sales trainings



EXECUTE GREAT

- 1 app built to create one place for reps to go for development and reference
- 10 In-Field Activities for sellers
- 12 In-Field Activities for managers
- 20 customer segmentation workshops in markets
- 40 weekly client leadership team calls led by BTS
- 193 analytics and performance metrics per rep analyzed by a custom analytics tool
- 2,500 sales reps who sell differently

And the results:

- 29.7% more meetings per week
- 15.9% increase in value of pipeline
- 19.7% more booked revenue
- 19.9% improvement of quota attainment

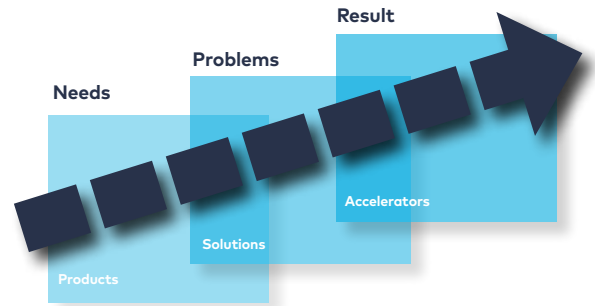
feedback, development plans and job selection. Example: Online assessments valid for both selection and development

- Experience Great: We create powerful experiences that enable people to practice with new approaches, tools, behaviors and actions. Example: Simulation that lets your reps run your customer's business
- Execute Great: We provide tools that allow sellers to achieve higher performance consistently. Example: Coaching-as-a-service

How we deliver

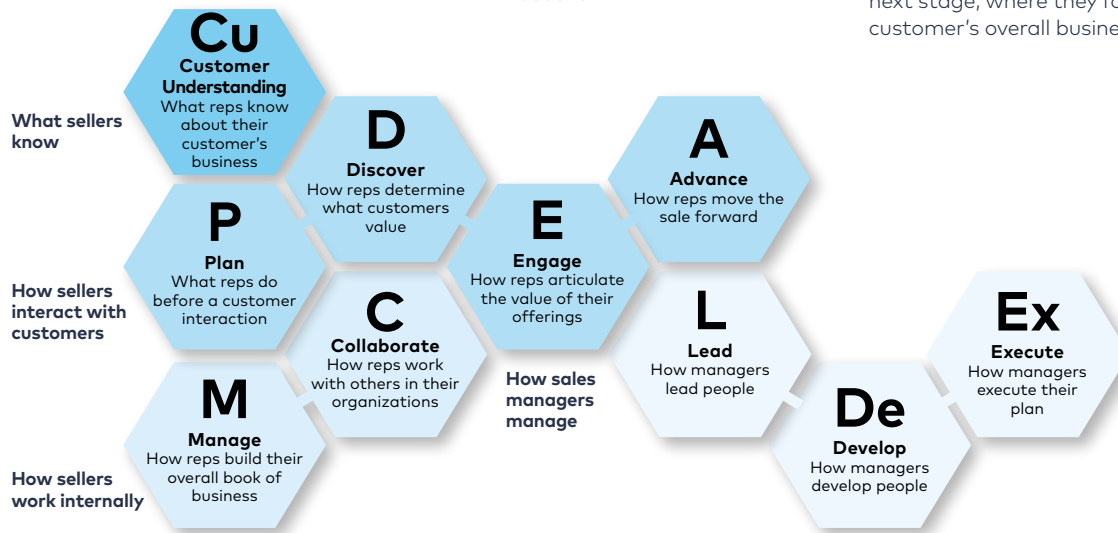
Clients come to us at different places on their path to sales excellence, so how we assist them varies. Some of our methods include:

- Sales Transformation
- Sales Consulting
- Assessment
- Sales Training
- Simulations
- Results Analytics
- Execution Platform
- Sales Conferences
- Research



The Evolution of Sales

The emphasis in sales moved over the last decade from a focus on products to solution selling. Today's world-class sales forces are evolving to the next stage, where they focus on accelerating the customer's overall business results.



Strategic account management for generating major impact at Sandvik Australia

Facing the challenge of bringing together a diverse group of people into account teams, Sandvik Australia set out to develop a training environment that united individuals and taught people to learn by doing. To design and implement this strategic account management program, they paired with BTS. Using highly relevant systems, plans and content, we developed a modern program that allowed people to walk away with a fresh mindset and improved capabilities. After running the program, Sandvik measured the impact – and the results have been astounding. As a direct attribute of the program, Sandvik has closed business with a

customer they'd been pursuing for 25 years, doubled the value of a different customer's business within one year, and reported over 100 million dollars of sales.

Transforming media sales

A large broadcast media company was facing a changing business environment, with increased competition and the rapidly rising integration of digital technologies. They knew that in order to thrive in this new, competitive marketplace, they would need to change their way of selling – and quickly.

To address these challenges, the company outlined a new company structure and then partnered with BTS to implement these changes by focusing on the people side of the strategy. To achieve this, BTS designed a targeted

communication strategy and developed a multi-phase sales transformation journey that included:

- Launch Simulation
- Sales Team Assessment
- Strategy Implementation Working Sessions
- Sales Training and Performance Support

Over the course of a year, over two dozen local markets and more than 600 participants completed the program. Program debrief interviews with the company's leadership team have produced highly positive feedback. The leaders demonstrate optimism and confidence in their newly formed teams and their ability to successfully tackle the challenging market conditions.

A new way to do business



Innovation has nothing to do with how many R&D dollars you have. It's about the people you have, how you're led, and how much you get it." Steve Jobs

Innovation is the discipline of serving needs in new ways that create value. It is a core capability that allows firms to sustain competitive advantage and grow. It is a skill that can be learned, practiced and mastered.

Innovation can be made a part of a firm's culture, but it requires openness to disciplined experimentation and uncertainty. It requires looking at customers and markets in new ways and an ability to simultaneously scale today's business model while directing resources to discover tomorrow's. Most of all, innovation requires a willingness to challenge the assumptions that may have made the company successful in the first place. BTS Innovation Practice solutions help firms build the critical leadership capabilities needed to create and advance a culture of innovation at the individual, team, business unit and enterprise level.

The BTS Experience

BTS Innovation solutions are fast-paced, hands-on experiences that combine a sequence of short, mini-lecture sessions, hands-on "table top" workshop exercises, and a customized innovation simulation that compresses the months and years of high-risk innovation projects into a few short hours.

Through the designed learning experiences, ranging from 2–5 days long, participants learn the essential principles, techniques and tools needed to:

1. Generate unique consumer insights and apply design thinking
2. Ideate and refine novel solutions to customer (both internal and external) problems

CLIENT STORIES – OUTCOMES YOU CAN EXPECT

"My team partnered with BTS at the beginning of the year to align the team around a common language of creative problem solving and ultimately to achieve operational efficiencies in key internal-client-facing processes.

As a result of going through the experience, my team asks better questions and is much more engaged than in years past in looking at our key processes and identifying ways to innovate and improve to drive efficiencies.

In fact, we recently reduced a key month-long process by seven business days, which allowed the team to celebrate, take a day off and just as importantly repurpose part of the saved time to deliver valuable insights to the business."

GM of Finance for a Fortune 50 Tech Company

"The effect of the work has been great. The leadership team is really excited. New projects keep coming up every day. Turner Argentina was in fact

ranked last month between the best 20 companies to work for in Argentina by Apertura, the most prestigious business publication in the country. Teams are working cross-functionally around projects – using innovation techniques, prototyping and executing, as if they were startups. All the projects that are in the presentation are being funded."

Felipe de Stefani, SVP and General Manager, Turner Latin America



3. Execute and manage a portfolio of innovation projects by running disciplined experiments
4. Learn and understand the critical leadership behaviors required in the organization to create a culture in which innovation can flourish.

The learning experiences are customized to reflect the client's unique internal and external tensions that employees are experiencing today, and those they are likely to face as they advance in their careers. Regardless of length, all programs provide a visceral understanding of the interactions and challenges leaders are most likely to face as they lead innovation within their firms.

"By implementing the innovative tools and strategic behavior learnt during our customized BTS workshop, I have been able to develop a new opportunity for our business on a global landscape with a potential TAM of USD 400 million."

Senior Manager, Global Chemicals Company, One of Thomson Reuters Top 100 Most Innovative Companies 5 years running

CLIENT STORIES – CASES IN POINT

Creating a culture of innovation by design

At a Fortune 100 technology, media and entertainment firm, we are taking leaders on a five-month leadership journey to build the confidence and agility they will need to scale today's business model while simultaneously discovering tomorrow's. The journey builds innovation leadership skills and takes participants through every step of the innovation process in a very hands-on way over two program modules, held first in Milan and next in Tokyo.

This customer-focused innovation experience fully immerses participants at every level: they have to listen and observe customers in order to understand their needs; they work side-by-side with industrial designers in an innovation studio, creating prototypes of their ideas, and they visit other world-class innovative companies, fostering open innovation. The journey includes visits to innovative companies, customer exploration materials, augmented reality exercises, presentations by external speakers, and more. The goal of the program is to develop the leadership skills needed to build a culture of innovation – which this organization recognizes as a key to its future.

Balancing today's business with tomorrow's through innovation leadership

More and more companies are starting to realize that they need to face an important challenge if they want to stay relevant – they have to balance on two feet. On one foot they have to manage today's business and double-down on their core, and on the other foot they have to discover tomorrow's business to be able to drive the company into the future. BTS created a program called SAIL that gives leaders a chance to practice engaging in Strategic Alignment and Innovation Leadership because it is, after all, up to the leaders to balance these two challenges – and to do so, they must start thinking *differently*.

For one leading North American media company, SAIL was used to address this issue of balancing the core business while discovering opportunities for tomorrow within the SVP/Director population. The pilot session scored a 100 percent NPS, and BTS is already hearing directly from participants that they have changed the way they think about their time and resource allocation.

Assessment

Identify the business and people leadership capabilities necessary for success

The BTS Assessment Framework: Helping clients define, assess, develop & execute great

The BTS Assessment Practice develops and delivers custom, execution-enabling initiatives that are behavior-focused and high impact. Applying an innovative, contextually-rich approach and a deep data-focused methodology, BTS helps clients define what great execution looks like within their organization; assess talent and developmental gaps; identify and select great talent; and provide the experiences and tools to help people become great.

Continuing investments in BTS's assessment solutions increases capabilities

Over the past few years BTS has made significant investments in a number of digital, product and service capabilities to deliver leading solutions to clients across the practice areas. The build out of the assessment platform on the Pulse digital platform has enabled the introduction of video-capable and mobile assessment, learning and development solutions. As we have moved new and ongoing client assessments to the Pulse platform, we have delivered even more engaging and graphically rich virtual assessment experiences that mirror today's work environments and the tools that employees use.

One such solution is Practice with an Expert, which leverages the new Pulse assessment platform and is modeled upon the TASL experiential learning offering that BTS acquired with Fenestra. Built in collaboration between the Assessment practice and other practice areas, Practice with an Expert allows participants the opportunity to learn critical new manager skills and practice them in a risk-free environment

with a seasoned instructor. This high-touch, cloud-based leadership experience includes short eLearning bursts to build new skills, simulation-based role plays with our coaches, feedback and more guided practice. Leadership and executive coaching have grown from niche offerings to a service that we are promoting to clients as we deliver on our promise to Make Strategy Personal.

Leveraging custom business simulations for impactful assessment experiences and results

Directly competing with traditional assessment houses, we continue to offer new solutions that directly leverage BTS's expertise in customized business simulations. One such solution is the Individual Executive Assessment, an assessment protocol of comprehensive, reliable and valid exercises within the context of a business simulation that allows us to accurately assess the business and leadership capabilities required for ultimate success in a target role.

Substantial research tells us that observing behavior in contextually relevant situations is the best predictor of on-the-job behavior, which in turn helps pinpoint strength and development areas at the individual and organizational levels. Placing people in a context that mirrors the reality of the client organization is the best method for evaluating how important capabilities, such as those needed for successful culture fit, are actually displayed on the job. These behaviorally based assessments, built to reflect realistic and relevant work situations and identify the situations where applicants will thrive, are powerful predictors of job performance, employee fit and retention.

BTS Great Framework



BTS's comprehensive suite of assessment solutions will ensure that an organization has the **right people** in the **right roles** with the **right skills** making the **right decisions**.



BTS's assessment solutions address today's challenges

As experts in the areas of individual and workforce assessment, the BTS Assessment Practice develops and delivers custom, execution-enabling initiatives that are behavior-focused and high impact. Our solutions include:

- 
Great Profiles
- 
180° and 360° Surveys
- 
Great Playbooks
- 
Strategy Execution Diagnostics
- 
Executive Assessments
- 
The High Potential Talent Challenge
- 
Virtual Assessments for Selection and Development
- 
Practice with an Expert
- 
Job and Culture Fit Assessments
- 
Coaching

CLIENT STORIES – CASES IN POINT

Transforming assessment data to knowledge, action and results: After a world-leading pharmaceutical organization recognized the need for individual development, it partnered with BTS to identify and measure these needs through a custom virtual assessment center for their global high potential general managers. Participants were able to undertake the assessment from their home country locations, significantly limiting time away from the office and eliminating travel expenses. After being assessed via a four-hour simulation with multiple exercises designed to replicate important challenges of their work, they then met with a coach to receive personal behavioral feedback on their strengths and opportunities for development. The program sponsors also received aggregate talent data and met with our BTS project leads to discuss key themes across the cohort and plan for additional developmental activities to drive behavioral change.

Accelerating development journeys: To help a high-growth, fast-paced technology company scale their business through more effective leaders, we designed a cohort-based coaching solution. It included a two-day Summit at the beginning and end, followed by five months of coaching and case study application. BTS combined one-on-one coaching with facilitated, peer-to-peer coaching for four-person groups who stayed together throughout the program. This cohort-based method gave leaders the chance to apply their learning to daily business challenges while simultaneously supporting one another and building their own coaching skills. BTS provided our client with a real-time dashboard and monthly check-in meetings to share both quantitative and qualitative results. Unlike one-off training programs where sustained, business-related outcomes can be difficult to measure, the multi-dimensional coaching model allowed for continuous, tangible insights into the progress being made – from the perspectives of the participant, their teams and their managers.



Digital Services

Immersive and interactive experiences

BTS Digital focuses on personalizing strategy and changing behavior through digital-enabled events, in-person workshops, virtual experiences, and online and mobile solutions. We leverage BTS IP while collaborating and innovating with you to create stories, challenges and experiences in the context of your business environment. BTS Digital is comprised of a global team with a full range of expertise and innovative industry leadership.

Over the past couple years, our Digital offerings have expanded greatly, reflecting the rapidly growing, constantly shifting and increasingly digital nature of the world we live in. We have launched a new series of capabilities, simulations and platforms compatible across modern devices in iOS, Android and Windows.

Our Pulse Technology Platform

Using our Pulse technology platform, we work with clients to transform conference events into cutting-edge interactive experiences. It allows all participants to contribute actively, facilitating knowledge, idea sharing and action planning in real time. Through this approach, large meetings become transformational, not just informational. Digital technology makes big feel small. The Pulse platform's comprehensive processes, methods and activity templates can be easily adapted or custom developed to almost every meeting

purpose and set-up. In 2016, our clients used Pulse at over 70 digital-enabled events for more than 30,000 participants.

Our Pulse platform also enables the simulations, apps and tools that make up the BTS digital ecosystem. These experiences set participants up for success in learning experiences and daily on-the-job execution, with features designed to:

- Prime: Pre-work, pre-reads, program info
- Engage: Simulations, debriefs, coaching, role plays, knowledge sessions, crowd-sourcing
- Sustain: Nano sims, reference apps, go-do activities, action planning, measuring impact

Pulse can be set up with various experiences and apps depending on your organization's needs – for strategy alignment, leadership development, sales or innovation, or a mix of these topics.



Our Changr Execution Platform

Changr is a learning and communication platform designed to better connect employees to their business during periods of change. Our clients use the platform to communicate and educate employees on strategic business initiatives and their corporate strategy.

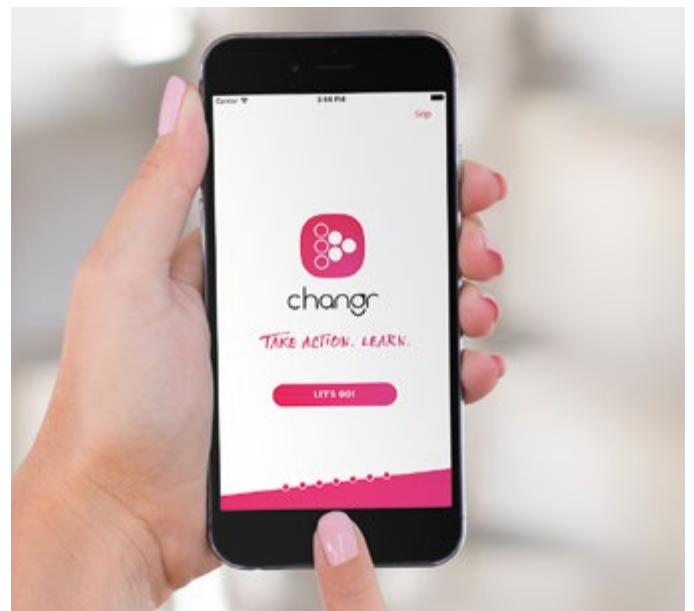
To create an impact in any organization, strategic initiatives cannot be one-off experiences; rather, they must be well-designed journeys of multiple engaging experiences and communication over time that work together to drive a desired outcome. And across any journey, there is always one constant with the clients that we interact with – the presence of four key stakeholder groups. These groups are:

1. The executive team
2. The operations team
3. The leaders
4. The employees

Changr accelerates the rate of change in a business by digitally connecting each of these stakeholders to an overall strategic journey and overcoming the pain-points that inhibit effectiveness. Changr's interactive and easy-to-use interfaces are equipped for impact at every level:

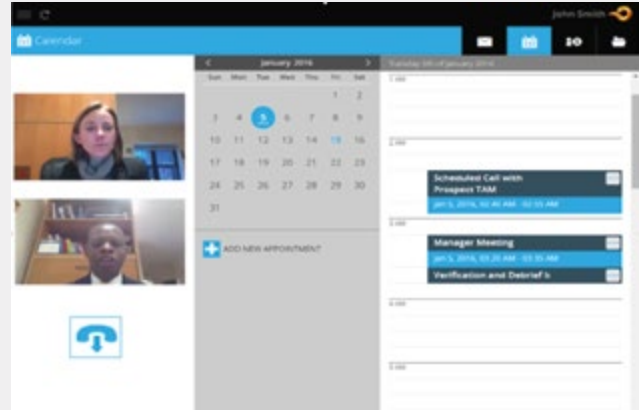
- The employee becomes part of a high tech, high-touch experience to better drive the execution of the strategy.
- The operations team and leaders save time by reducing admin to ultimately reduce costs associated with journey roll-outs.
- The executive team are able to track, measure and report execution more effectively.

BTS leverages both of its platforms in tandem to achieve the desired business impact.

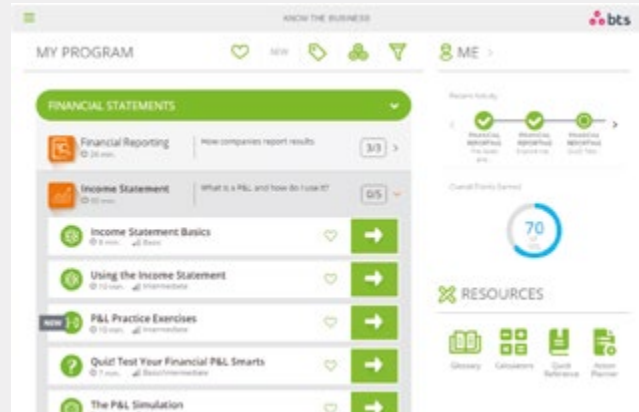


The following are some of the experiences recently added to BTS's digital portfolio

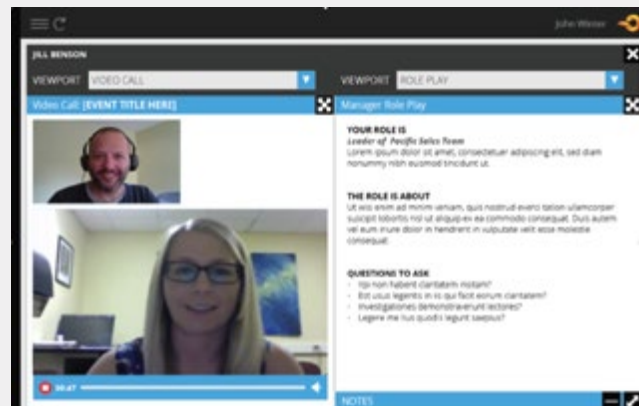
Virtual Assessments: Over the last year, we've undertaken a full upgrade of our virtual assessment platform to provide industry-leading assessment experiences. The new platform is now mobile-enabled, allowing users to participate in assessments via iPad as well as other tablets and computers. Its new modern interface has enhanced the user experience for both the participants and assessors. And because the virtual assessment platform is now on our Pulse technology, we can better serve clients by combining assessments with other simulations and digital solutions, and vice versa.



The KTB Gateway: Our new Know The Business online/mobile learning gateway focuses on business and financial acumen. It includes video-based learning bursts, timed quizzes, practice exercises, and simulations – with a gamification layer to help spur engagement. The KTB Gateway is an ongoing business acumen resource that is continuously updated and can be personalized by the user. And it follows a mobile-first paradigm for bite-sized, on-demand, on-the-go learning.

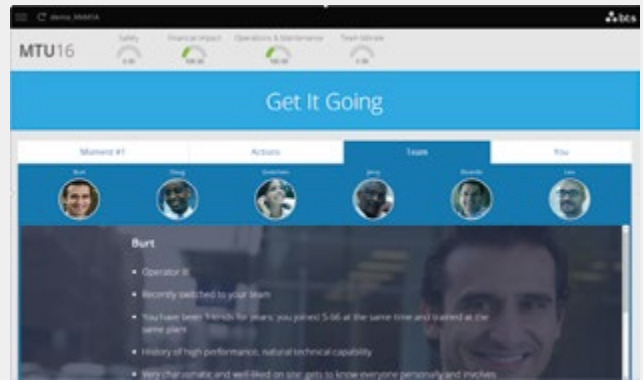


Practice with an Expert: In this blended learning experience, participants learn about leadership topics such as feedback and delegation and then schedule a 90-minute virtual role-play session with an expert or coach for deep skill practice. Our Pulse platform enables two-way video calling integrated with role-play scripts and evaluation forms used by the expert/coach. Practice with an Expert is a cutting edge, high-touch experience that can be scaled to thousands of participants in an organization.

