

A man in a dark suit and white shirt is shown from the chest up, with his hands clasped in a thoughtful gesture. The image is semi-transparent, revealing a blue-tinted city skyline with several skyscrapers behind him. The background is a light, hazy sky.

# Annual report 2014

*"The Global Leader in  
Accelerating Strategic  
Alignment and Execution  
– innovating how  
organizations learn,  
change and improve"*

 **BTS**

*Catalysts for Profitability and Growth*

# The BTS Group is an international co

BTS is the global leader in accelerating strategic alignment and execution, innovating how organizations learn, change and improve. BTS adds value to its clients through three practice areas: Strategic Alignment & Business Acumen, Leadership & Management and Sales. The unique BTS process offers fast strategic alignment and rapid capability-building through:

- Business simulations and experiential solutions.
- In-depth customization to what is relevant and actionable on the job.
- A results-focused approach that comprehensively and efficiently secures and measures the business impact.

## Examples of BTS customers

Accenture  
ANZ  
AT&T  
BBVA  
Chevron

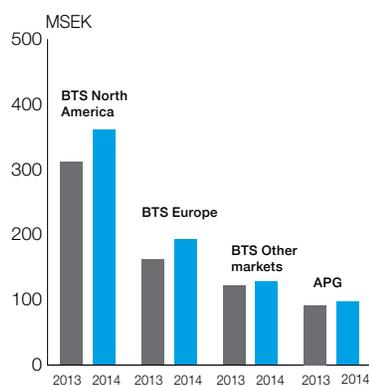
Cisco  
Coca-Cola  
Ericsson  
GlaxoSmithKline  
Google

HP  
Microsoft  
National Australia Bank  
Nike  
Novartis

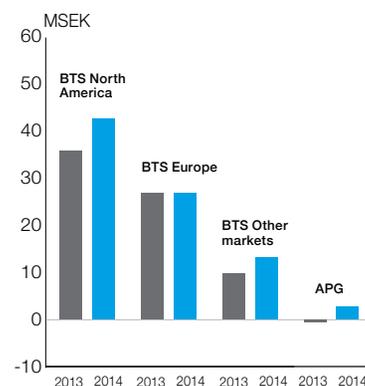
Oracle  
Salesforce.com  
Schindler  
Standard Bank  
Telefónica

Telstra  
Tencent  
Unilever  
Wärtsilä  
Xenel

### NET SALES PER OPERATIVE UNIT

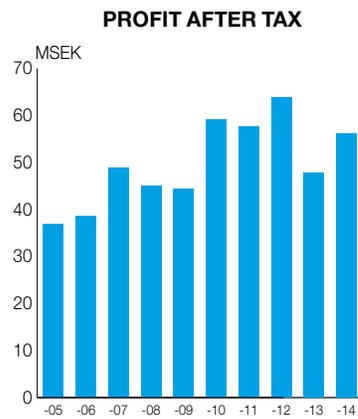
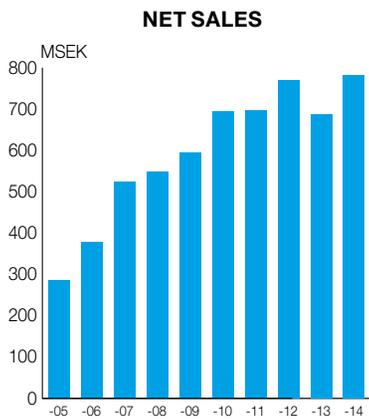


### OPERATING PROFIT (EBITA) PER OPERATING UNIT



# consulting and learning company

BTS has over 350 professionals serving more than 400 customers, including 40 of the US Fortune 100 companies and 30 of the Global Fortune 100 largest corporations in the world. BTS serves its clients globally from offices in all parts of the world.



# Making execution happen

**BTS** believes that a business strategy, no matter how well researched and articulated, is only as good as its execution. BTS accelerates execution by working with leaders and managers to help them make better business decisions, faster.

**BTS** builds alignment around business direction and key business performance objectives. Strategy without alignment at all levels is a recipe for slow execution.

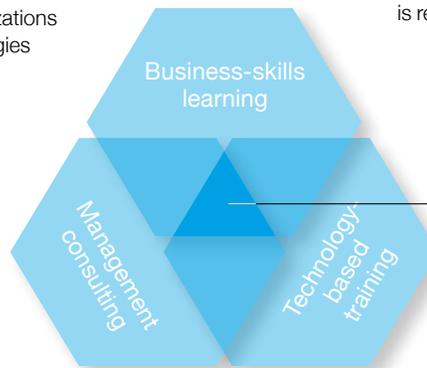
**BTS** builds the capabilities needed to accelerate execution. An attempt to execute rapidly without having the right individual and organizational capabilities in place is wishful thinking.

**BTS'** experiential learning platforms create opportunities for in-depth practice. As professional sports teams know, practice creates team alignment and builds capability and confidence.

A great plan AND great practice increases the odds of winning.

- Simulations and experiential solutions – the most effective way to help organizations understand, align and execute strategies and business initiatives.

- A results-focused approach that comprehensively and efficiently secures and measures the business impact.



- In-depth customization to what is relevant and actionable on the job.

BTS' solutions meet the needs in a business niche in the market by combining expertise from different areas such as management consulting, business-skills learning and technology-based training.

“We build commitment and capability to accelerate strategy execution and improve business results.”

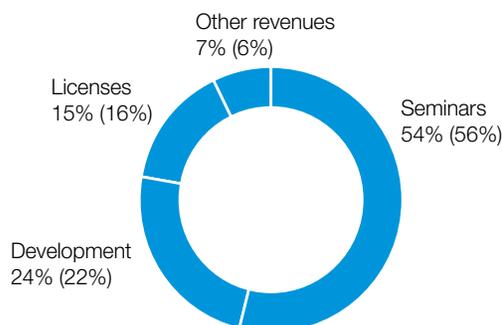
# 2014 in brief

- ▶ Net sales amounted to MSEK 781.5 (688.2).
- ▶ Revenue growth was 9 percent, adjusted for changes in foreign exchange rates.
- ▶ EBITA increased by 19 percent to MSEK 85.0 (71.5).
- ▶ Profit before tax increased by 19 percent to MSEK 82.9 (69.7).
- ▶ Profit after tax increased by 17 percent to MSEK 56.1 (47.8).
- ▶ Earnings per share increased by 17 percent to SEK 3.01 (2.57).

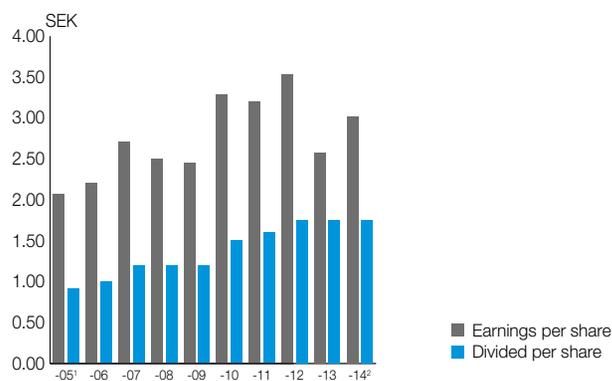
KEY RATIOS	2014	2013
Net sales, MSEK	781.5	688.2
EBITA, MSEK	85.0	71.5
Operating profit, MSEK	82.4	69.8
Profit before tax, MSEK	82.9	69.7
Profit after tax, MSEK	56.1	47.8
EBITA margin, %