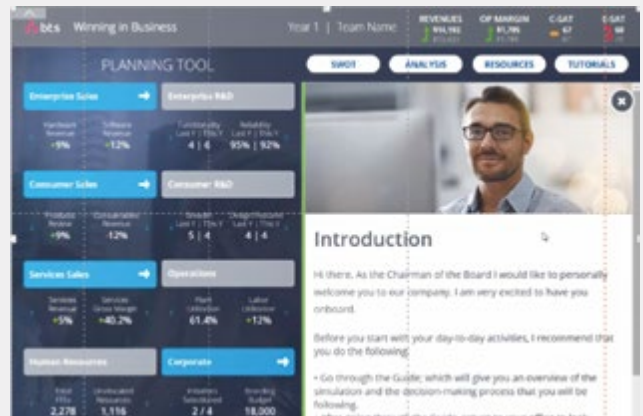


The following are some of the experiences recently added to BTS's digital portfolio, cont.

Moments That Matter: Our flagship leadership simulation, the Moments That Matter experience enables participants to face the pivotal moments that leaders deal with every day on the job. Because leadership is relentlessly contextual, this simulation is customized with a storyline that is true to life with relevant and critical situations, tradeoffs and choices. Participants practice what "great" looks like in those moments that matter. The team-based digital experience runs on iPads, with 2–3 tablets per group of 5–7 participants. It can also be delivered in virtual facilitated format.



Winning In Business: A robust business and financial acumen experience, clients use the Winning In Business simulation for team-based workshops delivered in-person, as well as online and self-paced. We've now upgraded the experience to work on iPads and tablets and to support highly interactive team-based virtual workshops. It is typically customized to our client's business and fits well in a one-day facilitated workshop as well as in two half-day virtual facilitated sessions. In a self-paced mode, Winning In Business makes for a rich two- to three-hour participant experience. There is also a standard version in which participants run global a high-tech products and services company.



Strategy Simulation: When clients want their leaders and people to understand the strategy and trends of the business without diving deep into the financial details, they use our Strategy Simulation platform. These customized solutions provide a multi-branched experience in which participants "create their own adventure". Each choice they make – investments, initiatives, new products and leadership choices in critical moments – triggers new information and decisions. Like the rest of our portfolio of flagship digital experiences, the Strategy Sim is now mobile-enabled, allowing it to be used on iPads and also to be deployed by clients flexibly in offline, online and virtual formats. Clients also use Strategy Sims to help their sales people step into the shoes of their customers and deepen understanding of their customers' strategic business opportunities and challenges.





CLIENT TESTIMONIALS – STRATEGY MADE PERSONAL

"The incredible use of technology in this program has changed the way we come to work and can communicate going forward. We have become more efficient in every sense of the word. It has become a catalyst to bring people together in a cost-effective way. A great springboard to execution – don't be afraid, embrace change, use technology, be collaborative and look to the future."

CEO, Leading Global Bank

CLIENT STORIES – CASES IN POINT

Global Bank – Virtual leadership, ethics (L&M practice)

A large global bank wanted to align and engage leaders around the world in its leadership principles and ethics imperatives. It had the goal of reaching an audience of tens of thousands in a short period of time for these two initiatives. Using our Pulse platform, BTS developed a highly interactive leader-led experience for sessions of 1000+ participants. With streaming video delivered side by side with Pulse-based interactive exercises, we helped the client deliver a compelling experience without need for extra virtual classroom infrastructure.

Digital marketing company – Sales transformation (Sales practice)

A leading local marketing solution provider needed to transform its sales organization, tuning it in closer to the customer. BTS created a sales transformation journey for the client, including delivery of a customized version of our Sales Team role-play simulation. Deployed virtually via our Pulse system and a third-party virtual classroom to maximize speed and efficiency, the program connects learners in several remote classrooms

to a central hub. Participants get the benefit of a local room facilitator and a virtual master facilitator streamed to multiple locations. BTS also created an innovative recommendation engine for sales managers. This tool allows managers to make recommendations for seller coaching and learning based on real-world CRM data.

Investment services firm – Innovation & leadership (Innovation practice)

Seeing the need to enable its middle management to lead innovation, a major investment services firm asked BTS to create customized versions of our video-based iLead scenario simulation platform to focus on innovation and client-centric behaviors. Delivered virtually by client facilitators, the solution makes use of Adobe Connect virtual classroom technology, including breakout sessions. There is also a self-paced version of the iLeads for post-session use by participants and self-paced use by a wider audience.

North American Bank – Everyday leadership @ conferences (L&M practice)

The leadership development at a large North American bank wanted to reach

a broad management audience by embedding elements of its leadership model in conference events scheduled throughout the organization. Using our iLead series of video-based simulations on our Pulse platform, we enabled the client to deliver high-impact two-hour experiences as a plug-and-play module in numerous conferences with thousands of leaders participating, as many as 300 at a time.

Information services company – Decision making (SABA, L&M)

Experiencing rapid organic and acquisition-driven growth, a leading consumer information services company turned to BTS to help its senior leadership enhance decision-making effectiveness. We designed and delivered a four-hour simulation experience at the company's Top 100 global leadership meeting. Orchestrated via our Pulse technology platform, the digital simulation focused on critical business leadership moments that require role clarity and decision rights in a matrix organization. After the successful session for top leadership, the client will deploy the simulation to additional select audiences and for on-boarding senior leaders.

Business Model and Clients

Business Model	28–29
Our Clients and Industries	30–31
Growth, Profitability and Acquisitions	32–33



World-leading capabilities are shaped in partnership with our clients

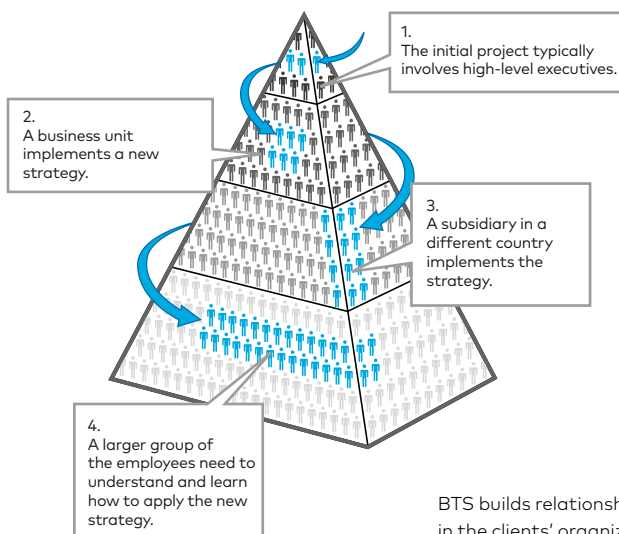
The foundation for growth lies in BTS's ability to create long-lasting customer relationships at different levels in the customer organization. An initial BTS assignment is often designed for, and implemented with, the client's senior executives and managers. This customization process is carried out in close cooperation with the client.

Outstanding results, well over the client's expectations in an initial project, lead to customized solutions for managers and employees at different levels throughout the organization.

Network-based marketing

BTS employs a network-based marketing approach covering a number of selected industries.

The network, composed of both those executives who make strategic decisions about change and learning initiatives and those who actually purchase solutions, helps generate opportunities for new assignments and customers. When BTS approaches a new industry, it initially focuses on a few leading companies. Once these assignments are completed, they will serve as reputation-building reference projects for new sales to other organizations in the same industry.



BTS builds relationships at different levels in the clients' organizations. Through these relationships, new projects are continuously generated.

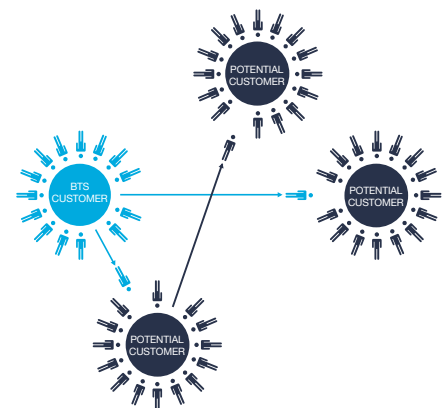
Multi-market expansion with limited risk

BTS continuously expands its business operations to new markets around the world. BTS works with multinational clients and implements projects in a large number of countries without necessarily having an established local office in every market.

Existing customer relationships make up the base when BTS starts up operations in a new market – a fact that reduces the expansion risk. In addition, BTS works hard to nurture relationships with other large corporations active in the targeted markets.

Once business has grown to sufficient volume in a new market and the future potential appears attractive, BTS can take the logical step and establish a new, local office.

BTS values its customer relations. Participants in the company's business programs are important future customers. New assignments come mostly from former buyers and program participants changing jobs or companies – and calling on BTS from their new positions.





Acquisition strategy

BTS's growth strategy is primarily built on organic growth. Over the past few years, the company has made a number of acquisitions in different countries.

BTS's strategy for acquisitions is built on creating a broader base for future organic growth while at the same time finding complementary acquisitions. The goal is to offer more services to both existing and new customers. All acquisitions have resulted in cross-selling. This is a result of conscious efforts to identify new business opportunities based on needs within the extended customer base. The training of account managers and the needs-focused discussions with individual clients have played an important role in this process.

Development

Developing the revenue mix

BTS's revenues originate from three areas:

- Customization
- Instructor-led seminars
- Licenses

BTS works continuously to develop and combine different methods of training delivery to ensure optimal, value-added customer benefits, and at the same time strengthen its own revenue streams and profitability.

Efficient customizations

In collaboration with customers, BTS customizes both the content and the form of its business programs. The company has successfully improved its profitability by increasing the efficiency of the customization process. This improvement is a result of advancements and fine-tuning of development methods as well as increased reuse of previous development work.

When BTS develops solutions for corporations in new industries, the cost of customization is initially high. With the later reuse of experience and skills, however, these costs subsequently fall.

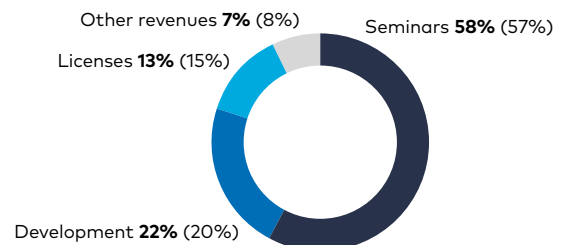
Seminars – the majority of revenues

Instructor-led seminars still comprise the greatest source of revenue for BTS, and they are the predominant form of business delivery. The BTS consultants are very much involved throughout the whole customization process and, during delivery, they facilitate these solutions in seminars.

Increased licensing revenue

BTS also delivers its solutions via e-Learning and CD-ROM formats, and as manual board solutions. The long-term goal is to increase license revenues. License-based business simulations are very efficient learning tools for customers; they make it possible to reach larger groups of employees in organizations, all over the world and at all levels. At the same time, they are a profitable line for BTS.

Net turnover by source of revenue
2016 (2015)



Our Clients and Industries

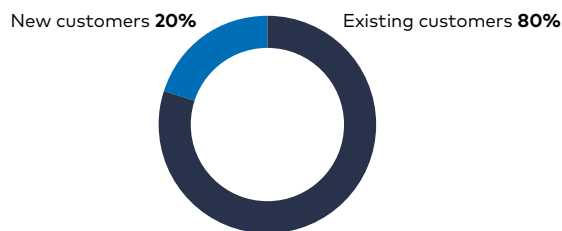
Delivering better results, faster

BTS builds long-term customer relationships, on average six to eight years, and has deep expertise in a number of industries.

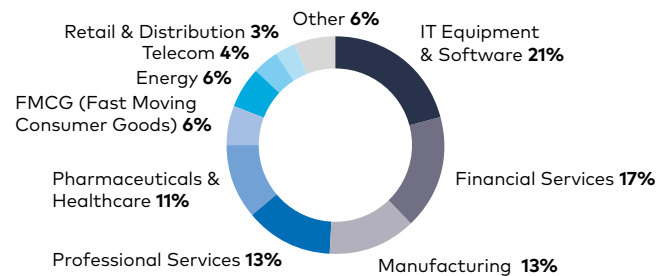
During the 1990s, BTS grew rapidly in the Manufacturing, Telecom, and Information Technology industries, with major global companies such as Philips, Ericsson, and HP as valued customers. During the early 2000s, BTS expanded its positions by entering four additional industries: Financial Services,

Pharmaceuticals & Healthcare, Retail & Logistics, and Energy. In recent years, BTS has continued to grow across industries, especially within the rapidly expanding areas of Technology and Software.

Revenue generation



Revenue source per sector



2016 CLIENT STORIES

Driving transformation with top to bottom leadership and sales development

Over the past two years, SAP has been on a journey to shift its leadership culture to support its transformation. During the journey, 6,000+ leaders participated in flagship development programs that would enable them to transform the company. The topics were designed to align leaders to the overall strategy, establish a mindset to multiply the intelligence of their talent, and give leaders the skills and abilities to execute the company vision. The results have been incredible, including:

- Leadership Trust NPS Scores increase from +28 in 2013 to +52 in 2015
- Increased Employee Engagement, which has demonstrable impact on Operating Profit
- Action and accountability for leaders to lead in new ways

- Growth across new cloud & services businesses exceeding expectations and outperforming the competition

SAP also asked us to radically improve 3,500 salespeople's industry acumen, fast and at scale. We simulated their customers' businesses (across ten industries) and had their salespeople run those businesses to get a gut-level understanding of what matters to their customers. Then they practiced selling back to those customers, using their new understanding to communicate how SAP drives what customers really care about, leading to bigger deals, closed faster.

Redefining success and building alignment

RaceTrac Petroleum has experienced significant growth over recent years. In doing so, they have experimented with new store formats, innovated new store offerings, and tested new regional markets. Stepping back from it, they

determined that the time was right to reevaluate their brands and the unique role each played in the company's overall retail strategy. To that end, RaceTrac engaged BTS to help them clarify where each brand will play and redefine each brand's unique formula for success. BTS delivered these outcomes through a combination of traditional consulting expertise and its unique capability around custom business simulations. BTS facilitated a structured process with RaceTrac's executive team to align around these key tenets of each of their brands. In doing so, the leadership team landed on three unique options they wanted to explore more deeply. BTS then created a model of those options within a realistic, simulated model of RaceTrac. A broader set of leaders from across the organization each took on one of these options, exploring the challenges and opportunities that each offered; from the perspective of its alignment to customer insights, its capital investment requirements, and

Financial Services

- Bancomer
- Standard Bank
- ANZ

Pharmaceuticals & Healthcare

- Merck
- Novartis
- UCB

IT Equipment & Software

- SAP
- Intuit
- Microsoft

Telecom

- Ericsson
- Telefónica
- Verizon

Professional Services

- Accenture
- Schlumberger
- Sodexo

Retail & Distribution

- Gap
- Nike
- Unicomer

Energy

- Chevron
- Iberdrola
- Repsol

FMCG (Fast Moving Consumer Goods)

- Coca-Cola
- Mondelez
- Unilever

Manufacturing

- Atlas Copco
- Eaton
- Honeywell

finally, the realities of operationalizing that decision in a competitive marketplace. Upon completion of the experience, RaceTrac leaders examined the insights generated, and found broad alignment around the best overall choice, which was the ultimate project goal.

Selecting top talent for culture and job fit

At a leading investment services firm, we deployed a scalable, cost-effective, engaging, and highly realistic job simulation “test drive” designed to identify outstanding talent. Role plays, work challenges and other assessment tools replicated important elements of the actual job responsibilities, work environment and culture. During the simulation, trained assessors observed and evaluated participant performance against role-specific profiles. After assessing over 4,500 candidates a year, our recent impact results indicate that assessed candidates have an 18 percent

reduction in turnover, 33 percent more in assets per hire, are from non-traditional backgrounds, and experience a realistic job preview which results in greater engagement when hired.

Performance coaching for development at scale

To help a hyper-growth online transportation network company scale their business through more effective leaders, we designed a cohort-based coaching solution as part of a four-month learning journey. This included one-on-one coaching combined with facilitated, peer-to-peer coaching for four-person groups who stayed together throughout the program. BTS provided our client with a real-time dashboard and monthly check-in meetings with the coaching team to share both quantitative and qualitative results. Unlike one-off training programs where sustained, business-related outcomes can be difficult

to measure, the multi-dimensional coaching model allowed for continuous, tangible insights into the progress being made – from the perspectives of the participant, their teams and their managers.

Making strategy personal

After successfully partnering with a leading software company to align over 2,000 employees to the critical business and mindset shifts required for the transition to a Software as a Service business model, we tackled in 2016 the culture shifts most critical to furthering the company’s transition to cloud. We created a half-day experience for all employees focused on critical choices and moments employees face and examining the ‘great’ new behaviors around collaboration, decision making, and execution. This global, all-company, alignment experience has established a more powerful approach to annual communication and alignment.

Growth, Profitability and Acquisitions

Growth and profit year after year

Growth has averaged 11 percent the last 10 years, of which 9 percent has been organic. Acquisitions have built synergies with new solutions, new markets, and new talents and have helped to drive growth.

Continuous growth and profit

BTS has delivered profit every year, and profit growth almost every year, irrespective of market conditions and despite substantial costs for acquisitions and investments in product development and market establishment around the world.

This development is a result of BTS's growth strategy, dynamic business model, and the entrepreneurial organization.

In the 1990s, BTS successfully managed to achieve continuous profitable growth. Good market conditions and new product initiatives, as well as new offices in the US, UK, Finland, and South Africa, played a major role in the company's growth during this period. When the market conditions worsened between 2001 and 2003, BTS managed to maintain a healthy level of revenues, despite the unfavorable business climate (particularly in the IT, Telecom, and Manufacturing industries, where BTS was predominantly active) through adhering to its successful long-term strategy.

New initiatives

In the difficult market conditions of 2001–2003, BTS successfully managed to reinforce the business for future growth and profitability by implementing a range of new initiatives, such as expanding into new industries and geographical markets.



Increasing profits

BTS constantly strives to improve profitability. The changes and initiatives implemented during the period of consolidation between 2001 and 2003 have, in combination with a focus on raising the proportion of revenues from licensing, led to a significant improvement in margins.

Organic growth

BTS's expansion strategy is primarily built on organic growth. During 2002 and 2003, BTS opened businesses in Australia and Spain. These initiatives have grown substantially and served as starting points for our offices in Asia and Latin America.

Acquisitions in 2005 and 2006

BTS's strategy for acquisitions aims to create a broader base for future organic growth by adding new markets, new value-adding products and services, and new talent.

BTS acquired The Strategic Management Group Learning Solutions in 2005 and The Advantage Performance Group and The Real Learning Company in 2006.

The new companies have added new technologies and delivery methods, a broader customer base, and a wealth of new talent.



The 2008–2009 recession

The recession during 2008–2009 had a significant negative impact on our industry. Most companies saw their revenues decline 20–40 percent in 2009.

Our recession strategy was based on two key factors: our low market share and our highly competitive offerings. By focusing our resources on highly prioritized accounts, we were able to maintain our revenue and profit levels.

At the same time, BTS made strategic investments and progress during the recession, creating a strong foundation for growth as of 2010 and onward.

Growth 2010–2016

During the years 2010–2016 BTS's revenues grew by an average of 7 percent annually (currency adjusted) with growth in all regions, and at high speed in Asia and Latin America.

We grow the average size of our projects by offering global services and more complete solutions delivering increased results for our customers.

During 2013, BTS acquired all the business operations in the Danish company Wizerize A/S. The acquisition created new opportunities to offer digital-enabled solutions that are built on current and future social and mobile IT platforms. These solutions supplement and strengthen BTS's existing offerings very well.

In 2014 BTS acquired all the businesses of the American companies Sandra Hartog Associates, Inc. and Fenestra, Inc., which will strengthen BTS's position in the fast-growing market for services and technology within assessment services.

In 2015 BTS acquired the South African company AVO Vision, which provides BTS and AVO with major opportunities in the fast-growing and important African market with an enormous need for talent development. All the business operations in the Australian company Synergy Group Pty Ltd were also acquired in 2015. This represents a significant strengthening of BTS's operations in Australia and will increase BTS's delivery capacity and create a considerably stronger and broader offering in Australia.

In 2016 BTS acquired all business operations in the Italian companies Cesim Italia and Design Innovation, which significantly strengthen BTS's position in southern Europe, through the addition of several major Italian customers, and also reinforce BTS's Italian operation by supplementing it with further expertise and innovative solutions. Furthermore, the acquisitions also provide a good opportunity to help many of the major Italian companies globally.



Core Values and CSR

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Strategy made personal

Organization

A truly global organization

BTS Group's four operational units

BTS Group's operative activities are run through four units, and the executive management has full business and P&L responsibility for their respective geographical markets.

BTS North America

Austin, Brooklyn, Chicago, Los Angeles, New York, Phoenix, San Francisco, and Stamford.

BTS Europe

Amsterdam, Brussels, Helsinki, London, Munich, Paris, and Stockholm.

BTS Other markets

Bangalore, Bangkok, Bilbao, Dubai, Johannesburg, Madrid, Melbourne, Mexico City, Milan, Mumbai, Sao Paolo, Seoul, Shanghai, Singapore, Sydney, Taipei, and Tokyo.

Advantage Performance Group (APG)

APG operates in the US market and delivers performance improvement through sales and leadership training that results in meaningful business impact using its Advantage WaySM implementation process.

Product-specific units

BTS has two product-specific units that work with new concepts and the production of solutions, as well as provide active sales support to the customers of the operational units.

BTS Digital Services

BTS Digital Services is responsible for connected learning and online and virtual solutions.

BTS Board Simulations

BTS Board Simulations is responsible for manual board business simulations.

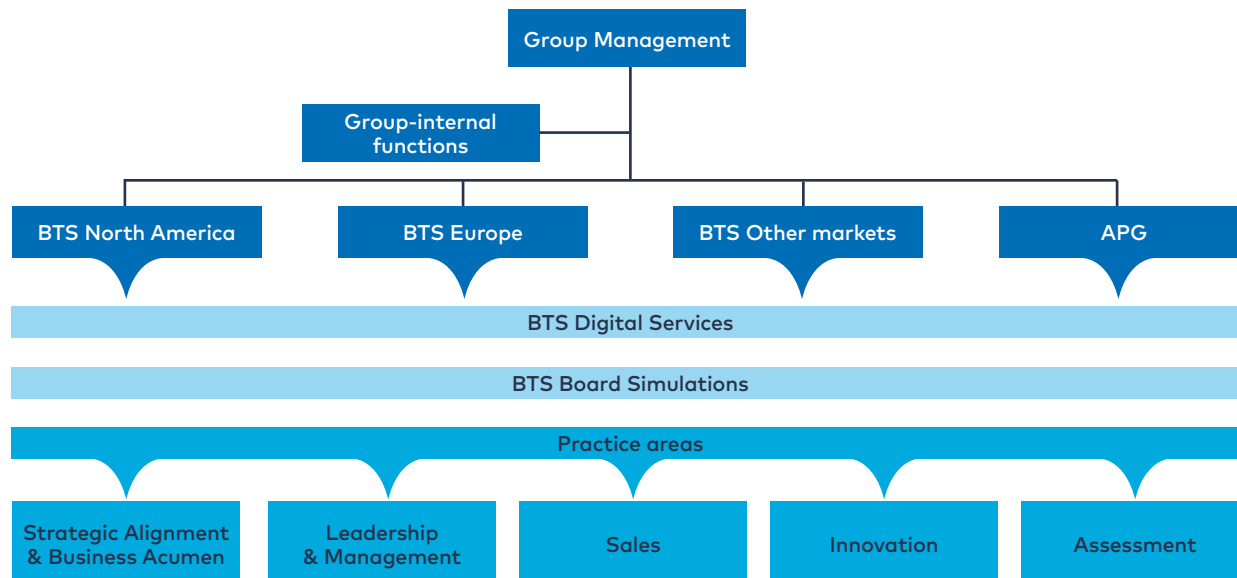
Practice areas

BTS has five practice areas. Specialists and thought leaders have been gathered within each practice area and are responsible for developing new concepts and solutions as well as ensuring the use of best practices across the BTS Group:

- Strategic Alignment & Business Acumen
- Leadership & Management
- Sales
- Innovation
- Assessment

Group-internal functions

Group-internal functions cover Group Finance, Investor Relations, Corporate Communications, and Global Operations Development.



Core Values

We live and embrace: P E O P L E

P Positive spirit and fun

- We believe that a “can do” attitude and humor enhance a successful business.
- We believe in looking at problems openly and view them as opportunities.
- We strive to maintain a good spirit.

E Honesty and integrity

- We believe in being loyal to those who are not present.
- We believe in giving and receiving feedback constructively.
- We believe in treating people as equals and in respecting others' differences.

O Opportunities based on merit

- We reward and provide people with opportunities based on results and competencies.
- We make decisions and evaluate ideas based on their facts and merits.
- We achieve success through hard and effective work.

P Putting the team first

- We believe that BTS's success depends on teamwork and if the team needs support we do our very best to provide it.
- We believe in putting the team first in individual decisions and in thinking of the individual in team decisions.

L Lasting value for clients and people

- We strive to build up long-term relationships with our clients to create a legacy for the client and his or her staff.
- We focus on driving results forward – in learning, improved behavior and business performance.
- We encourage the learning, development and rewarding of BTS and its staff.
- We create our growth through our clients' success and our active business generation.

E Excellence through professionalism

- We strive to deliver top-quality solutions and services, within deadlines, to exceed client expectations.
- We balance clients' and BTS's competencies, best practices and methods to achieve optimal results.



Our People and Culture

Great place to work

During the year, we expanded our employee base to over 500 professionals. We work hard to develop, engage and retain our employees. Our culture is the key reason why world-leading companies do business with us and it is why our employees consider BTS a great place to work. Our success is built upon teams of highly talented and diverse professionals who develop and deliver innovative solutions to our global client base.



Fun & Adventure

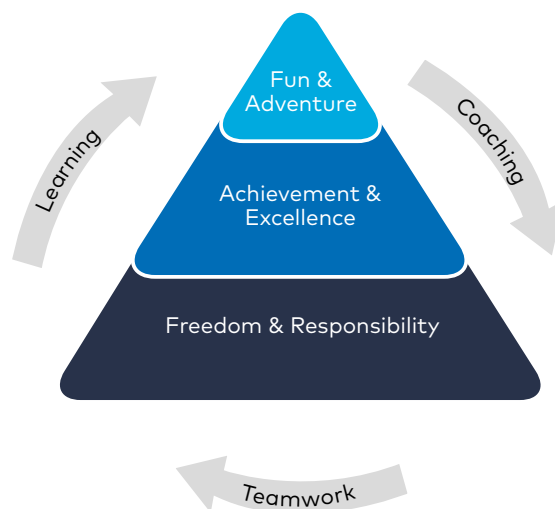
The very nature of our work is fun. We engage in sophisticated, bottom-line-oriented business simulations with some of the smartest people in the business world; our clients are managers and executives of leading companies across the globe. Leading 25 top executives through a two-to-three day simulation experience is an adventure that BTS'ers liken to being a tour guide on an "intellectual white water rafting trip."

Achievement & Excellence

We believe that if you find the right people, and give them freedom and responsibility, they will achieve great things. Our consultants work with the top talent of world-class corporations. Whether we are on stage in front of senior executives, engaged in a client development meeting with a C-level executive or creating an innovation new simulation application, we believe in delivering excellence. With very little direction or mandate, our unique culture nurtures consultants who are highly motivated to pursue high levels of achievement and excellence.

Freedom & Responsibility

BTS gives high levels of autonomy to our consultants. They have the independence to manage their own time when they are on the road, at client sites and in the office. The flip side of this freedom is an enormous amount of client-facing responsibility. Within weeks of beginning at BTS, new consultants lead managers and executives at world-class companies through BTS simulations and experiential learning solutions.





OUR PEOPLE AND CULTURE – TESTIMONIALS

"The culture we foster at BTS is something extremely special. From the internal meetings to impromptu happy hours, interacting and working with BTSers always proves to be an interesting and fun experience. I truly believe part of the reason clients want to work with us over and over again is because of how infectious our culture is at stoking up fun within their corporate environment. Working with BTS not only allows them to do the best work of their lives but have exponentially more fun doing it."

"BTS's culture is something unique and truly special. From when you first meet colleagues in your home office and then start to collaborate and train with others from around the world, you realize that BTS is full of people that are passionate, smart and above all fun. It's something that our clients notice and comment on frequently and one of the reasons many love to partner with us again and again."

"Before coming to BTS, I worked for different consulting companies, including some of the Big Four, and there is no doubt in my mind that BTS has best collection of talent that I have ever seen. Not only that, but here, 'teamwork' not a buzzword in our annual report but a reality in our day to day. BTS welcomes new people and ideas, rejects hierarchy-based decision making and looks for excellence from within. That is incredibly refreshing in the professional services industry."

"What's truly exceptional about BTS is its culture. From Business Analyst to Global Partner, you get to work together with passionate, knowledgeable, collaborative, open-minded and enthusiastic colleagues to do the best work for our clients... while having fun!"

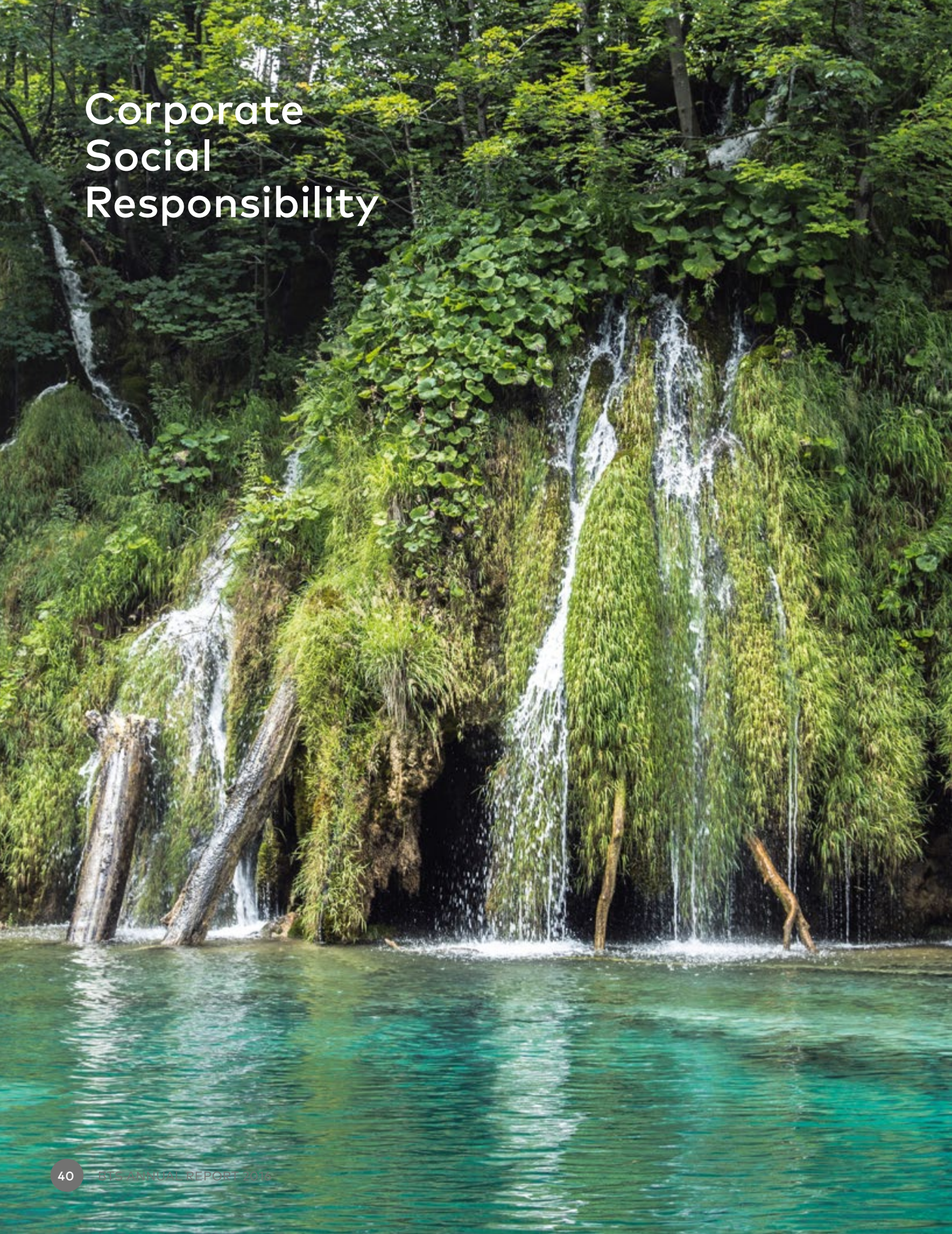
"Nowadays, company culture has become more and more important within all organizations, and every single company out there talks about it either on their website or in their annual report. What I can say for sure is that whatever you see about BTS culture, it's not just words on paper. It is a part of us, just like something you can't live without."

KEY FIGURES, EMPLOYEES	2016	2015	2014	2013	2012
Number of employees at the end of the year	523	463	405	370	385
Of whom women, % ¹	48	44	40	40	38
Net turnover per employee, KSEK	2,224	2,394	2,035	1,830	2,111

¹ Yearly average number



Corporate Social Responsibility



Sustainability

Reducing the impact of climate change

Corporate social responsibility has long been a fundamental part of the BTS company culture and values. This belief has guided us for more than 25 years, and it continues to shape our environmental and social responsibility.

At BTS, corporate social responsibility is an active company-wide initiative and a dynamic grassroots affair. As a company, we strive to practice environmental sustainability, promote economic development, empower our employees' personal volunteering activities, and develop thought leadership. As individuals, our people at all levels pursue the causes that empower them most and motivate the rest of us to get involved and make a difference.

Offsetting our carbon footprint continues

At BTS, we identify environmental sustainability as a pressing priority, and we continue to take action towards creating a greener planet. We are committed to reducing greenhouse gas emissions from daily operations and embedding sustainability into our communities.

Since 2010, BTS USA has partnered with Rainforest Trust, a leading organization in the protection of tropical ecosystems and wildlife, on sustainability campaigns to preserve threatened rainforest and offset our carbon emissions. Rainforests are one of the largest carbon sinks on the planet and they are disappearing at an alarming rate. Our annual donations have helped to establish the Las Tangaras Natural Reserve in Colombia, one of the most vital rainforest sites on earth and home to a high concentration of biodiversity. In addition to safeguarding the habitat and exotic species, the Las Tangaras Nature Reserve will also protect the watershed of the Rio Atrato, the region's most important river, which serves as a vital economic resource for tens of thousands of inhabitants living in poor, rural communities.

In 2016, BTS continued to support Rainforest Trust in a variety of initiatives. One of those was the #SkiptoSave campaign, which supported Rainforest Trust's 2020 S.A.V.E.S. initiative (designed to have a global impact by protecting 50 million acres of rainforest by 2020). By giving up an

unnecessary daily activity, supporters of the #SkiptoSave campaign set an example by sharing what they did on Twitter using #SkiptoSave. Each person that used #SkiptoSave had an acre of rainforest protected in their honor – for example, the \$3 someone pocketed by not drinking that morning cup of coffee saved real acres of rainforest in Lomami, Democratic Republic of Congo. BTS was the corporate sponsor for the second round of the campaign, which was extraordinarily successful and surpassed goals by 266 percent (reaching 2,600,000 people on social networks and protecting 2,043,563 acres).

In July, BTS supported the inaugural kick-off of Rainforest Trust Day, where supporters from all over the world came together to host events and activities that showed their commitment to rainforest habitat conservation. BTS sponsored the live YouTube Conservation Quiz video. Every question was valued at a particular number of acres and the game winner was determined by the most acres saved, underwritten by BTS. Through this project BTS is supporting the establishment of the Balanga Forest Reserve in the Congo Basin, directly protecting 560 acres of the land.

On a larger scale, BTS donations assisted with expanding Colombia's El Jaguar Reserve by 5,421 acres and also helped to protect 2,933 acres of lowland Sumatran rainforest within the Bukit Tigapuluh ecosystem. "Over the last five years, BTS has demonstrated an inspiring commitment to protecting our planet's most endangered species and the threatened forests that they depend upon for survival. We applaud the strong example BTS USA sets for environmental action in the business community and look forward to continuing our conservation efforts with the company in the years to come," said Christine Hodgdon, International Conservation Manager for Rainforest Trust.¹

¹ <https://www.rainforesttrust.org/news/bts-usa-saves-colombian-rainforest/>

Corporate Social
Responsibility

Education and entrepreneurship for every community

At BTS, we believe that companies have the same moral responsibilities to a community as individuals have. This belief has guided us for more than 25 years, and it continues to shape our social and environmental policies and efforts today. Our CSR interests are spread from BTS offices all around the world in larger and smaller community donations and actions. Below we focus on describing larger initiatives.



We actively seek to make real, lasting change in people's lives. This is why we have our One for One Ambition: For every participant we educate at BTS, we offer a person in a transitioning or developing region free training using our learning materials.

Partnership: Savings Bank (Savings Bank for International Cooperation)

In partnership with the Savings Bank, BTS has created a number of business simulation programs to teach business and financial acumen in developing nations. As of December 2016, such programs had been held for more than 50,000 participants in 12 countries.

In 2010 BTS launched a solution called "Get to Know the Numbers", with a board simulation around how to start an orange juice shop and manage money while building the business. The program focuses on five key categories: record keeping, employment of staff, banking, investments, and separation of family and business accounts. The results of the program have shown significant, measurable impact, and we are excited to continue to roll this out in more communities and countries worldwide.

In 2015, BTS and the Savings Bank launched the "Savings Game," a program developed to target savings mobilization and financial literacy amongst students, private individuals

and young households. The goal of the program is to educate participants about the role of savings and family economics over a lifetime. After a successful pilot in Armenia, the program has been run in Kazakhstan, Ecuador, the Philippines, and Russia.

To make sure local trainers are set up for success and can lead the solutions themselves, the developers of the program have been focusing on making the programs available in a variety of languages and organizing "train-the-trainer programs".

In 2016, BTS and the Savings Bank also started to develop a program for African farmers, which will help them manage cash flow while expanding their business into multiple crops and livestock. The program will be launched in Zambia in the beginning of 2017.

Partnership: Hand in Hand

Hand in Hand, an organization founded more than 20 years ago, fights poverty through education and training by helping women to start their own businesses. So far, more than 1.85 million women have been trained, leading to the development of 2.72 million jobs and 1.85 million micro-businesses (which in turn have improved the living conditions of more than 3 million people).



BTS supports Hand in Hand operations in the village of Thenputhur, India. The main objectives of this engagement include fighting child labor by investing in a new school, improving nutrition and hygiene, building infrastructure and supporting entrepreneurship. The commitment in the villages, mostly among the women responsible for the development projects, is strong and the progress is great.

BTS additionally supports other ongoing Hand in Hand initiatives. A customized board simulation focused on building business literacy, initially developed and delivered by BTS in 2011, continues to teach thousands of women the critical rules of business.

Partnership: Thunderbird for Good

BTS has initiated a partnership with Thunderbird University, to see how our solutions can help them in their programs directed to different target audiences. In September 2016, BTS delivered a program for Afghanistan women entrepreneurs with great results.

Community offerings through AVO Vision

In March 2015, BTS acquired AVO Vision, a leading South Africa-based company focused on corporate and community learning and development.

These community-focused offerings, designed to empower people in both urban and rural communities through building their leadership, management, self-mastery and sales execution skills, are a key part of the AVO Vision business portfolio. Approximately 100,000 individuals have been trained through different programs – including tens of thousands of women and thousands of schoolchildren.



Helping leaders lead, sellers sell and businesses flourish

Advantage Performance Group specializes in helping organizations accelerate positive business results by focusing on three main areas:

1. **Helping Leaders Lead:** Getting everyone aligned around top priorities and executing maximum results.
2. **Helping Sellers Sell:** Developing a winning team, able to blast past sales targets year after year.
3. **Helping Business Flourish:** Creating a business-savvy organization capable of outperforming the competition.

Advantage Performance Group (APG) is a wholly owned subsidiary of BTS in North America that serves clients in complementary ways to the traditional BTS organization and consulting team. APG is organized around a multitude of client needs mostly connected to shifts in their business.

In addition to offering many of BTS's core competencies, APG has a team of highly experienced consultants and relationships with thought leaders and resources other than BTS that allow clients to gain additional value from our collaborations. For example:

- Behavioral change and competency development solutions.
- Different engagement models like work-for-hire projects, individualized coaching solutions, and turnkey assessment platforms.
- Curriculum-based training and development needs with standard or tailored solutions.
- The flexibility to support customers both large and mid-sized.
- A very focused, nimble and cost-effective approach to support initiatives with large and small teams alike.
- 31 Advantage consultants in markets throughout the US to provide dedicated, local support.

Differentiators

APG's key differentiators, as recently defined by our clients, are:

- An **insightful** organization that serves as a single source of world-class thought leadership. We orchestrate expertise to deliver business results.
- **Creative**, bringing inspired ideas to life through imaginative, yet practical, solutions.
- 2016 marks the 25th anniversary of our relentless pursuit to become our clients' most **accountable** partner; continuously delivering what we promise and being the first call they make when they have a need.

Creating positive business results

Over a decade ago, we partnered with Dr. Robert Brinkerhoff around his groundbreaking work on High Impact Learning and Success Case Methodologies. This partnership has grown over the years and resulted in APG acquiring the full rights to thought leadership called the Advantage WaySM.

The Advantage WaySM methodology creates measurable business impact from every learning initiative. When clients implement the Advantage WaySM system, their organizations achieve documented business results as well as improved job performance. They are able to measure the business impact of the implementation of various solutions – solid proof of its value to their organization.

The Advantage WaySM continues to evolve at APG and BTS. In addition to laying the groundwork for how we do business and deliver results, we are actively working on building out a set of digitally based execution tools that can accompany any learning or change initiative in an organization. More exciting things to come in the future as we partner with our clients to build out Advantage WaySM 2.0.

Strategic direction for 2017

APG's 2017 strategic direction will focus on three aspects of the current business environment that are a particularly good fit for the firm:

❶ An even closer collaboration and partnership with our colleagues at BTS to meet client needs best suited for each organization's talents, capabilities and business models. It is our shared vision that we deliver exceptional results to our customers – together.

❷ Continued need for sales organizations – especially in the mid-market – to enhance their performance. Even top sales teams are ready to re-tool and optimize their organizations to equip their salespeople and sales managers to capture – or re-capture – much-needed market share. APG has outstanding sales best practices, research, tools, systems, and processes for this purpose. APG's unique approach gives sales organizations a consistent, standardized methodology to managing sales performance – whatever their sales strategy is.

❸ The growth of our team. Over the last three years, we have made significant investments into the systems, tools, processes, and intellectual property that allow our partners to better serve the unique needs of all of our clients. The continued addition of great team members to help us deliver the key business results targeted by our customers will be our top priority this coming year.



CLIENT TESTIMONIAL

"APG guided my team toward the right solutions and made sure all the content was relevant and completely customized to our audience. I am very glad I made the decision to work with them for this project, it made all the difference!"

*Associate Director, Global Leadership Development,
Global Pharmaceutical Organization*

"We sought a partner who would be hands-on, seek to know the causes of our pain, bring discernment and understanding into resolving our problem, and suggest complementary resources to meet our challenges with measurable ideas. Advantage delivered on all of this and more."

*Director of Learning and Development, North American
Food Distributer*

"We consider Advantage to be a partner, not a vendor. It never feels like they are trying to sell us something. We talk about what we need and their design team works with us to develop it. Even when working with competing vendors, it's always collaborative. There's a huge level of trust in our relationship."

*Senior Director, Learning and Organizational Effectiveness,
Global Medical Device Firm*

www.advantageperformancegroup.com

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Five-Year Summary

Income statement

Consolidated income statements in summary

SEK millions	2016	2015	2014	2013	2012
Net sales	1,107.6	1,043.9	781.5	688.2	770.5
Operating expenses	-982.1	-922.5	-690.0	-610.4	-666.0
Depreciation of property, plant, and equipment	-8.0	-7.7	-6.5	-6.3	-5.8
Amortization of intangible assets	-5.8	-4.3	-2.6	-1.7	-1.4
Operating profit	111.7	109.5	82.4	69.8	97.4

Net sales per operating unit

SEK millions	2016	2015	2014	2013	2012
BTS North America	534.7	528.6	362.2	311.5	385.8
BTS Europe	191.6	178.9	153.8	134.1	125.4
BTS Other markets	270.7	222.7	168.4	151.1	156.7
APG	110.7	113.7	97.1	91.5	102.6
Total	1,107.6	1,043.9	781.5	688.2	770.5

Operating profit before amortization of intangible assets (EBITA) per operating unit

SEK millions	2016	2015	2014	2013	2012
BTS North America	58.9	60.6	42.5	35.6	63.2
BTS Europe	25.0	23.3	19.8	22.7	17.6
BTS Other markets	32.9	27.3	20.1	13.8	18.6
APG	0.7	2.6	2.6	-0.6	-0.6
Total	117.5	113.8	85.0	71.5	98.8

Operating Units

BTS North America consists of BTS's operations in North America excluding APG.

BTS Europe consists of operations in Belgium, Finland, France, Germany, the Netherlands, Sweden and the UK.

BTS Other markets consists of operations in Australia, Brazil, China, Dubai, India, Italy, Japan, Mexico, Singapore, South Africa, South Korea, Spain, Taiwan and Thailand.

APG consists of operations in Advantage Performance Group.

Balance sheet

Consolidated balance sheets in summary

SEK millions	2016	2015	2014	2013	2012
<i>Assets</i>					
Non-current assets	346.1	278.9	261.4	181.4	174.0
Accounts receivable	361.0	276.8	239.0	156.0	158.5
Other current assets	101.1	115.8	67.2	72.6	91.1
Cash and cash equivalents	135.4	139.5	114.3	108.8	94.9
Total assets	943.7	811.0	681.9	518.9	518.5
<i>Equity and liabilities</i>					
Equity	543.1	483.3	434.5	355.8	326.6
Interest-bearing liabilities	25.3	12.5	-	-	-
Non-interest-bearing liabilities	375.3	315.2	247.4	163.1	191.9
Total equity and liabilities	943.7	811.0	681.9	518.9	518.5

Cash flow

Consolidated cash flow in summary

SEK millions	2016	2015	2014	2013	2012
Cash flow from operating activities	47.5	57.9	44.8	47.6	59.7
Cash flow from investing activities	-26.5	-19.0	-21.0	-15.7	-14.4
Cash flow from financing activities	-36.5	-16.3	-32.9	-12.6	-27.9
Cash and cash equivalents, start of year	139.5	114.3	108.8	94.9	84.4
Cash flow for the year	-15.5	22.6	-9.1	19.3	17.4
Translation differences in cash and cash equivalents	11.4	2.6	14.6	-5.4	-6.9
Cash and cash equivalents, end of year	135.4	139.5	114.3	108.8	94.9

Financial ratios for the Group

SEK millions	2016	2015	2014	2013	2012
Net sales	1,107.6	1,043.9	781.5	688.2	770.5
Operating profit (EBIT)	111.7	109.5	82.4	69.8	97.4
Operating margin (EBIT margin), %	10.1	10.5	10.5	10.1	12.6
Operating profit before amortization of intangible assets (EBITA)	117.5	113.7	85.0	71.5	98.8
Operating margin before amortization of intangible assets (EBITA margin), %	10.6	10.9	10.9	10.4	12.8
Profit margin, %	6.7	7.0	7.2	7.0	8.3
Earnings per share, SEK	3.96	3.89	3.01	2.57	3.53
Return on equity, %	14.1	15.8	14.2	14.0	19.6
Return on operating capital, %	28.2	32.2	29.1	29.3	42.4
Operating capital	432.9	360.4	320.2	246.9	229.8
Equity	543.1	483.3	434.5	355.8	326.6
Equity per share, SEK	29.13	25.92	23.30	19.14	18.08
Equity/assets ratio, %	57.6	59.6	63.7	68.6	63.0
Dividend per share, SEK	2.50 ¹	2.35	1.75	1.75	1.75
Cash flow	-15.5	22.6	-9.1	19.3	17.4
Cash and cash equivalents	135.4	139.5	114.3	108.8	94.9
Number of employees at year-end	523	463	405	370	385
Average number of employees	498	436	384	376	365
Annual net turnover per employee	2.2	2.4	2.0	1.8	2.1

¹ Proposed dividend.

Definitions

Operating margin

Operating profit after amortization/depreciation as a percentage of net sales.

Operating margin before amortization of intangible assets (EBITA margin)

Operating profit before amortization of intangible assets as a percentage of net sales.

Profit margin

Profit for the period as a percentage of net sales.

Earnings per share

Earnings attributable to the Parent Company's shareholders divided by the number of shares.

Return on equity

Profit after tax on an annual basis as a percentage of average equity.

Return on operating capital

Operating profit as a percentage of average operating capital.

Operating capital

Balance sheet total less cash and cash equivalents, other interest-bearing assets, and non-interest-bearing liabilities.

Equity per share

Equity excluding non-controlling interests divided by the number of shares at the end of the year.

Equity/assets ratio

Equity as a percentage of the balance sheet total.

Dividend per share

Dividends proposed or adopted, divided by the number of shares at year-end.

Annual net sales per employee

Net sales for the whole year, divided by the average number of employees.

Price/earnings ratio

Price per share divided by earnings per share.

BTS share information

On June 6, 2001, the BTS share was floated on NASDAQ OMX Stockholm in connection with the issue of new stock, raising capital for the Company of SEK 78.1 million after issue expenses.

The share capital totals SEK 6,215,457, distributed among 853,800 Class A shares and 17,792,570 Class B shares, each with a quotient value of SEK 0.33. Each Class A share entitles the holder to ten votes, each Class B share one vote. All shares carry equal rights to participate in the Company's assets and profits.

At December 31, 2016, there were 1,177 (1,105) shareholders in the Company. Since 2002, BTS Group AB has worked to promote depth in share trading. As part of this strategy, a market maker has been engaged to work to increase interest and trading in BTS' shares.

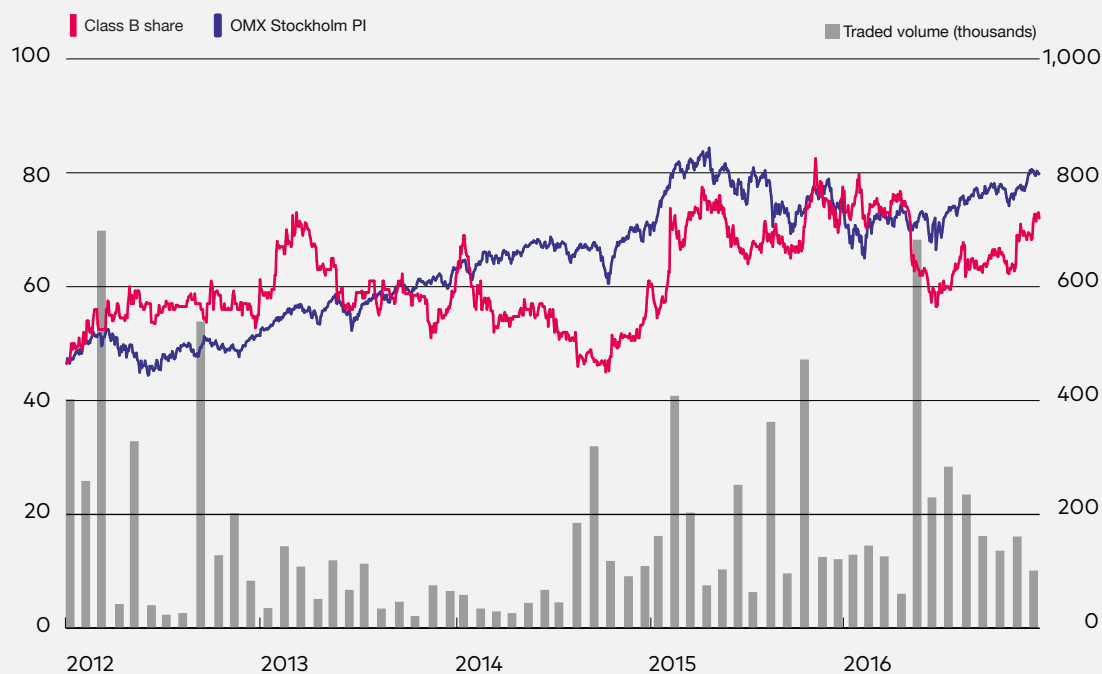
Dividend policy

The Company's goal is to distribute 40%–65% of profit after tax in the long run.

SEK	2016	2015	2014	2013	2012
Share price at December 31	72.00	77.50	59.50	59.00	61.25
Earnings per share	3.96	3.89	3.01	2.57	3.53
Price/earnings ratio, December 31	18.2	19.9	19.8	23.0	17.4
Cash and cash equivalents per share, December 31	7.26	7.48	6.13	5.85	5.25
Equity per share, December 31	29.13	25.92	23.30	19.14	18.08
Dividend per share	2.50 ¹	2.35	1.75	1.75	1.75

¹Proposed dividend.

BTS Group AB share price 2012–2016



Share capital

Change in capital

Year	Transaction	Increase in share capital, SEK	Share capital, SEK	Class A shares	Class B shares	Total no. of shares	Par value per share, SEK
1999	Formation of the Company	100,000	100,000	439,900	560,100	1,000,000	00:10
1999	New issue	8,200	108,200		82,000	1,082,000	00:10
2001	Stock dividend issue	4,219,800	4,328,000			1,082,000	04:00
2001	4:1 split		4,328,000	1,319,700	1,926,300	4,328,000	01:00
2001	Conversion of Class A to Class B shares			-1,475,000	1,475,000	4,328,000	01:00
2001	New issue	1,500,000	5,828,000		1,500,000	5,828,000	01:00
2002	New issue	69,300	5,897,300		69,300	5,897,300	01:00
2006	3:1 split		5,897,300	569,200	11,225,400	17,691,900	00:33
2006	New issue	118,800	6,016,100		356,400	18,048,300	00:33
2012	New issue	5,922	6,022,022		17,765	18,066,065	00:33
2013	New issue	174,601	6,196,623		523,805	18,589,870	00:33
2014	New issue	18,834	6,215,457		56,500	18,646,370	00:33

10 largest shareholders

Name	No. of Class A shares	No. of Class B shares	Holding	Pctg. holding	Pctg. votes
Henrik Ekelund incl. companies	816,000	3,189,034	4,005,034	21.5	43.1
Nordea funds		2,991,938	2,991,938	16.0	11.4
Lannebo funds		2,859,751	2,859,751	15.3	10.9
Stefan af Petersens incl. companies	37,800	2,292,095	2,329,895	12.5	10.1
Swedbank Robur funds		1,371,230	1,371,230	7.4	5.2
Stefan Hellberg incl. companies		893,994	893,994	4.8	3.4
AMF funds		384,007	384,007	2.1	1.5
PSG funds		365,192	365,192	2.0	1.4
Elementa		257,311	257,311	1.4	1.0
Harald Mix		250,000	250,000	1.3	0.9
Total for 10 largest shareholders	853,800	14,854,552	15,708,352	84.2	88.8
Other shareholders	-	2,938,018	2,938,018	15.8	11.2
Total	853,800	17,792,570	18,646,370	100.0	100.0

Management report

The Board of Directors and CEO of BTS Group AB (publ), corporate identity number 556566-7119, hereby submit their annual accounts and consolidated financial statements for the fiscal year 2016. The consolidated income statement and balance sheet as well as the Parent Company's income statement and balance sheet will be submitted to the Annual General Meeting for adoption.

Operations

BTS Group AB is an international consulting and education firm which focuses on the employees when organizations are executing strategic changes and works with leaders at all levels to help them make better decisions, progress from decision to action and deliver results. For 30 years, BTS has been creating motivational and effective programs which make a profound and lasting impact on their participants and their careers by inspiring new ways of thinking and enhancing the critical capabilities that employees and leaders need to achieve improved corporate performance.

BTS has a broad range of services which meet needs within strategy execution and talent development with services that monitor the employee from evaluation for selection and development, to strategic consensus and strategy implementation. This is achieved through programs in business acumen, leadership and sales and include the aid of business simulations and other forms of experiential learning and implementation tools. Most BTS clients are major corporations.

Revenue and profit

BTS's net sales increased by 6% during the year, to SEK 1,107.6 million (1,043.9). Adjusted for changes in exchange rates, revenues increased by 7%.

Operating profit before amortization of intangible assets (EBITA) increased by 3% during the year, to SEK 117.5 million (113.8). Operating profit was charged with SEK 5.8 million (4.3) for amortization of intangible assets attributable to acquisitions. Operating profit (EBIT) increased by 2% in 2016, to SEK 111.7 million (109.5).

The operating margin before amortization of intangible assets (EBITA margin) was 11% (11). The operating margin (EBIT margin) was 10% (10). Consolidated profit before tax for the year increased by 2%, to SEK 110.9 million (109.2).

Net sales for BTS's operations in North America totaled SEK 534.7 million (528.6) in 2016. Adjusted for changes in exchange rates, revenues were unchanged. Operating profit before amortization of intangible assets (EBITA) totaled SEK 58.9 million (60.6). The operating margin before amortization of intangible assets (EBITA margin) was 11% (11).

Net sales for Europe totaled SEK 191.6 million (178.9) in 2016. Adjusted for changes in exchange rates, revenues increased by 14%. Operating profit before amortization of intangible assets (EBITA) totaled SEK 25.0 million (23.3) in 2016. The operating margin before amortization of intangible assets (EBITA margin) was 13% (13).

Net sales for BTS Other markets totaled SEK 270.7 million (222.7) in 2016. Adjusted for changes in exchange rates, revenues increased by 25%. Operating profit before amortization of intangible assets (EBITA) totaled SEK 32.9 million (27.3) for the year. The operating margin before amortization of intangible assets (EBITA margin) was 12% (12).

Net sales for APG reached SEK 110.7 million (113.7) in 2016. Adjusted for changes in exchange rates, revenues decreased by 4%. Operating profit before amortization of intangible assets (EBITA) totaled SEK 0.7 million (2.6) for the year. The operating margin before amortization of intangible assets (EBITA margin) was 1% (2).

Financial position

At the end of the period, cash and cash equivalents were SEK 135.4 million (139.5). The Group's interest-bearing loans, attributable to previously completed acquisitions, totaled SEK 25.3 million (16.7) at the end of the period. Equity totaled SEK 543.1 million (483.3) at year-end, and the equity/assets ratio was 58% (60). BTS's cash flow from operating activities for the year was SEK 50.8 million (57.9).

Business acquisitions

In 2016 BTS acquired all business operations in the Italian companies Cesim Italia and Design Innovation, including personnel, technology, intellectual property rights, customer relations, trademark rights and all equipment.

The acquisitions significantly strengthen BTS's position in southern Europe, through the addition of more than 40 major Italian customers, and also reinforce BTS's Italian operation by supplementing it with further expertise and innovative solutions. Furthermore, the acquisitions also provide a good opportunity to help many of the major Italian companies globally. The acquisitions were completed via BTS's Spanish subsidiary Business Training Solutions S.L.

The Board's proposed guidelines for determining salaries and other compensation to senior executives

The Board of Directors proposes that the 2017 Annual General Meeting does not change the guidelines for determining salaries and other compensation to the CEO and other senior executives. For the guidelines decided by the 2016 AGM, see Note 6.

Employees

The number of employees in BTS Group AB at December 31, 2016 was 523 (463). The average number of employees during the year was 498 (436).

Shareholders

The total number of shares outstanding is 18,646,370, consisting of 853,800 Class A and 17,792,570 Class B shares. Each Class A share entitles the holder to 10 votes per share, each Class B one vote per share. The Company's articles of association contain no restrictions on the transfer of shares. The Company has three shareholders, Henrik Ekelund, Nordea Småbolsfond Norden and Stefan af Petersens, whose holdings each exceeded 10% of votes at year-end 2016. Some employees own shares in the Company, but the employees as a whole have no investment through any pension fund or the like. The Company is not aware of any agreements between shareholders that would restrict the right to transfer shares. Neither is there any agreement to which the Company is a party that would take effect, be changed, or cease to apply if control of the Company changed as a result of a public takeover bid.

Parent Company

The activities of the Parent Company, BTS Group AB, consist exclusively of tasks internal to the Group. The assets of the Parent Company consist primarily of shares in subsidiaries and cash and cash equivalents. The Company's net sales totaled SEK 2.1 million (1.9), and profit after financial items SEK 42.6 million (40.1). Cash and cash equivalents were SEK 0.2 million (0.1).

Outlook for 2017

Profit before tax is expected to be better than the preceding year's.

Market trends

The market for BTS's services was stable during the period and unchanged compared with the previous year.

Information about risk and uncertainty

Market risks

Sensitivity to economic conditions

Demand for training is sensitive to economic fluctuations. Slower growth and costcutting programs affect corporate training budgets negatively. Similarly, economic recovery increases willingness to invest in training.

Dependence on individual customers

BTS's ten largest customers accounted for 26% of its sales in 2016. By striving for a broad customer base, BTS limits its dependence on individual customers.

No sector dominates

BTS customers are mainly active in nine business sectors: Information Technology, Financial Services, Manufacturing, Services, Pharmaceuticals & Biotechnology, Fast-Moving Consumer Goods (FMCG), Energy, Telecommunications, and Retail & Distribution. The global distribution of its customers' operations helps reduce BTS's exposure to fluctuations in specific industries.

Geographical spread

48% of BTS's sales in 2016 were in the BTS North America operative unit, BTS Other markets represented 25%, BTS Europe accounted for 17% and APG 10%. In recent years, BTS has enhanced its presence in markets in Asia, Australia, South Africa, and Latin America, which in the long run will reduce dependency on North American and European markets.

Fragmented competitive situation

The market for corporate training and management is fragmented. BTS encounters different competitors in different markets and has no global competitor.

Operational risks

Quality and brands

BTS builds its marketing on network-based sales developed over the years by good customer relationships, which are brought about by high demands on the quality of BTS deliveries. BTS minimizes the risk of dissatisfied customers by recruiting and cultivating qualified consultants and by ensuring that all development and all deliveries adhere to established processes. BTS also follows up on quality in every project.

Intellectual property

BTS owns all rights to the business simulations it develops for clients, thus retaining the right to reuse general intellectual property, such as software and adaptations, when developing new simulations. For license-based products and solutions, the client purchases the number of licenses needed for the employees participating.

Securing human resources

Rapid growth requires intensive recruiting and training of employees. At the same time, it is essential to retain competent personnel. To meet these requirements, BTS follows an established model for recruiting and skills development.

Dependence on key personnel

To reduce dependence on individual employees and to insure the long-term quality of BTS training courses, methods, technologies, and business simulations are well documented.

Financial risks

Effective and systematic assessments of financial and commercial risks are vital to BTS. The Group's financial policy specifies guidelines and objectives for managing financial risks within the Group.

Financing and risk management have been gathered under the Group finance function. The subsidiaries manage all foreign exchange dealings and credit to clients within the framework of the policy. For details, see Note 2, Significant accounting policies, and Note 18, Financial instruments and financial risk management.

Foreign exchange risks

The currencies with the greatest impact on BTS's earnings are the U.S. dollar (USD), the euro (EUR), and the pound Sterling (GBP). The day-to-day exposure to fluctuations in exchange rates is limited, as revenues and expenses are primarily in the same currency in each market. BTS does not normally hedge its foreign exchange exposure. The sensitivity analysis below shows the effects on operating profits of changes in the value of USD, EUR, and GBP in relation to the Swedish krona (SEK).

Multiple-year review

Performance for the past five fiscal years is presented below.

SEK thousands	2016	2015	2014	2013	2012
Sales	1,107,644	1,043,900	781,454	688,234	770,548
Operating expenses	-982,121	-922,473	-690,035	-610,439	-665,972
Depreciation of property, plant, and equipment	-8,016	-7,688	-6,464	-6,267	-5,761
Amortization of intangible assets	-5,808	-4,286	-2,568	-1,685	-1,418
Operating profit	111,699	109,452	82,387	69,842	97,396
Operating margin, EBIT, %	10	10	11	10	13
Number of employees at year-end	523	463	405	370	385
Average number of employees	498	436	384	376	365
Net sales per employee	2,224	2,394	2,035	1,830	2,111

	Percentage change	Change* KSEK
SEK/USD	+/-10%	7,371
SEK/EUR	+/-10%	744
SEK/GBP	+/-10%	2,476

*Based on 2016 figures

Credit risks

BTS only accepts creditworthy counterparties. BTS's accounts receivable are distributed among a large number of companies operating in different sectors. The maximum credit risk at year-end was SEK 33,088 thousand (10,407), which corresponds to the largest credit exposure to any single group.

Liquidity risk and interest rate risk

BTS manages liquidity risk by maintaining sufficient cash and cash equivalents and a reserve in the form of an approved overdraft facility. BTS may borrow funds only with the approval of the Board of Directors. Any excess liquidity in subsidiaries is initially to be used to repay loans. Interest rates on the Group's financial assets and liabilities are usually fixed for short periods. Interest rate risk refers to changes in market rates that could adversely affect BTS, either through increased costs of borrowing for the Company or through fluctuations in returns on the funds invested at variable interest rates.

Research and development

The development that BTS has conducted during the year is essentially related to customer-specific product development, which has been expensed directly. Any research has not occurred. For a more detailed description, see Note 2 Accounting principles.

Proposed appropriation of earnings Parent Company

The following funds are at the disposal of the Annual General Meeting:

	SEK
Profit brought forward	19,709,199
Profit for the year	41,803,395
Total	61,512,594

The Board of Directors proposes that earnings be appropriated as follows.

To be distributed to shareholders: SEK 2.50 per share totaling	46,615,925
To be carried forward	14,896,669
Total	61,512,594

It is proposed that the dividend is to be paid on May 19, 2017.

Statement from the Board of Directors on the proposed dividend

The proposed dividend to shareholders will reduce the Parent Company's equity/assets ratio to 86%, and the Group's equity/assets ratio to 55%. The equity/assets ratio as well as the cash situation is considered satisfactory.

The Board of Directors is of the opinion that the proposed dividend will not prevent the Company from fulfilling its obligations in the short or long run nor from making the requisite investments. Thus the proposed dividend is justifiable in terms of the provisions of Chapter 17, section 3, paragraphs 2–3 of the Swedish Companies Act (prudence rule).

Regarding the operations of the Group and the Parent Company in other respects, please refer to the following income statements and balance sheets and to the cash flow statements and accompanying notes.

Consolidated Income Statement

SEK thousands	NOTE	2016	2015
Net sales	9	1,107,644	1,043,900
<i>Operating expenses</i>			
Other external expenses	3, 4, 5	-442,601	-439,499
Employee benefit expenses	6	-539,520	-482,974
Depreciation of property, plant, and equipment and amortization of intangible assets	7, 8	-13,824	-11,975
Total operating expenses		-995,945	-934,448
OPERATING PROFIT	9	111,699	109,452
<i>Financial items</i>			
Financial income	10	364	503
Financial expenses		-1,157	-766
Total gain/loss on financial items		-792	-263
PROFIT AFTER FINANCIAL ITEMS		110,907	109,189
Tax on profit for the year	11	-37,088	-36,635
PROFIT FOR THE YEAR		73,818	72,554
Profit for the year attributable to: Parent Company's shareholders		73,818	72,554
Earnings per share (profit for the year attributable to Parent Company shareholders)			
Basic and diluted earnings per share, SEK	12	3.96	3.89
No. of shares at year-end		18,646,370	18,646,370
Proposed dividend per share, SEK	13	2.50	2.35

Consolidated statement of comprehensive income

SEK thousands	NOTE	2016	2015
PROFIT FOR THE YEAR		73,818	72,554
Other comprehensive income			
<i>Items that later could be reclassified to profit or loss</i>			
Translation differences in equity	17	28,531	7,982
Other comprehensive income for the year, net after tax		28,531	7,982
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		102,349	80,536
portion attributable to Parent Company shareholders		102,349	80,536

Consolidated Balance Sheet

SEK thousands	NOTE	12-31-16	12-31-15
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Goodwill	7	272,488	222,959
Other intangible assets	7	41,448	30,625
<i>Property, plant, and equipment</i>			
Equipment	8	22,009	15,232
<i>Financial assets</i>			
Deferred tax assets	15	1,953	3,120
Other non-current receivables	18	8,215	6,944
Total non-current assets		346,112	278,880
Current assets			
<i>Current receivables</i>			
Accounts receivable	18	361,021	276,812
Other receivables	18	14,048	10,373
Prepaid expenses and accrued income	16	87,044	105,364
Total current receivables		462,113	392,549
Cash and cash equivalents		135,433	139,547
Total current assets		597,547	532,096
TOTAL ASSETS		943,659	810,976
EQUITY AND LIABILITIES			
Equity			
	17		
Share capital		6,215	6,215
Other paid-in capital		62,692	62,692
Reserves		30,845	2,314
Retained earnings, including profit for the year		443,342	412,034
Total equity		543,094	483,255
Non-current liabilities			
Other liabilities	18, 19	20,728	12,529
Current liabilities			
Accounts payable	18	26,492	21,465
Tax liabilities		50,579	37,257
Other current liabilities	18, 19	89,345	51,289
Accrued expenses and prepaid income	21	213,421	205,181
Total current liabilities		379,837	315,192
TOTAL EQUITY AND LIABILITIES		943,659	810,976

Information on pledged assets and contingent liabilities in notes 23 and 24.

Changes in Consolidated Equity

Attributable to Parent Company

SEK thousands	NOTE 17	Share capital	Other paid-in capital	Reserves	Retained earnings	Total equity
Opening balance at January 1, 2015		6,215	62,692	-5,668	371,266	434,505
Comprehensive income						
Profit for the year					72,554	72,554
Other comprehensive income						
Translation differences				7,982		7,982
Total comprehensive income		0	0	7,982	72,554	80,536
Transactions with shareholders						
Share-based payment according to IFRS 2					845	845
Dividends to shareholders					-32,631	-32,631
Total transactions with shareholders		0	0	0	-31,786	-31,786
Closing balance at December 31, 2015		6,215	62,692	2,314	412,034	483,255
Opening balance at January 1, 2016		6,215	62,692	2,314	412,034	483,255
Comprehensive income						
Profit for the year					73,818	73,818
Other comprehensive income						
Translation differences				28,531		28,531
Total comprehensive income		0	0	28,531	73,818	102,349
Transactions with shareholders						
Share-based payment according to IFRS 2					1,309	1,309
Dividends to shareholders					-43,819	-43,819
Total transactions with shareholders		0	0	0	-42,510	-42,510
Closing balance at December 31, 2016		6,215	62,692	30,845	443,342	543,094

Consolidated Cash Flow Statement

SEK thousands	NOTE	2016	2015
Operating activities			
Operating profit		111,699	109,452
Adjustments for non-cash items			
Depreciation and amortization		13,824	11,974
Financial items	10	-792	-183
Tax paid for the year		-24,923	-28,318
<i>Cash flow from operating activities before changes in working capital</i>		99,808	92,925
<i>Cash flow from changes in working capital</i>			
Change in accounts receivable		-71,263	-31,183
Change in other operating receivables		14,894	-34,461
Change in accounts payables and other operating liabilities		4,046	30,583
<i>Cash flow from changes in working capital</i>		-52,323	-35,061
Cash flow from operating activities		47,485	57,864
Investing activities			
Acquisition of property, plant, and equipment		-13,283	-8,896
Acquisition of intangible assets	22	-	-10,124
Acquisitions of companies after deduction of cash and cash equivalents		-13,187	-
Cash flow from investing activities		-26,470	-19,020
Financing activities			
Repayment of loan		-4,166	-152
Borrowings		11,488	16,490
Dividends to shareholders		-43,819	-32,631
Cash flow from financing activities		-36,498	-16,293
Cash flow for the year		-15,482	22,551
Cash and cash equivalents, start of year		139,547	114,293
Translation differences in cash and cash equivalents		11,369	2,703
Cash and cash equivalents, end of year		135,433	139,547

Parent Company's Income Statement

SEK thousands	NOTE	2016	2015
Net turnover	3	2,075	1,855
<i>Operating expenses</i>			
Other external expenses	3, 4	-674	-1,067
Employee benefit expenses	6	-1,235	-1,150
Total operating expenses		-1,909	-2,217
OPERATING PROFIT		166	-362
<i>Financial items</i>			
	10		
Gains/losses on other securities and receivables held as non-current assets		42,481	40,483
Interest income and similar profit/loss items		626	252
Interest expenses and similar profit/loss items		-724	-322
Total gain/loss on financial items		42,384	40,413
PROFIT AFTER FINANCIAL ITEMS		42,550	40,051
Tax on profit for the year	11	-747	-746
PROFIT FOR THE YEAR		41,803	39,305

Parent Company's statement of comprehensive income

SEK thousands	NOTE	2016	2015
PROFIT FOR THE YEAR		41,803	39,305
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		41,803	39,305
Attributable to Parent Company shareholders		41,803	39,305

Parent Company's Balance Sheet

SEK thousands	NOTE	12-31-16	12-31-15
ASSETS			
Non-current assets			
<i>Financial assets</i>			
Participations in Group companies	14	101,976	101,976
Total non-current assets		101,976	101,976
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		32,541	26,258
Other receivables		55	-
Prepaid expenses		129	-
Total current receivables		32,725	26,258
Cash and cash equivalents		182	124
Total current assets		32,908	26,382
TOTAL ASSETS		134,884	128,358
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital		6,215	6,215
Statutory reserve		41,390	41,390
Total restricted equity		47,605	47,605
<i>Non-restricted equity</i>			
Retained earnings		19,710	24,224
Profit for the year		41,803	39,305
Total non-restricted equity		61,513	63,529
Total equity		109,118	111,134
Non-current liabilities			
Other non-current liabilities		20,728	12,529
Total non-current liabilities	18, 19	20,728	12,529
Current liabilities			
Accounts payable		60	46
Tax liabilities		65	110
Other current liabilities	18	4,552	4,180
Accrued expenses and prepaid income	21	360	359
Total current liabilities		5,038	4,695
TOTAL EQUITY AND LIABILITIES		134,884	128,358

Information on pledged assets and contingent liabilities in notes 23 and 24.

Parent Company's Cash Flow Statement

SEK thousands	NOTE	2016	2015
Operating activities			
Operating profit		166	-362
Financial income and expense	10	-98	9
Tax paid for the year		-745	-782
<i>Cash flow from operating activities before changes in working capital</i>		-677	-1,135
<i>Cash flow from changes in working capital</i>			
Change in operating receivables		-5,591	-25,129
Change in accounts payables and other operating liabilities		342	-181
<i>Cash flow from changes in working capital</i>		-5,249	-25,310
Cash flow from operating activities		-5,926	-26,445
Investing activities			
Dividends received from subsidiaries		39,156	37,158
Cash flow from investing activities		39,156	37,158
Financing activities			
Group contributions		3,325	3,325
Repayment of loan		-4,166	
Borrowings		11,488	16,490
Dividends to shareholders		-43,819	-32,631
Cash flow from financing activities		-33,172	-12,816
Cash flow for the year		58	-2,103
Cash and cash equivalents, start of year		124	2,227
Cash and cash equivalents, end of year		182	124

Changes in Parent Company's Equity

SEK thousands	NOTE 17	Share capital	Other paid-in capital	Reserves	Retained earnings	Total equity
Opening balance at January 1, 2015		6,215	41,390	27,555	29,300	104,460
<i>Appropriation of earnings according to AGM</i>						
Transfer to retained earnings				29,300	-29,300	0
Total comprehensive income for the period					39,305	39,305
Transactions with shareholders						
Dividends to shareholders				-32,631		-32,631
Closing balance at December 31, 2015		6,215	41,390	24,224	39,305	111,134
Opening balance at January 1, 2016		6,215	41,390	24,224	39,305	111,134
<i>Appropriation of earnings according to AGM</i>						
Transfer to retained earnings				39,305	-39,305	0
Total comprehensive income for the period					41,803	41,803
Transactions with shareholders						
Dividends to shareholders				-43,819		-43,819
Closing balance at December 31, 2016		6,215	41,390	19,710	41,803	109,118

Notes to the Annual Report

NOTE 1 | General information

The Parent Company is a public limited liability company registered and headquartered in Stockholm, Sweden, at Grevgatan 34, SE-114 53 Stockholm. The Parent Company is listed on Nasdaq Stockholm. BTS is an international consulting and education firm which focuses on individuals when organizations are executing strategic changes and works with leaders at all levels to help them make better decisions, progress from decision to action and deliver results. BTS has a broad range of services which meet needs within both strategy execution and talent development with services that monitor the employee from evaluation for selection and development, to strategic consensus and strategy implementation. This is achieved through programs in business acumen, leadership and sales with the aid of business simulations and other forms of experiential learning and implementation tools. Most BTS clients are major corporations.

The annual report and consolidated financial statements were approved for publication by the Board of Directors on April 18, 2017.

NOTE 2 | Significant accounting policies

Amounts are stated in SEK thousands unless otherwise stated.

BTS prepares its consolidated financial statements in compliance with the Annual Accounts Act (ÅRL), the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Regulations for Groups, and the International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as approved by the European Union. Unless otherwise stated, these principles were also applied for the multiple year reviews presented.

The Parent Company has followed the provisions of the ÅRL and RFR 2, Accounting for Legal Entities. The Parent Company's shareholdings in subsidiaries are reported using the cost method.

The Parent Company recognizes group contributions in the income statement which deviates from the accounting policies applied in the Group.

The most important accounting principles applied in the preparation of the consolidated financial statements are described below. These policies were applied consistently for all years presented, unless otherwise stated.

New and amended accounting principles applied by the Group

None of the amended standards applied from 2016 have had an impact on the use of the Group's financial statements.

New standards, amendments and interpretations of existing standards not applied prospectively by the Group

A number of new standards and interpretations are effective for annual periods beginning after January 1, 2016 – to BTS from the fiscal year 2017 – have not been applied in preparing these financial statements. These new standards and interpretations are expected to affect the consolidated financial statements as follows:

IFRS 9 Financial instruments

IFRS 9 deals with classification, measurement and recognition of financial assets and liabilities and introduces new rules for hedge accounting. The full version of IFRS 9 was issued in July 2014. It replaces the parts of IAS 39, which deals with the classification and measurement of financial instruments and introduces a new impairment model.

Although the Group has not yet made a detailed assessment of the debt instruments that currently are classified as financial assets available for sale, they seem to meet the conditions to be valued at fair value in other comprehensive income based on the company's business model for these assets.

The Group's reporting of financial liabilities will not be changed, since the new requirements only affect the accounting of financial liabilities at fair value through the income statement and the Group has no liabilities of this kind.

Hence, BTS expects no material impact on classification, measurement or recognition of the Group's financial assets and liabilities.

The rules for derecognition have been transferred from IAS 39 Financial Instruments: Recognition and Measurement, and has not changed.

The new model for calculating loan loss reserves is based on expected losses, rather than as previous losses occurred in IAS 39, which may result in earlier recognition of credit losses. The model should be applied to financial assets carried at accrued acquisition value, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15 Revenue from contracts with customers, lease receivables, loans and certain financial guarantees.

The Group has not yet evaluated how its possible provisions for credit losses will be affected by the new rules. They can involve losses reported earlier, compared with the current principles. The new standard also introduces expanded disclosure requirements and changes in presentation, and it applies from January 1, 2018.

BTS does not intend to early application of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is the new standard for revenue recognition. IFRS 15 supersedes IAS 18 Revenue and IAS 11 Construction Contracts.

IFRS 15 is based on the principle that revenue is recognized when the customer obtains control over the sold goods or services – a principle which replaces the previous principle that revenue is recognized when the risks and benefits have been transferred to the buyer.

A company can choose between "full retroactivity" or prospective application with additional information.

BTS is currently evaluating the impact of the new standard and cannot estimate the new rules' quantitative impact on the financial statements. The Group will make a detailed assessment in the coming year.

The standard applies from January 1, 2018 and BTS does not intend to apply early application of IFRS 15.

IFRS 16 Leases

IFRS 16 was issued in January 2016. The implementation of the standard will mean that almost all the leases will be recognized in the balance sheet, as a distinction between operating and finance leases no longer will be made. Under the new standard, an asset (the right to use a leased asset) and a financial commitment to pay leasing fees are reported. Contracts of short duration and contracts of lesser value are excluded. The accounting of the lessor will essentially be unchanged.

The standard will mainly affect the presentation of consolidated operating leases. BTS has not yet evaluated to what extent these commitments will be reported as assets and liabilities, and how this will affect the Group's results and classification of cash flows.

Some commitments may be covered by the exemption for short-term contracts and contracts of lesser value and some commitments may relate to events that will not be accounted for as leases in accordance with IFRS 16.

The standard is mandatory for application in the financial year beginning on January 1, 2019 and BTS does not intend to apply early application of IFRS 16.

No other issued IFRSs or IFRIC interpretations not yet approved are expected to be relevant to the consolidated financial statements.

Consolidated financial statements

Subsidiaries are all companies (including structured entities) over which the Group has control. The Group controls a company when it is exposed to or entitled to variable returns from its holding in the company and is able to influence returns through its influence in the company. Subsidiaries are included in the consolidated financial statements from and including the date control was transferred to the Group. They are excluded from the consolidated financial statements from and including the date control ceases.

The Group's annual accounts have been prepared according to the acquisition method. A subsidiary's purchase price consists of the fair value of the transferred assets, liabilities and the shares issued by the Group. The purchase price also includes the fair value of all the assets or liabilities that result from a contingent purchase price agreement. Acquisition-related costs are expensed as they occur. Identifiable acquired assets and assumed liabilities in a business combination are initially valued at fair value on the acquisition date, based on a market evaluation performed at the time of the acquisition. The acquired subsidiaries' equity is completely eliminated, which means that only the portion of the subsidiary's equity that was gained after the acquisition is included in Group equity.

If the consolidated acquisition value of the subsidiary's shares exceed the net value of identified acquired assets and assumed liabilities recorded in an acquisition analysis, the difference is recognized as goodwill.

Companies acquired during the fiscal year are included in the consolidated financial statements beginning on the date the Group began to exercise control over the company, with the amounts referring to the period after this date.

When the Group no longer has control each remaining holding is measured at fair value on the date control no longer applies. Change in carrying amount is recognized in profit or loss. Fair value is used as the initial recognized value and provides the basis for continued recognition of the remaining holding as an associate, joint venture or financial asset. All amounts relating to the disposed unit previously recognized in other comprehensive income are recognized as if the Group had directly disposed of the attributable assets or liabilities. This can result in amounts previously recognized in other comprehensive income being reclassified to profit or loss.

Intra-group transactions and balance sheet items, as well as intra-group profits or losses are eliminated in full.

All transactions with non-controlling interests are recognized in equity as long as they do not cause any change in control. These transactions do not create goodwill or gains or losses.

The accounting principles for subsidiaries have been amended where appropriate in order to guarantee the consistent application of the Group's principles.

Exchange rates for currencies most relevant to the Group:

	Average 2016	December 31, 2016	Average 2015	December 31, 2015
USD	8.56	9.10	8.43	8.35
EUR	9.47	9.57	9.36	9.14
GBP	11.58	11.18	12.89	12.38
AUD	6.37	6.57	6.35	6.09
SGD	6.20	6.29	6.14	5.91
ZAR	0.58	0.67	0.67	0.54
MXN	0.46	0.44	0.53	0.48

Other currencies have not had a material impact on the consolidated balance sheets or income statements.

Revenue/Assignments in progress

Revenue is recognized on delivery of services to clients based on agreements signed.

Income from completed customization/development assignments and the expenses attributable to the assignment are recognized as revenue and expenses, respectively, in proportion to the degree of completion of the assignment at the end of the reporting period (percentage of completion method). The degree of completion of an assignment is determined by comparing the expenses paid up to the end of the reporting period with estimated total expenditure for the assignment. If the outcome of a service assignment cannot be reliably calculated, the revenue from that assignment is recognized only to the extent corresponding to the assignment expenses incurred that are likely to be covered by the client. Anticipated losses on assignments are recognized directly as expenses.

When educational services, "seminars", are delivered to a client, they are recognized as revenue immediately after the implementation.

Revenues for licenses, i.e. the customer's right to independently use the materials and solutions for a certain period and/or a certain number of occasions, are recognized when a binding agreement has been reached and BTS has fulfilled its obligations to the client, and the amount of the revenue is known.

Research and development

Expenditure for customer-specific product development is expensed directly. Expenditure related to development projects (attributable to the development and testing of new or improved products) is capitalized as an intangible asset to the extent such expenditure can be expected to generate future economic benefits. The company has not conducted any research. The development normally conducted by BTS is customer-specific.

Employee benefits

Pensions

The Group has different pension plans in different countries. All are defined-contribution plans, and the assets are managed by external parties. The Company pays fixed fees and has thereby fulfilled its obligations. The costs are charged to consolidated earnings as pension rights are vested.

Share-based payments

BTS Group Ab issued employee stock options to the Group's employees in 2015. The program enables employees to acquire stock in the company. The fair value of the allocated stock options is recognized as an employee benefit expense with a corresponding increase in equity. The fair value of the allocated stock options is calculated using the Black and Scholes model and taking into consideration the conditions prevailing at the time of allocation. The cost recognized corresponds to the fair value of the estimated number of stock options and shares expected to be vested. Social security contributions attributable to share-based payments to employees as compensation for purchased services are expensed and distributed over the periods during which the services are performed. Provisions for social security contributions are based on the stock options' fair value at the time of the report. The fair value is calculated using the same valuation model and parameter values used when the stock options were issued.

During the first quarter of 2017, some of the major shareholders of BTS issued a total of 50,000 call options on market terms to Jessica Parisi, who in 2016 was appointed CEO of BTS North America.

Borrowing

Borrowing expenses are charged to earnings for the period to which they refer.

Borrowings are recognized initially at the amount received less transaction costs. After the date of acquisition, the loan is measured at amortized cost as per the effective interest method. The effective interest method distributes interest income and expenses over the relevant period. The effective interest is the interest rate that exactly discounts the estimated future disbursements to the financial liability's net carrying amount.

Non-current liabilities are liabilities with an anticipated duration longer than 12 months. All others are current liabilities.

Income taxes

Income taxes recognized comprise taxes for the current year that are to be paid or received as well as changes in deferred tax. All tax liabilities and claims are measured at their nominal amounts according to the tax rules and tax rates that have been decided or announced and that most probably will be adopted. Tax effects associated with items recognized in the income statement are also recognized in the income statement. Tax effects associated with items recognized in equity are also recognized in equity.

Current tax is the tax to be paid or received for the current year. This includes adjustments of current tax attributable to prior periods.

According to the balance sheet method, deferred tax is calculated on all temporary differences between the carrying amount and tax base of assets and liabilities. Deferred tax assets relating to loss carryforwards or other future tax-effective deductions are recognized to the extent that it is likely they can be used to offset profits for future taxation.

Segment reporting

Operating segments are reported in a manner that agrees with internal reporting that is provided to the chief operating decision maker. The chief operating decision maker is the function responsible for allocation of resources and assessment of operating segments' earnings. In the Group it is the Parent Company's CEO who makes strategic decisions. BTS's operating segments consist of the Group's operating units BTS North America, BTS Europe, BTS Other markets and APG. Each subsidiary's share of consolidated sales is used as a weight for allocation of Group wide overhead.

Leases and rental agreements

When a lease entitles the Company as lessee to all financial benefits and risks attributable to the leased asset, the asset

is recognized as a non-current asset in the balance sheet. The corresponding obligation to pay lease charges in the future is recognized as a liability. Assets are depreciated at a rate corresponding to their expected useful life.

A lease in which a significant portion of the risks and benefits associated with ownership are retained by the lessor is classified as an operating lease. Payments made during the term of the lease are expensed in the income statement on a straight-line basis over the period of the lease.

Property, plant and equipment

Property, plant and equipment are recognized at acquisition cost less accumulated depreciation and impairment losses, if any. The acquisition cost includes expenses directly attributable to the acquisition of the asset. Planned depreciation is charged on a straight-line basis based on the acquisition cost and the estimated useful life. The following depreciation periods apply for existing assets:

- Equipment and installations, 3–6 years

The residual value and useful life are tested annually and adjusted as necessary.

Intangible assets

Goodwill

Goodwill is initially valued as the amount by which a total purchase price of the acquired net assets exceed the fair value of the identifiable acquired assets and assumed liabilities. If the purchase price is lower than the fair value of acquired net assets, the difference is recorded directly in the income statement. Impairment tests are conducted annually or more frequently if there are indications of a decline in value.

Products, technology and software

Acquired products, technology, and software have a limited useful life and are recognized at acquisition cost less accumulated amortization and any impairment losses. Amortization is charged on a straight-line basis during the estimated useful life (2–9 years).

Franchise contracts

Acquired franchise contracts have a limited useful life and are recognized at acquisition cost less accumulated amortization and any impairment losses. Amortization is charged on a straight-line basis during the estimated period of use (10 years).

Customer contracts

Acquired customer contracts have a limited useful life and are recognized at acquisition cost less accumulated amortization and any impairment losses. Amortization is charged on a straight-line basis during the estimated useful life (2–15 years).

Brands

Acquired brands with an indefinite useful life are recognized at acquisition cost less accumulated impairment losses as required. Impairment tests are performed annually or more frequently if impairment is indicated.

Acquired brands with a limited useful life are recognized at acquisition cost less accumulated amortization and any impairment losses. Amortization is charged on a straight-line basis during the estimated useful life (10 years).

Impairment

When there are indications that the carrying amount of any property, plant, equipment, or intangible asset, exceeds its recoverable amount, an impairment test is performed. The recoverable amount is the higher of an asset's net realizable value and value in use. If it

cannot be determined for an individual asset, the recoverable amount of the smallest cash-generating unit to which the asset belongs is calculated.

Each year the Group performs impairment tests on goodwill according to the following principle:

The recoverable amounts are based on value in use, calculated as the present value of future growth and earnings forecasts during multiple years, taking into account extrapolated cash flows beyond this multiyear period. Impairment tests are carried out on the operating segment level, which is the lowest level in the company at which goodwill is monitored.

Any impairment is recognized immediately as an expense and not reversed.

Critical estimates and judgments

To prepare the financial statements in accordance with IFRS, executive management must make judgments, estimates, and assumptions that affect the application of the accounting policies and the amounts recognized as assets, liabilities, income, and expenses. The estimates and assumptions are based on historical experience and various other factors that appear reasonable in the prevailing circumstances. The results of these estimates and assumptions are then used to judge the carrying amounts of assets and liabilities that would not be evident from other sources. Actual outcomes may deviate from these estimates and judgments. Estimates and judgments are periodically reviewed. Changes in estimates are recognized in the period in which the change is made if the change affected only that period.

Impairment tests on goodwill and intangible assets with indefinite useful life

Each year the Group performs impairment tests on goodwill and intangible assets with indefinite useful life in accordance with the principle described above. Recoverable amounts for cash-generating units have been determined by calculating the value in use. Certain estimates must be made for these calculations; please see Note 7.

Determination of additional consideration

To determine anticipated additional consideration, the Group makes realistic estimates of future growth and earnings for multiple years, separately for each subsidiary acquired.

Financial instruments

Financial assets and liabilities are recognized in the balance sheets whenever there is a contractual right or obligation to receive or remit cash or other financial assets from or to another party, or to exchange one financial instrument for another.

The Group classifies and measures financial instruments in the following categories:

Loans and accounts receivable

Refers to non-derivative financial assets that are not listed on an active market but have payments that can be determined. These items are included in current assets unless due more than 12 months after the end of the reporting period, in which case they are recognized as non-current assets. BTS's loan and trade receivables are recognized at amortized cost using the effective interest method, less any provisions for impairment. Current receivables such as accounts receivable are deemed as nominal value and as reasonably approximate to their fair value, so they are not discounted to present value.

A provision is made for impairment of an account receivable when objective evidence indicates that BTS will not be able to secure payment of the entire amount due as per the original terms of the receivable. Significant financial difficulties of a debtor –

for example the probability of the debtor declaring bankruptcy or undergoing a financial reconstruction – are regarded as indications of the possible impairment of an account receivable. The size of the provision is based on the difference between the carrying amount of the asset and the estimated future cash flows. Provisions are made for doubtful accounts receivable after tests in each individual case.

Cash and cash equivalents

Cash and cash equivalents are cash and demand deposits at banks and similar institutions, plus current liquid investments with a duration less than three months from the date of acquisition.

Financial liabilities

Financial liabilities held during the year are measured at amortized cost using the effective interest method. Current liabilities such as trade payables are deemed reasonably approximate to their fair value, so they are not discounted to present value.

Translation of foreign currency

Functional currency and presentation currency

Items in the financial statements for the various units in the Group are measured in the currency used in the economic environment in which the company conducts its main business activities (functional currency). Swedish krona (SEK), which is the Group's presentation currency, is used in the consolidated financial statements.

Transactions and balance sheet items

Transactions in foreign currency are translated into the functional currency at the exchange rate prevailing on the transaction date or the date the items are remeasured.

Currency gains and currency losses that arise from payment of such transactions or translation of assets and liabilities in foreign currency at the exchange rate at the end of the reporting period, are recognized in profit or loss.

Group companies

Profit or loss and financial position for all Group companies whose functional currency is different from the presentation currency are translated to the Group's presentation currency as follows:

- assets and liabilities for each of the balance sheets are translated at the exchange rate at the end of the reporting period,
- income and expenses for each of the income statements are translated at the average exchange rate for the year, all exchange differences that arise are recognized in other comprehensive income.

Goodwill and fair value adjustments arising at acquisition of foreign operations are treated as assets and liabilities of those operations and translated at the exchange rate at the end of the reporting period. Exchange differences are recognized in other comprehensive income.

Cash flow statement

The cash flow statement is prepared according to the indirect method. The reported cash flow comprises only transactions that entail incoming and outgoing payments. Cash flow is reported divided into continuing operations, investing activities and financing activities.

Cash and cash equivalents are cash and demand deposits at banks and similar institutions, plus current liquid investments with a duration less than three months from the date of acquisition.

NOTE 3 | Transactions with related parties

The Parent Company has a close relationship with its subsidiaries, see Note 14. Except for transactions between Group companies, related-party (the Board, the CEO and other senior executives) transactions took place as shown in Note 6.

The subsidiary in the UK has also acquired services from a related party with a value of SEK 12.9 (9.0) million on market terms and conditions.

Purchases and sales between Group companies

Group

Market terms and conditions apply to the supply of services between subsidiaries. The value of these are shown in Note 9. Receivables and liabilities between Group companies are attributable exclusively to selling and purchasing transactions between the companies. The value of these is specified in Note 9. The liabilities are interest-free.

Parent Company

Of the Parent Company's total purchasing expenses and sales income, 0% (0) of purchases and 100% (100) of sales refer to other Group companies.

NOTE 4 | Information about auditors' fees

Fees and remuneration

SEK thousands	Group		Parent Company	
	2016	2015	2016	2015
Öhrlings				
PricewaterCoopers				
Audit assignments	526	413	379	167
Other assignments		55		55
Other auditors				
Audit assignments	1,115	895	–	–
Other assignments	324	540	–	–
	1,965	1,903	379	222

NOTE 5 | Leases and rental agreements

Group

The Group has no financial leases. Expenses for operating leases totaled till 32,607 (31,494) for the year. Future leasing and rental fees for operating leases are as follows.

SEK thousands	
2017	29,016
2018	29,761
2019	23,564
2020	17,801
2021	15,594
Later	16,588
Total	132,324

The majority of the Group's lease agreements concern premises and office and IT equipment. The Group's operating lease agreements do not contain any variable fees of material value. The agreements do not contain any restrictions.

NOTE 6 | Average number of employees, salaries, other compensation, social security contributions, etc.

Average number of employees

Group	2016		2015	
	Number of employees	Of which men	Number of employees	Of which men
Subsidiaries				
Sweden	23	14	24	15
Denmark	1	1	1	1
Finland	3	2	4	3
Belgium	2	1	3	1
Germany	1	1	1	1
France	6	4	5	3
Switzerland	2	1	2	1
Spain	37	20	34	18
United Kingdom	38	20	36	19
The Netherlands	3	3	4	4
United States	217	118	205	116
Australia	23	13	17	12
Mexico	11	7	11	6
Brazil	7	3	6	3
Singapore	17	8	14	6
South Africa	31	9	27	9
Japan	5	3	4	3
India	32	19	25	15
South Korea	5	2	4	2
Taiwan	3	1	3	1
China	7	3	5	2
Thailand	1	1	1	1
Italy	21	9	–	–
Total for the Group	498	261	436	242

Distribution of senior executives by gender, %

	2016		2015	
	Women	Men	Women	Men
CEO and other senior executives (excl. the Board)	0	100	0	100
Board Parent Company	20	80	20	80
Board Group	6	94	0	100

In this context, "other senior executives" refers to the two people who, together with the CEO, have constituted the Group management team.

Parent Company

The Parent Company had no employees in 2016.

Salaries, other compensation, and social security contributions

Group	2016		2015	
	Salaries and compensation	Social security contributions of which pension expenses	Salaries and compensation	Social security contributions of which pension expenses
SEK thousands				
Subsidiaries	450,934	74,351	432,915	65,671
		16,850		14,837

Pension expenses for employees who are president of or a member of the board of a Group company totaled 3,086 (3,015). All pension plans are defined-contribution plans.

Parent Company

The CEO is a member of the Board but receives no Board fee. Other members of the Board in the Parent Company have received compensation only in the form of Board fees.

SEK thousands		2016	2015
Reinhold Geijer	Chairman of the Board	262	–
Michael Grindfors	Chairman of the Board	88	331
Mariana Burenstam Linder	Member	175	162
Stefan Gardefjord	Member	220*	208*
Dag Sehlin	Member	220*	208*
Total		965	909

* of which committee fee 45 (45)

For the CEO, see the figures for compensation to senior executives below.

Salaries and other compensation by country and divided between Board members and others

Group	2016		2015	
	Board and CEO	Other employees	Board and CEO	Other employees
SEK thousands				
In Sweden				
Parent Company	965	–	909	–
Subsidiaries	2,101	22,067	2,037	20,281
Total Sweden	3,066	22,067	2,945	20,281
Outside Sweden				
United States	9,822	264,474	9,698	261,449
Europe	12,582	39,236	13,064	49,903
Other	13,390	86,298	10,798	64,777
Total outside Sweden	35,794	390,008	33,560	376,130
Total for the Group	38,860	412,075	36,505	396,410

Terms of employment and compensation for senior executives

Guidelines for compensation and other terms of employment for senior executives

The Company shall employ persons under conditions and at salaries commensurate with the market to be able to recruit and retain employees with excellent skills and of a high caliber to reach the Company's objectives. When employing persons outside Sweden, the Company shall comply with each country's generally accepted terms of employment and good practice.

Forms of compensation are intended to achieve a consensus on the long-term view of operations by rewarding performance that benefits the Company and thus the shareholders. Compensation paid to individual employees will be based on their position and tasks, performance, skills, and experience. Compensation will normally consist of a fixed basic salary and defined-contribution pension benefits, the latter no more than 35% of the fixed basic salary for the CEO of the Parent Company and no more than 30% of the fixed basic salary for other senior executives. When deemed appropriate, the basic salary and pension benefit can be augmented by variable compensation, other benefits, and participation in incentive programs.

The Board is entitled to deviate from the above policies in individual cases under special circumstances. The Board intends to propose to the AGM that the policies remain unchanged in 2017.

Compensation and benefits of the senior executives

Compensation includes basic salary, other benefits, variable compensation, and pension expenses.

Other benefits consist exclusively of company cars. The sum total of compensation paid to senior executives was 10,800 (16,020), of which pension expenses were 2,359 (2,556). All pension plans are defined-contribution plans.

The CEO Henrik Ekelund was paid salary and other benefits totaling 4,537 (4,851), including 82 (353) in variable compensation. Variable compensation is calculated using a model that triggers payment when Group earnings exceed predefined profitability targets. The CEO has a defined-contribution pension entitlement equal to 35% (35) percent of his fixed salary, paid in the form of pension insurance entitling the CEO to a pension from the age of 65.

The CEO's employment contract states a mutual period of notice of six months. In addition, if the Company terminates the CEO's employment contract, the CEO is entitled to a severance package corresponding to 12 months' salary. None of the other senior executives is entitled to a severance package.

Other senior executives have been paid salaries and other benefits totaling 3,905 (8,613), of which variable remuneration was 241 (3,220). Variable compensation is based on targets achieved by the Company and the individual. Provisions to pensions are made individually at 13–30% of the fixed salary and paid in the form of pension insurance entitling the executive to a pension from the age of 65.

Share-based payment

Employee stock option program 2015/2019

The 2015 Annual General Meeting resolved on an employee stock option program 2015/2019. Allocation to be a maximum of 40,000 stock options per employee. A maximum total of 150 people could be allocated stock options. Board members elected by the Annual General Meeting and who are not also employees of the company or another group company or the Parent Company's CEO, are not allocated any stock options.

The 2015/2019 employee stock option program comprises a maximum total of 840,000 stock options, entitling to acquisition of a corresponding number of Class B shares in BTS Group AB.

Each stock option allocated to an employee entitles the holder to acquire one Class B share in BTS at an exercise price of SEK 82.30. Each stock option is valid for four years. The options have vesting conditions such that they can be exercised successively for three years after the allocation, with normally 1/3 of the total number of allocated stock options per year, provided certain financial targets set by the Board are attained. The Company's Board has set as a target that the operating margin before amortization of intangible assets (EBITA margin) for each year shall amount to at least 12% for all the stock options for each year to be exercised. If the EBITA margin is less than 12%, the number of options available for exercise is reduced. If the EBITA margin is less than 10%, no exercise of the options will be allowed. Stock options that cannot be exercised are forfeited.

Exercise of stock options is contingent on continued employment on the exercise date and can take place after the options are exercisable between September 1, 2016 and June 30, 2019, both dates inclusive.

	2016		2015	
	Average exercise price per share (thousands)	Stock options (thousands)	Average exercise price per share (thousands)	Stock options (thousands)
Per January 1	82.30	685	-	-
Allocated	-	-	82.30	840
Exercised	-	-	-	-
Forfeited	82.30	-194	82.30	-155
Per December 31	82.30	491	82.30	685

The value of employee stock options has been calculated using the Black & Scholes valuation model based on the share price and other market conditions on July 6, 2015, without taking vesting limitations into account. Considering performance conditions and assuming an annual employee turnover of 5%, the compensation expense is estimated to total SEK 2.9 million which according to IFRS 2 is recognized in installments over the vesting period. The expense for the fiscal year amounted to SEK 1,309 (845) thousands. Other key parameters in the model were the volume-weighted average price paid during the 10 trading days prior to allocation of SEK 64.12, the above exercise price, volatility of 30%, anticipated dividend of SEK 2.0, as well as a risk-free interest of -0.35% for maturities of 2.5 years, -0.25% for 3.0 years and -0.15% for 3.5 years.

Social security contributions are recognized as an expense during the vesting period and a provision for these is accumulated as necessary during the vesting period. The value of this provision and thus the expense recognized are remeasured continuously based on changes in the value of the employee stock options. Employee stock options allocated to American employees may be ISO options, which means that this, according to current legislation, do not incur social security contributions.

To be able to carry out the employee stock option plan in a cost-effective and flexible manner and to cover future expenses, mainly social security contributions, the Annual General Meeting held on May 7, 2015, also resolved on a private placement of warrants with the wholly owned Swedish subsidiary BTS Sverige AB, reg. no. 556566-7127, carrying entitlement to subscribe for a maximum total of 966,000 Class B shares with a right and obligation for BTS Sverige AB to transfer or otherwise dispose of the warrants in order to fulfill the commitments of the Company or another employer company in the Group and to cover future costs resulting from the employee stock option plan.

Assuming that all warrants as above are exercised for subscription of new shares, the Company's share capital will increase by SEK 322,000 and result in a dilution equivalent to approximately 5% of the share capital and a maximum of approximately 4% of the voting rights for all shares.

NOTE 7 | Intangible assets

Group Goodwill

SEK thousands	12-31-16	12-31-15
Accumulated acquisition cost, opening balance	226,685	210,771
Purchases	33,230	2,269
Translation difference	16,298	13,645
Accumulated acquisition cost, closing balance	276,214	226,685
Accumulated impairments, opening balance	-3,726	-3,726
Accumulated impairments, closing balance	-3,726	-3,726
Carrying amount, closing balance	272,488	222,959

Other intangible assets

SEK thousands	12-31-16	12-31-15
Franchise contracts		
Accumulated acquisition cost, opening balance	10,327	9,658
Translation difference	921	669
Accumulated acquisition cost, closing balance	11,248	10,327
Accumulated amortization, opening balance	6,382	5,325
Amortization for the year	705	695
Translation difference	613	362
Accumulated amortization, closing balance	7,701	6,382
Carrying amount, closing balance	3,547	3,945

SEK thousands	12-31-16	12-31-15
Technology, products & software		
Accumulated acquisition cost, opening balance	54,832	50,918
Purchases	4,731	390
Translation difference	5,834	3,524
Accumulated acquisition cost, closing balance	65,397	54,832
Accumulated amortization, opening balance	39,492	35,535
Amortization for the year	2,274	1,509
Translation difference	3,637	2,448
Accumulated amortization, closing balance	45,403	39,492
Carrying amount, closing balance	19,995	15,340

SEK thousands	12-31-16	12-31-15
Customer contracts		
Accumulated acquisition cost, opening balance	8,519	7,603
Purchases	5,431	390
Translation difference	1,011	526
Accumulated acquisition cost, closing balance	14,961	8,519
Accumulated amortization, opening balance	4,097	3,194
Amortization for the year	1,372	693
Translation difference	425	210
Accumulated amortization, closing balance	5,894	4,097
Carrying amount, closing balance	9,067	4,422

SEK thousands	12-31-16	12-31-15
Brands		
Accumulated acquisition cost, opening balance	15,755	14,553
Purchases	2,366	195
Translation difference	1,877	1,007
Accumulated acquisition cost, closing balance	19,998	15,755
Accumulated amortization, opening balance	8,837	6,976
Amortization for the year	1,457	1,389
Translation difference	865	472
Accumulated amortization, closing balance	11,159	8,837
Carrying amount, closing balance	8,839	6,918
Total closing balance, carrying amount of other intangible assets	41,448	30,625

Impairment tests

Goodwill and other intangible assets are allocated among the cash-generating units expected to benefit from the synergies of business acquisitions. The recoverable amounts are based on the value in use, calculated as the present value of future growth and earnings forecast for four years, and on cash flows extrapolated beyond that four-year period. Impairment tests are carried out on the operating segment level, which is the lowest level in the company at which goodwill is monitored.

Material assumptions used to calculate values in use:

- budgeted operating margin
- growth rate to extrapolate cash flows beyond the budget period
- discount rate applied for estimated future cash flows.

The budgeted operating margin has been determined based on previous performance and expectations of future market trends. To extrapolate cash flows beyond the budget period, a growth rate of 2–3% (3–4) was assumed, which is judged to be a conservative estimate. Also, an average discount rate in local currency after tax was used for the calculations. The discount rate used is 10.2% (9.0).

Following impairment tests and sensitivity analyses, no impairment was indicated at December 31, 2016.

A sensitivity analysis was performed for each cash-generating unit, the results of which are given below.

- If the estimated operating margin was 10% less than the basic assumption, the overall recoverable amount would decrease 11% (11).
- If the estimated growth rate for extrapolating cash flows beyond the budget period was 10% less than the basic assumption of 2–3%, the overall recoverable amount would decrease 3% (4).
- If the estimated weighted cost of capital used for the discounted cash flows for the Group was 10% more than the basic assumption of 10.2% (9.0), the overall recoverable amount would decrease 13% (14).

These calculations are hypothetical and should not be seen as any indication that these factors are more or less likely to change. The sensitivity analyses should therefore be interpreted with caution. None of the cases above would indicate impairment of any individual unit.

Distribution of goodwill and other intangible assets by segment

Group 12-31-16 SEK thousands	North America	Europe	Other markets	APG	Total
Goodwill	198,662		42,922	30,905	272,488
Franchise contracts				3,547	3,547
Customer contracts	3,611		5,456		9,067
Technology, Products & Software	14,537		5,456		19,993
Brands	6,111		2,728		8,839
Total	222,921	-	56,562	34,452	313,936

12-31-15 SEK thousands	North America	Europe	Other markets	APG	Total
Goodwill	182,165	-	12,419	28,375	222,959
Franchise contracts				3,945	3,945
Customer contracts	4,032		390		4,422
Technology, Products & Software	14,950		390		15,340
Brands	6,723		195		6,918
Total	207,870	-	13,394	32,320	253,584

NOTE 8 | Property, plant, and equipment

Group Equipment SEK thousands	12-31-16	12-31-15
Accumulated acquisition cost, opening balance	63,030	54,154
Purchases	13,283	8,896
Disposals	-3,952	-1,752
Translation difference	9,107	1,732
Accumulated acquisition cost, closing balance	81,468	63,030
Accumulated depreciation, opening balance	47,798	40,227
Depreciation for the year	8,016	7,688
Disposals	-3,321	-1,382
Translation difference	6,967	1,265
Accumulated depreciation, closing balance	59,460	47,798
Carrying amount, closing balance	22,009	15,232

NOTE 9 | Segment reporting

Group

The Group's operations are managed and reported by the operating units BTS North America, BTS Europe, BTS Other markets, and APG, who are the Group's segments. BTS Other Markets consists of operations in Australia, Asia, Latin America, South Africa, Italy and Spain. APG has operations in North America. Operating units invoice one another for services based on time expended and on market terms.

Shared Group expenses are invoiced, and amortization of intangible assets is distributed among the operating units.

SEK thousands	North America		Europe		Other markets		APG		Eliminations & unallocated		Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Income												
External sales	534,664	528,602	191,627	178,875	270,665	222,693	110,688	113,730			1,107,644	1,043,900
Internal sales	70,667	94,945	41,107	23,716	15,111	15,323	1,660	362	-128,545	-134,346	0	0
Total income	605,331	623,547	232,734	202,591	285,777	238,016	112,348	114,092	-128,545	-134,346	1,107,644	1,043,900
Operating profit	61,781	53,951	1,470	2,766	43,722	45,720	4,727	7,015			111,699	109,452
Financial income									364	503	364	503
Financial expenses									-1,157	-766	-1,157	-766
Tax on profit for the year									-37,088	-36,635	-37,088	-36,635
Profit for the year											73,818	72,554
Other information												
Assets	552,579	570,012	151,817	131,029	257,512	150,970	48,168	47,004	-66,418	-88,039	943,659	810,976
Liabilities	224,055	232,918	138,717	99,228	76,167	54,375	28,044	29,239	-66,418	-88,039	400,565	327,721
Investments	10,989	13,681	296	794	18,468	4,451	0	94			29,753	19,020
Depreciation of property, plant, and equipment	-5,003	-4,622	-854	-950	-2,104	-2,063	-55	-53			-8,016	-7,688
Amortization of intangible assets	-3,525	-3,591			-1,577		-705	-695			-5,808	-4,286

The Group's total sales are distributed by the following sources of revenue: Development 247,306 (211,450), Seminars 642,277 (595,982), Licenses 144,365 (151,237) and Other revenues 73,697 (85,231).

48,486 (38,115) of the Group's total revenue refers to the domicile country, Sweden. The value of the Group's assets in Sweden amounted to 16 (24).

NOTE 10 | Financial items

Group SEK thousands	2016	2015
Interest income	364	503
Total financial income	364	503
Foreign exchange losses	-269	-311
Interest expenses	-888	-455
Total financial expenses	-1,157	-766
Total gain/loss on financial items	-792	-263

Parent Company SEK thousands	2016	2015
Gains/Losses on other securities and receivables held as non-current assets		
Dividends from subsidiaries	39,156	37,158
Group contributions	3,325	3,325
	42,481	40,483
Interest income	626	252
Interest expenses	-724	-322
Total gain/loss on financial items	42,384	40,413

NOTE 11 | Tax on profit for the year

Group SEK thousands	2016	2015
Income tax as recognized in the income statement	-37,088	-36,635
Current tax expense	-35,851	-37,370
Current tax attributable to previous years	237	114
Postponed tax income/expense (+/-)	-1,474	621
Tax for the year	-37,088	-36,635

Parent Company SEK thousands	2016	2015
Current tax for the year	-747	-746

Reconciliation of effective tax

Group SEK thousands	2016	2015
Profit before tax	110,907	109,190
Tax expense based on Swedish income tax rates, 22%	-24,399	-24,022
Effects of different tax rates	-12,431	-12,200
Non-deductible expenses	-3,100	-1,897
Non-taxable income	2,606	1,370
Tax attributable to previous years	237	114
Effective tax recognized	-37,088	-36,635
<i>Effective tax rate</i>	<i>33.4%</i>	<i>33.6%</i>

Parent Company SEK thousands	2016	2015
Profit before tax	42,550	40,051
Tax expense based on Swedish income tax rates, 22%	-9,361	-8,811
Dividends from subsidiaries	8,614	8,175
Effective tax recognized	-747	-746
<i>Effective tax rate</i>	<i>1.8%</i>	<i>1.9%</i>

NOTE 12 | Earnings per share**Group**

Basic earnings per share are calculated by dividing the profit attributable to Parent Company shareholders with the weighted average number of common stock on issue during the period.

	2016	2015
Profit for the year attributable to Parent Company shareholders, SEK thousands	73,818	72,554
Average number of shares, basic and diluted (thousands)	18,646	18,646
Basic and diluted earnings per share, SEK	3.96	3.89

NOTE 13 | Dividend per share

Dividends paid in 2016 totaled SEK 43,819 thousand (SEK 2.35 per share). Dividends paid 2015 totaled SEK 32,631 thousand (SEK 1.75 per share). At the AGM to be held May 12, 2017, a dividend for fiscal 2016 of SEK 2.50 per share, totaling SEK 46,616 thousand, will be proposed. The proposed dividend was not recognized as a liability in these financial statements.

NOTE 14 | Financial assets

Parent Company Participations in Group companies

SEK thousands	No. of shares	Pctg. equity	Carrying amount 12-31-16	Carrying amount 12-31-15
Parent Company holdings				
BTS Sverige AB Corp. id. no. 556566-7127 Domicile: Stockholm	5,000	100	7,456	7,456
BTS USA, Inc. Corp. id. no. 06-1356708 Domicile: Connecticut	1,000	100	77,430	77,430
BTS in London Ltd. Corp. id. no. 577 1376 13 Domicile: London	5,000	100	6,833	6,833
Business Training Systems AS Corp. id. no. 957 694 187 Domicile: Oslo	100	100	94	94
Catalysts for profitability and growth Ltd Corp. id. no. 1998/010779/07 Domicile: Centurion	1,000	100	1	1
BTS Finland AB Corp. id. no. 556583-1673 Domicile: Stockholm	1,000	100	100	100
BTS Asia Pacific PTE Ltd Corp. id. no. 2008114642 Domicile: Singapore	50,000	100	237	237
Business Training Solutions S.L. Corp. id. no. B95138160 Domicile: Bilbao	1,031	100	7,911	7,911
BTS Management SA Corp. id. no. 01 73.802 11 Domicile: Geneva	1,000	100	673	673
Business Game Factory Oy Corp. id. no. 1807788-2 Domicile: Helsinki	90,750	100	654	654
BTS Brussels NV Corp. id. no. 878.155.648 Domicile: Brussels	620,000	100	587	587
Total shares in subsidiaries			101,976	101,976

NOTE 15 | Deferred tax assets

Group SEK thousands	2016	2015
Opening balance, net	3,120	2,041
Recognized in profit for the year	-1,474	621
Acquisitions of Group companies	-	559
Translation differences	307	-101
Closing balance, net	1,953	3,120

The amount concerns unused loss carry-forwards in subsidiaries which are expected to be utilized during 2017.

NOTE 16 | Prepaid expenses and accrued income

Group SEK thousands	12-31-16	12-31-15
Accrued income	60,249	70,778
Prepaid rent	2,456	2,898
Other items	24,339	31,688
Total	87,044	105,364

NOTE 17 | Equity and appropriation of earnings**Group**

The share capital consists of 853,800 Class A shares and 17,792,570 Class B shares, totaling 18,646,370 shares with a total value of SEK 6,215,457. Each share has a quotient value of SEK 0.33. Each Class A share entitles the holder to ten votes per share, each Class B one vote per share.

The equity in all Group companies that have a functional currency different from the reporting currency is translated into the reporting currency (SEK). Translation differences arise if the SEK exchange rate for a functional currency at the end of the period is different from its rate at the start of the period. These translation differences have no effect on taxes. Closing accumulated translation differences recognized directly in equity totaled 30,845. Opening accumulated differences totaled 2,314.

Proposed appropriation of earnings

The Board of Directors proposes that earnings be appropriated as follows:

To be distributed to shareholders: SEK 2.50 per share totaling	46,615,925
To be carried forward	14,896,669
Total	61,512,594

It is proposed that the dividend is to be paid on May 19, 2017.

NOTE 18 | Financial instruments and financial risk management**Policies for financing and financial risk management**

The Board directs and monitors BTS's financing activities and financial risks. Financing and risk management are gathered under the Group finance function and conducted in compliance with a financial policy adopted by the Board of Directors that stresses low risk. The aim of the Company's risk management is to optimize the Group's cost of capital and, in a deliberate manner, to manage and control the Group's financial risks. Hedging instruments may be used within given parameters. Future payments are not normally hedged. Cash and cash equivalents may be invested in interest-bearing accounts or in interest-bearing securities carrying low credit risk. The duration of the investment portfolio must not exceed nine months.

During the year, BTS's holdings of financial instruments were limited to primary instruments such as accounts receivable, trade payables, and the like. Customer contracts contain no currency clauses or anything that could be considered embedded derivatives. No hedging instruments are held or have been purchased or sold during the year, the same applies for the previous year.

Fair value of financial assets and liabilities

Group SEK thousands	12-31-16	12-31-15
Other non-current receivables	0	232
Accounts receivable	361,021	276,812
Cash and cash equivalents	135,433	139,547
Total financial assets	496,454	416,591
Other non-current liabilities	20,728	12,529
Accounts payable	26,492	21,465
Total financial liabilities	47,220	33,994

Financial assets**Loan and accounts receivable**

Other non-current receivables chiefly consist of rental deposits and interest-bearing financial claims on various counterparts.

Rental deposits have a maturity corresponding to their respective leases.

Reported value is deemed equivalent to the fair value.

Accounts receivable denominated in foreign currencies are measured at the closing rate. Accounts receivable in the BTS North America operating unit constitute 43% (56) of the Group's total accounts receivable. The table below shows the distribution of accounts receivable by currency.

Group SEK thousands	12-31-16	12-31-15
SEK	20,950	9,608
USD	169,549	173,772
GBP	64,579	41,074
EUR	44,773	31,522
Other currencies	61,170	20,836
Total accounts receivable	361,021	276,812

Historically the Group has had very low credit losses on accounts receivable. The spread of risk is good among companies, sectors and geographic markets. Fair value agrees with carrying amount and no significant impairment of accounts receivable has been recognized during the year, same principle as in the previous year.

At December 31, 2016, accounts receivable totaling 66,887 (51,160) were more than 30 days past due; this excludes accounts receivable for which provisions had been made. The structure of due dates is shown in the table below.

Group SEK thousands	12-31-16	12-31-15
Total accounts receivable	361,021	276,812
more than 30 days overdue	24,821	21,586
more than 60 days overdue	42,066	29,574

Cash and cash equivalents

At the end of the reporting period, there was only cash in hand and bank balances.

Financial liabilities

Financial liabilities held during the year are measured at the amortized cost using the effective interest method. At year-end 2016 the financial liabilities consisted of accounts payable and non-current liabilities.

Accounts payable are deemed reasonably approximate to their fair value. All accounts payable fall due within 12 months, of which most are due within a month, why they are not discounted to present value.

Foreign exchange risk

The Group is exposed to foreign exchange risks associated with the translation of foreign subsidiaries, thus influencing profit and equity in the Group. The currencies that have the greatest influence are USD, EUR, and GBP. Transaction exposure is limited, because revenues and expenses are primarily denominated in the same currency in each market. BTS does not normally hedge its foreign exchange exposure. The sensitivity analysis below shows the effects on operating profits based on BTS's 2016 income statement and should only be seen as an indication of the significance of the different currencies.

	Percentage change	Change, SEK thousands, full-year 2016	Change, SEK thousands, full-year 2015	Change in equity, SEK thousands 2016	Change in equity, SEK thousands 2015
SEK/USD	+/-10%	7,371	7,149	33,402	31,333
SEK/EUR	+/-10%	744	1,032	4,519	3,629
SEK/GBP	+/-10%	2,476	1,327	3,100	3,923

Credit risk

Credit risk refers to companies not getting paid, fully or partly, for their accounts receivable from customers. BTS only accepts credit-worthy counterparties in financial transactions, and the limit is determined individually for each customer. Creditworthy refers to companies that have undergone customary credit checks with satisfactory results. The intention is for credit limits to reflect the solvency of each customer. BTS has sufficiently diversified risk. BTS's accounts receivable and sales are spread among a large number of companies operating in a variety of sectors.

The maximum credit risk exposure on accounts receivable at year end was 361,021 (276,812). Fair value agrees with book value.

Liquidity risk and interest rate risk

BTS manages liquidity risk by maintaining sufficient cash and cash equivalents including unutilized part of approved overdraft facility. Interest rates on the Group's financial assets and liabilities are usually fixed for short periods. Interest rate risk refers to changes in the market interest rate that affect BTS's results negatively.

	Percentage change in market interest rate	Change in interest expense, SEK thousands, 2016
Interest bearing liabilities	+/-10%	75

BTS's policy is to allow borrowing with the Board's approval. Any surplus cash in subsidiaries should first of all be used to repay loans, which was done during the year. Interest risk for interest income is limited to the fluctuating return on cash and cash equivalents invested at variable rates.

Group SEK thousands	12-31-16	12-31-15
Cash and cash equivalents	135,433	139,547
Unutilized portion of bank overdraft facility	56,823	19,564
Cash and cash equivalents available	192,256	159,111

Managing capital risk

BTS's goal for its capital structure is to safeguard the Group's ability to continue and expand its operations, so that they continue to generate a return for shareholders and benefit other stakeholders, at the same time as the cost of capital is kept at a reasonable level.

To maintain or change the capital structure, the dividends can be raised or lowered, shares can be issued or repurchased, and assets can be bought or sold.

BTS's financial objective – and a measure of its capital risk – is that its equity/assets ratio never remains less than 50%. At year-end, the Group's equity/assets ratio was 58% (60).

NOT 19 | Non-current liabilities

Non-current liabilities refer to interest-bearing loans from credit institutions which will be repaid as follows.

SEK thousands	
2018	4,549
2019	4,549
Total	9,097

NOTE 20 | Bank overdraft facility

Group SEK thousands	12-31-16	12-31-15
Approved credit limit	56,823	19,564
Unutilized portion	-45,192	-19,564
Credit utilized	11,631	0

Parent Company SEK thousands	12-31-16	12-31-15
Approved credit limit	40,000	3,300
Unutilized portion	-28,369	-3,300
Credit utilized	11,631	0

NOTE 21 | Accrued expenses and prepaid income

Group SEK thousands	12-31-16	12-31-15
Accrued salaries	75,747	82,714
Accrued social security contributions	3,485	2,478
Prepaid income	98,761	95,536
Other items	35,428	24,453
Total	213,421	205,181

Parent Company SEK thousands	12-31-16	12-31-15
Other items	360	359

NOT 22 | Business acquisitions

BTS's acquisition of Cesim Italia and Design Innovation

BTS has as earlier communicated in a pressrelease of the 6th of July 2016 acquired all business operations in the Italian companies Cesim Italia and Design Innovation, including personnel, technology, intellectual property rights, customer relations, trademark rights and all equipment. The acquisitions were completed via BTS's Spanish subsidiary Business Training Solutions S.L. The acquisitions significantly strengthen BTS's position in southern Europe, through the addition of several major Italian customers, and also reinforce BTS's Italian operation by supplementing it with further expertise and innovative solutions. Furthermore, the acquisitions also provide a good opportunity to help many of the major Italian companies globally.

The agreed purchase consideration comprises:

- A cash payment of EUR 1.7 million.
- An additional consideration estimated at EUR 3.5 million, including what corresponds to about EUR 0.6 million in newly issued BTS shares, provided that the acquired operations achieve the set earnings targets for 2016–2020.

Acquisition calculation at the date of acquisition translated at the exchange rate prevailing on the balance sheet date of September 30, 2016:

SEK millions	
Cash payment	16.5
Estimated contingent consideration	33.7
Total purchase price	50.2
Net assets measured at fair value	17.0
Goodwill	33.2

Goodwill consists of expected future synergy effects in the form of an expanded product range and services. In addition to synergy effects, supply of qualified employees and future profitability components are included in the goodwill item. No acquisition costs were capitalized, but were instead expensed in their entirety. Net assets consist of:

MSEK	
Property, plant and equipment	0.6
Intangible assets	12.5
Receivables	4.8
Cash and cash equivalents	3.3
Short-term non-interest bearing liabilities	-4.2
Total	17.0

Acquisition costs that did not total to substantial amounts were expensed during the period.

The access was July 6, 2016 and since then Cesim Italia and Design Innovation have contributed SEK 21.7 million in net sales and SEK 3.1 million in operating income before amortization of intangible assets (EBITA).

NOTE 23 | Pledged assets

Group SEK thousands	12-31-16	12-31-15
Assets pledged for debts to credit institutions		
Company mortgages	10,000	10,000

NOTE 24 | Contingent liabilities on behalf of Group companies

Parent Company SEK thousands	12-31-16	12-31-15
Guarantee commitments on behalf of subsidiaries	5,117	4,698

NOTE 25 | Events after the close of the fiscal year

No material events occurred after the close of the fiscal year up until the Board's signing of the annual report, thus none have affected the preparation of the balance sheets and income statements.

The Board of Directors and Chief Executive Officer affirm that the consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and that the annual report was prepared in accordance with generally accepted accounting principles in Sweden. The annual report and consolidated financial statements, respectively, provide a true and fair view of the Parent Company's and the Group's financial positions and earnings.

The management report for the Parent Company and the Group provides a fair review of developments in the Parent Company's and the Group's operations, financial position, and earnings and describes the material risks and uncertainties facing the Parent Company and the companies that are part of the Group.

The consolidated income statement and balance sheet as well as the Parent Company's income statement and balance sheet will be submitted for adoption to the Annual General Meeting of May 12, 2017.

Stockholm, Sweden, April 18, 2017

Reinhold Geijer
Chairman of the
Board

Henrik Ekelund
Chief Executive Officer
and Member of the Board

Mariana Burenstam
Linder
Member of the Board

Stefan Gardefjord
Member of the Board

Dag Sehlin
Member of the Board

Our audit report was submitted on April 19, 2017.
Öhrlings PricewaterhouseCoopers AB

Sten Håkansson
Authorized Public Accountant

Auditor's report

To the meeting of shareholders in BTS Group AB, corporate identity number 556566-7119

Report on the annual accounts and consolidated accounts Opinions

We have audited the annual accounts and consolidated accounts of BTS Group AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 7–33 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 their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. 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 activities

The focus and scope of the audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of

management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

The BTS group is comprised of approximately 35 units of which a number are small. All of the units in Sweden and both of the units in the US, as well as those in England, Australia and Singapore have been audited. The audit of the units in Sweden and the largest unit in the US have been undertaken by the central team. Where the work has been executed by unit auditors, the central team in Sweden has determined the required level of their involvement in such work. We have done this in order to be able to conclude as to whether sufficient and appropriate audit evidence has been obtained in the context of our provision of an opinion on the group's financial statements as a whole. As a part of our work, we have obtained written reports from the subsidiaries' auditors and have also had telephone meetings with the auditors of the subsidiaries, APG and BTS UK. During the year, we have also visited BTS UK and discussed significant audit issues with the company management and local auditors.

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 most significant in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in 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

Revenues and work in progress

Refer also to Note 2 (Accounting policies) and Note 16 on page 29, respective Note 21 on page 31.

We chose to focus on revenues as the group's revenues are primarily generated through various projects based on client agreements which can apply during shorter or longer periods of time. In order to secure a correct view of the group's results for the year, the reporting of work in progress must be reliable. Revenue recognition is also dependent on the management's assessments as to the state of completion of the respective projects as at date of bookclosing. The group's balance sheet includes accrued revenue of TSEK 60,249 and deferred income of TSEK 98,761.

In our audit, we undertook a number of auditing measures in order to assess the revenue reporting in the income statement and work in progress in the balance sheet. Our audit included: review of the revenue recognition routines and processes, selected controls, selections of projects against invoices and payments received. We have also examined a selection of project fees in the accounts against client agreements and the model for revenue recognition.

We examined a selection of items in the bookkeeping against client invoices to verify that the revenues are reported in the correct years.

Impairment testing of goodwill

Refer also to Note 2 (Accounting policies) and Note 7 on page 25.

The group's balance sheet includes goodwill in a total amount of TSEK 272,488.

We focused our audit on goodwill related to the North American operations which amounts to TSEK 198,662, as the amount comprises a significant portion of the total value of goodwill and of the group's balance sheet. Goodwill is not written off but is subject to an annual impairment testing. The valuation of goodwill is based on the company management's subjective judgements regarding future cash flows and assumptions regarding the yield requirement, etc. which implies that the valuation is, in its nature, uncertain.

As goodwill is seen to have an "eternal" value and is not written off, we chose to focus on the valuations as the impairment testing addresses, amongst other things, subjective judgements regarding the future and assumptions regarding the yield requirement.

During the year, TSEK 33,230 has been added to total goodwill in conjunction with acquisitions.

Our audit of goodwill regarding the American operations took place on the basis of our examination of the company management's impairment testing and verification this is documented and adopted in accordance with the relevant accounting policies and generally accepted models.

We examined the manner in which the valuation model is built up and studied the budget and forecasts for future cash flows. We have verified that these agree with company management's plans and intentions.

We studied the company management's significant assumptions undertaken in determining, for example, sales growth in the forecasts and the yield requirement applied in the discounting of cash flows (WACC). We also examined the sensitivity analyses which had been prepared.

We compared the values arising in the measures undertaken as described above with the working capital for the segment.

The examined impairment testing showed no indication of a write-down requirement.

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 1-6. The other information is comprised of facts about BTS Group AB's share and financial information regarding the group in the form of a five year compilation, and this other information is not included in the annual accounts or consolidated accounts and is, therefore, not covered in our Auditor's Report. 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 Managing Director 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 Managing Director 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 Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

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 found on Revisorsinspektionen's web site: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is a part of the Auditor's Report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of BTS Group 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 Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the 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 Managing Director 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 found on Revisorsinspektionen's web site: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is a part of the Auditor's Report.

Stockholm, April 19, 2017

Öhrlings PricewaterhouseCoopers AB
Sten Håkansson
Authorized Public Accountant

Governance and Management

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Corporate Governance Report

BTS Group AB is a public limited liability company based in Stockholm, Sweden, and listed on NASDAQ Stockholm. Consequently the BTS Group's corporate governance is based on Swedish legislation and regulations such as the Companies Act, the listing agreement, the Swedish Code of Corporate Governance, and the Company's own articles of association.

The Swedish Code of Corporate Governance (the Code) is a set of rules and regulations for listed companies and complements legislation, companies' own articles of association, and other rules by specifying a norm for good corporate governance. The Code deals with the systems and corporate and decision-making bodies through which owners directly or indirectly control their company and is intended to safeguard the investments of shareholders and the assets of a group as well as to insure that the financial information provided by a company is reliable. The code is based on the principle of comply or explain, which means that a company that applies may deviate from individual rules, but is required to explain the reasons for each deviation.

Corporate governance structure

The corporate bodies of BTS Group AB comprise the following:

Annual General Meeting (AGM)	– highest decision-making body
Board of Directors	– has ultimate responsibility for the Company's organization and management
Chief Executive Officer (CEO)	– has responsibility for day-to-day management
Auditors	– audit the Board of Directors' and CEO's management at the request of the shareholders/Annual General Meeting.

Shareholders

The total number of shares outstanding is 18,646,370, consisting of 853,800 Class A and 17,792,570 Class B shares. Each Class A share entitles the holder to ten votes per share, each Class B one vote per share.

At December 31, 2016, BTS Group AB had 1,177 shareholders. The ten largest shareholders had total shareholdings corresponding to 84.2% of shares and 88.8% of votes. A list of the largest shareholders is found on page 51 in the Annual Report.

Annual General Meeting

BTS's highest decision-making body is the Annual General Meeting (AGM). Notice of the AGM shall be published no earlier than six weeks and no later than four weeks before the AGM and shall appear in Post- och Inrikestidningar and

Svenska Dagbladet. All shareholders entered in the share register on the record date who have notified the Company in time of their intention to participate in the AGM may do so. Shareholders unable to attend can be represented by proxy.

The AGM elects the Company's Board and the Chairman of the Board. The business of the AGM includes

- adopting the income statement and balance sheet,
- determining the appropriation of the Company's earnings,
- determining whether to discharge the members of the Board and the CEO from liability to the Company,
- electing auditors, and
- determining fees to be paid to the Board and auditors

2016 Annual General Meeting

The 2016 AGM was held on Tuesday, May 10, 2016, at the Company's offices in Stockholm. 20 shareholders attended, representing 77.6% of the number of shares outstanding and 84.1% of the votes. All members of the Board and the Company's auditor participated in the AGM. Decisions made included the following.

- The income statement and balance sheet and the consolidated income statement and balance sheet for the fiscal year 2015 were adopted.
- The proposed dividend of SEK 2.35 per share was approved.
- The Board of Directors and CEO were discharged from liability for management during the fiscal year as recommended by the auditors.
- A total of SEK 875,000 in fees was approved to be paid to members of the Board who receive no salary from the Company or any subsidiary, of which SEK 350,000 shall be paid to the Chairman and SEK 175,000 each to other members. For work on Board committees, fees totaling SEK 90,000 shall be paid.
- Auditors' fees were approved to be paid based on approved invoices.
- Mariana Burenstam Linder, Henrik Ekelund, Stefan Gardefjord and Dag Sehlin were re-elected, and Reinhold Geijer was newly elected, to the Board for the period until the next AGM. Michael Grindfors had declined re-election. Reinhold Geijer subsequently was appointed Chairman of the Board.
- For the period until the next Annual General Meeting the accounting firm Öhrlings PricewaterhouseCoopers was re-elected as auditor with Sten Håkansson as chief auditor for the audit.
- Instructions for the nominating committee, such that the committee be made up of representatives from the three shareholders controlling the most votes, and the Chairman of the Board, based on Euroclear Sweden AB's data at September 30 respective year and is valid until the AGM decides otherwise.

- Guidelines for remuneration and other terms of employment for senior executives were determined.
- The Board of Directors was authorized to decide, during the period until the next AGM, whether to issue shares or convertible instruments that would result in a maximum of 1,200,000 Class B shares being issued for capital contributed in kind or as offsets. This authorization referred to corporate acquisitions.

Nominating committee

The nominating committee has the task of preparing and submitting proposals to the AGM concerning the following, when relevant.

- Election of a president for the AGM
- Election of the Chairman of the Board and other members of the Board
- Board fees: in total and divided among the Chairman and other members of the Board as well as compensation for work on committees, when relevant
- Audit fees
- Election of auditor and deputy auditor, when relevant
- Adoption of a policy for appointing the nominating committee.

A nominating committee for BTS Group AB was appointed on October 26, 2016. BTS's three largest shareholders in consultation with Reinhold Geijer, Chairman of the Board, appointed Anders Dahl (representing Henrik Ekelund), Erik Durhan (representing Nordea Funds), Ulf Hjalmarsson (representing Lannebo Fonder) and Reinhold Geijer to the committee. Anders Dahl was appointed chairman of the nominating committee.

Shareholders in BTS Group AB have been able to contact the nominating committee to propose candidates to the Board. All of the nominating committee's candidates based on the above will be announced in the notice for the 2017 AGM. The nominating committee's statement supporting its proposal for the Board of Directors of BTS Group AB as well as the information about the candidates recruited by the committee will be published on BTS's web site when the proposal is announced.

Board of Directors

The Board of Directors has ultimate responsibility for the Company's organization and management and is appointed by the shareholders at each AGM for the period from that

AGM until the end of the next. BTS's Board decides on issues such as strategic direction, acquisitions, investments, financing, and Group-wide policies. BTS's Board shall also insure proper disclosure to BTS's various stakeholders.

The articles of association specify that BTS's Board shall consist of no fewer than three and no more than eight members. The AGM held on May 10, 2016, decided that for the period until the next AGM the Board would consist of five members and no deputy members.

Once each fiscal year, the work of the Board is assessed, either by the Board alone or with external assistance, providing a basis for the Board's procedures in the future.

The Board is deemed to comply with the Nasdaq Stockholm marketplace rules and the Swedish Code of Corporate Governance regarding requirements on independence of members of the Board in relation to the Company and Company management.

Information about the Board of Directors is to be found on page 86 in the Annual Report.

The work of the Board of Directors

In addition to legislation and recommendations, a written set of procedures adopted annually governs the work of the Board. The Board's set of procedures is intended to clarify and regulate the Board's tasks and how it works as well as the division of responsibilities among the Chairman, other Board members, and the CEO. According to these procedures, the Board shall normally hold a minimum of four ordinary meetings. At each of these meetings, the Board deals with issues of material significance to the Company. In addition, the Board receives reports from senior management about current business conditions in the Group's market segments.

Board meetings are held periodically in connection with the Company's financial reports. The Board deals with the year-end report and proposed appropriation of earnings in February, interim reports in April, August, and October–November, and the budget for the coming year in December. Occasionally, an issue is delegated to the Chairman of the Board and the CEO for joint deliberation. The Company's CFO serves as Board secretary. During the past year, twelve meetings were held.

Every year the Board makes an evaluation of the work of the Board. The Nomination Committee has been informed of the contents in the 2016 evaluation. It is e.g. used as basic data when next year's work of the Board is planned.

Composition and independence of the 2016 Board

Member	Position	Elected	Committee work	Independent	Board meeting attendance
Reinhold Geijer	Chairman of the Board	2016		Yes	9/9
Michael Grindfors	Chairman of the Board	2009		Yes	3/3
Mariana Burenstam Linder	Member	2004		Yes	12/12
Henrik Ekelund	Member	1986		No ¹	12/12
Stefan Gardefjord	Member	2003	Audit committee	Yes	12/12
Dag Sehlin	Member	2003	Audit committee	Yes	12/12

¹ Henrik Ekelund is the largest shareholder and is President and CEO of BTS Group.

Compensation to the Board

The AGM held on May 10, 2016, approved a total of SEK 875,000 in fees to be paid to those Board members who receive no salary from the Company or any of its subsidiaries, such that SEK 350,000 be paid to the Chairman and SEK 175,000 each to the members. The AGM also approved a total of SEK 90,000 in fees for work on Board committees.

The AGM also determined that auditors' fees will be paid based on approved invoices.

Members of the Board in the Parent Company have received compensation only in the form of Board fees. The Members of the Board are not included in any incentive programs for Group employees that are based on shares or share prices.

Compensation committee

The compensation committee has the task of reviewing and recommending to the Board policies for compensation, including performance-based payments and pension benefits for the Company's senior executives. Issues concerning the CEO's terms of employment, compensation, and benefits are prepared by the compensation committee and decided by the Board. The duties of the compensation committee were performed during the year by the Board as a whole excluding the CEO.

The Board will propose policies for compensation and other terms of employment for the Company's senior executives for the approval of the AGM on May 12, 2017.

More information about compensation to senior executives is found in Note 6 of the annual report.

Audit committee

The task of the audit committee is to prepare the Board's work assuring the quality of the Company's financial reports. The audit committee also adopts guidelines on services other than auditing that the Company may purchase from the Company's auditors. The committee is also tasked with providing the nominating committee with an assessment of the audit work and of assisting the nominating committee in preparing the nominating committee's proposal to the AGM for the election of auditors as well as the size of the audit fee. The Company's CFO, also the Board secretary, prepared the business for the meetings.

Auditors

The auditors examine the management of the Company by the Board and CEO and the quality of the Company's accounts and they report the results of their audit to the shareholders through the audit report, which is submitted at the AGM. In addition, the auditor participates in the Board meeting when the final accounts are presented and submits a report on the audit of the Company's earnings, financial position, and internal control. The Company's auditor may also submit a statement of his/her findings directly to the Chairman of the Board, if deemed necessary.

The auditor is elected by the AGM for a period of one year. The 2016 AGM re-elected the registered public accounting firm Öhrlings PricewaterhouseCoopers with Sten Håkansson as managing auditor for the period until the end of 2017 AGM.

More information about compensation to auditors is found in Note 4 of the annual report.

For 2016, the Company's auditors did not review BTS's semi-annual report or the nine-month interim report, which deviates from the Code. The Board has determined to date that the additional costs of such reviews have not been justifiable.

Senior executives

BTS's senior executives include: Henrik Ekelund, President & CEO of BTS Group AB, Stefan Brown, CFO and Vice President of BTS Group AB, and Jonas Åkerman, President of BTS USA Inc during the first half of 2016.

More information about senior executives is found on page 87 of the annual report.

Guidelines for compensation and other terms of employment for senior executives

The AGM held on May 10, 2016, adopted policies for compensation to senior executives such that BTS shall employ persons on terms and at salaries commensurate with the market to be able to recruit and retain employees with excellent skills and of a high caliber to reach the Company's goals. When employing persons in different countries, the Company shall comply with each country's generally accepted forms of employment and good practice.

Forms of compensation are intended to achieve a consensus on the long-term view of operations by rewarding performance that benefits the Company and thus the shareholders. Compensation paid to individual employees will be based on their position and tasks, performance, skills, and experience. Compensation will normally consist of a fixed basic salary and defined-contribution pension benefits, the latter no more than 35% of the fixed basic salary for the CEO of the Parent Company and no more than 30% of the fixed basic salary for other senior executives. When deemed appropriate, the basic salary and pension benefit can be augmented by variable compensation, other benefits, and participation in incentive programs. Only the CEO in the Parent Company is entitled to a severance package, corresponding to 12 months' salary if the Company terminates his employment contract.

The Board is entitled to deviate from the principles above in individual cases under special circumstances.

Information and communication

The overall goal of BTS's communication is to provide shareholders and employees, actors in the market, and other stakeholders with an up-to-date, true, and fair view of the Company and its business operations. Communication shall be correct, credible, characterized by close relationships with the Company's stakeholders, and based on frequent contact, clarity, and good ethics. BTS believes that high-quality communication efforts actively help bolster confidence in the Company and management, making it easier to achieve business objectives. BTS publishes up-to-date information about the Company on its web site. Interim reports and annual reports are published in Swedish and English. Events that could be expected to affect the share price are announced in press releases. In addition, the Company communicates with mass media, capital

markets, and shareholders when interim reports are published and also participates in other activities on an ongoing basis.

The Board of Directors' description of internal control concerning financial reports

Good corporate governance is about organization and routine, the proper handling of financial information, and minimizing risk. A good control environment is also based on an organizational structure with explicit and documented delegation of decision-making authority, straightforward guidelines and policies, and a corporate culture with common values.

Control environment

Internal control at BTS is based on a control environment embracing the organization, lines of decision-making, authority, and responsibility. The Board of Directors has a written set of procedures that clarifies the Board's responsibility and regulates how Board tasks are delegated. The set of procedures also specifies which issues are submitted to the Board for a decision. How roles are divided between the Board and the CEO is described in the Board's set of procedures and its instructions to the CEO. The CEO also manages the business with reference to the Companies Act, other laws and regulations, rules and regulations for stock market companies, and the Code, for example.

The Company has established policies in areas such as financial reporting, IT and IT security, and human resources (compensation to senior executives, the work environment, equal opportunity). The Board's instructions to the CEO specify financial responsibilities and authority, as do procedures adopted for signing off. To limit and control financial risk, the Board has adopted a financial policy.

The Company's operating organization is communicated through an organization chart augmented by the assignment of roles and responsibilities.

The Board of Directors follows up to insure that policies adopted for financial reporting and internal control are adhered to and maintains appropriate relationships with the Company's auditors. Company management is responsible for the system of internal controls required for managing significant risks in operating activities.

Risk assessment and control activities

The Board of Directors has ultimate responsibility for risk management. A well-defined organization and decision-making procedure are intended to foster prudent risk taking and good awareness of risk among employees. To insure that internal routines and controls have worked adequately and uniformly, the most important processes have procedural descriptions. Built-in checkpoints also minimize the risk of errors in accounting. Likewise, procedures for the Company's accounting and consolidation systems have been documented. Ongoing activities aim at maintaining good internal control, thus avoiding and detecting risks.

Information and communication

Significant guidelines, manuals, and such that affect financial reporting are updated and communicated on an ongoing basis to personnel in the Group affected. Formal as well as informal channels to Company management and the Board exist to transmit significant information from employees. For external communication, the Company follows the governing regulations discussed above.

Follow-up

The Board of Directors continuously evaluates the information provided by Company management. The work of the Board includes insuring that actions are taken concerning any deficiencies or proposals for corrective action arising from external audits.

BTS has no internal audit unit of its own, based on the assessment that there are no special circumstances in operating activities according to Group size, organization and reporting structure or other conditions to justify such a unit.

Auditor's report on the corporate governance statement

To the general meeting of shareholders in BTS Group AB (publ), corporate identity number 556566-7119

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the financial year 2016 found on pages 82–85 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 a sufficient basis for our opinions.

Opinions

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

Stockholm, April 19, 2017
Öhrlings PricewaterhouseCoopers AB

Sten Håkansson
Authorized Public Accountant

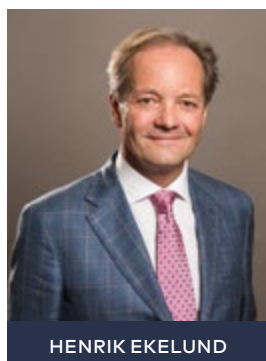
The Board of Directors and Auditor



REINHOLD GEIJER



MARIANA BURENSTAM
LINDER



HENRIK EKELUND



STEFAN GARDEFJORD



DAG SEHLIN

Reinhold Geijer

Born 1953. Chairman of the Board of Directors of BTS Group AB since 2016.

Shareholdings in BTS Group AB: 10 000 class B shares.

Other assignments: Board member of Skandia, The Swedish Export Credit Corporation, SEK, Eterna Invest, Zacco A/S, The Sweden-America Foundation and The British-Swedish Chamber of Commerce.

Reinhold Geijer was CEO of The Royal Bank of Scotland's Nordic branch 2003–2015, and also CEO of Nordisk Renting AB 2001–2015. He has also served as CFO of Telia, CEO of Föreningsparbanken (now Swedbank), worked within Ericsson, SSAB Swedish Steel and Weyerhaeuser Company in the United States. Reinhold Geijer graduated in business administration at the Stockholm School of Economics.

Independent of the Company and its major shareholders.

Mariana Burenstam Linder

Born 1957. Member of the Board of BTS Group AB since 2004. Other assignments: Chairman of Sweden-America Foundation. Member of the board of Latour AB and Resurs Holding AB.

Shareholdings in BTS Group AB: 22,100 Class B shares.

Mariana Burenstam Linder has extensive experience from management positions in several Swedish companies. Former positions include founder and CEO of Burenstam & Partners, CEO of Ainax, Head of Enskilda Banken with global responsibility for Private Banking, deputy CEO of SEB, CIO of Trygg-Hansa and later the SEB

group, CEO of ABB Financial Consulting and CEO of Nordic Management AB.

Mariana Burenstam Linder graduated in business administration at the Stockholm School of Economics.

Independent of the Company and its major shareholders.

Henrik Ekelund

Born 1955. President and CEO of BTS Group AB.

Shareholdings in BTS Group AB (including companies): 816,000 Class A shares, 3,189,034 Class B shares, totally 4,005,034 shares.

Henrik Ekelund is the founder of BTS and has been its CEO since its inception in 1986.

Henrik Ekelund has comprehensive experience as a board member and owner of high-growth enterprises, including Jobline AB, Image Publications AB and Universum AB. Henrik Ekelund graduated in business administration at the Stockholm School of Economics.

Not independent of the Company or its major shareholders.

Stefan Gardefjord

Born 1958. Member of the Board of BTS Group AB since 2003.

President and CEO of Swedish Space Corporation.

Shareholdings in BTS Group AB: 20,000 Class B shares.

Stefan Gardefjord has been CEO of Logica Sverige AB and member of the executive management of Logica. He has since 1987 held several senior positions in the

WM-data group, including CEO of different subsidiaries, business area head, and group director of marketing, sales, and information. Stefan Gardefjord graduated upper secondary school in business.

Independent of the Company and its major shareholders.

Dag Sehlin

Born 1945. Member of the Board of BTS Group AB since 2003, Chairman of the Board 2003–2008.

Shareholdings in BTS Group AB (including related parties): 16,000 Class B shares.

Dag Sehlin has long-term experience in senior positions in the Swedish financial sector. Previous positions include CFO and deputy CEO of Posten AB, deputy CEO of the OM Group, and prior to that various positions in accounting and finance at several Swedish companies. He also has long-term experience from work as an independent consultant and member of the board of various listed companies and other enterprises. Dag Sehlin graduated in business administration at the Stockholm School of Economics.

Independent of the Company and its major shareholders.

AUDITOR

Öhrlings PricewaterhouseCoopers AB.
Managing Auditor: Sten Håkansson,
Authorized Public Accountant.

The above information on shareholdings was correct at December 31, 2016.

Senior Executives and Global Partners in BTS



Henrik Ekelund
Born 1955. Global Partner. Founder, President and CEO of BTS Group AB. See Board of Directors on the preceding page for more information.



Stefan Brown
Born 1963. CFO and Executive Vice President of BTS Group AB. Employee of BTS since 1990.



Jessica Parisi
Born 1977. Global Partner. Executive Vice President, President and CEO of BTS North America. Employee of BTS since 1999.



Joel Sigrist
Born 1972. Global Partner. Executive Vice President, President and CEO of BTS Europe. Employee of BTS since 2003.



Philios Andreou
Born 1967. Global Partner. Executive Vice President, President and CEO of BTS Other markets. Employee of BTS since 2003.



Rommin Adl
Born 1964. Global Partner. Executive Vice President, Head of Global Marketing. Employee of BTS since 1994.



Todd Ehrlich
Born 1968. Global Partner. Executive Vice President, Global Head of Development Process and COO BTS North America. Employee of BTS since 1995.



Stefan Hellberg
Born 1957. Global Partner. Executive Vice President. Employee of BTS since 1986.



Peter Mulford
Born 1968. Global Partner. Executive Vice President, Head of Innovation Practice. Employee of BTS since 1997.

Advantage
Performance Group Inc.



Dan Parisi
Born 1968. Global Partner. Executive Vice President. Employee of BTS since 1995.



Lou Schachter
Born 1964. Global Partner. Executive Vice President and Global Head of the BTS Sales Practice. Employee of BTS since 2006.



Steve Toomey
Born 1963. Global Partner. Executive Vice President and Managing Partner, USA Midwest. Employee of BTS since 1995.



Jonathan Hodge
Born 1972. President and CEO of APG. Employee of BTS since 2006.

Shareholder Information

Annual General Meeting 2017

Shareholders in BTS Group AB (publ) are invited to the AGM on Friday, May 12, 2017, at 9.30 a.m. at the Company's premises, Grevgatan 34, 5th floor, Stockholm.

Shareholders wishing to participate must be entered in the share register maintained by Euroclear Sweden AB no later than Saturday, May 6, 2017, and must have notified BTS Group AB no later than Monday, May 8, 2017.

Shareholders may notify the Company by phone at +46 8 58 70 70 00, fax +46 8 58 70 70 01, or e-mail at ir@bts.com.

The notification should include the shareholder's name, personal identification number or corporate identification number, address, phone number, and the number of shares held.

To participate in the AGM, shareholders who have registered their shares under the name of a trustee must temporarily register them with Euroclear Sweden AB under their own name. Because the record day for the AGM is a Saturday, the request of such re-registration must be executed no later than Friday, May 5, 2017.

Dividend

The Board of Directors proposes a dividend of SEK 2.50 per share.

2017 reporting dates and financial information

Interim reports:	
January–March	May 12, 2017
April–June	August 22, 2017
July–September	November, 2017
Year-end report	February 2018

The above reports can be ordered from BTS Group AB, Grevgatan 34, SE-114 53 Stockholm, phone +46 8 58 70 70 00, fax +46 8 58 70 70 01, or e-mail ir@bts.com. Financial information from BTS Group AB is also published on www.bts.com.

Definitions

BTS Group AB, BTS Group AB (publ), BTS, the Company BTS Group AB with or without the Group's subsidiaries (unless otherwise indicated by the context).

Every care has been taken in the translation of this Annual Report. In the event of discrepancies, however, the Swedish original will supersede the English translation.



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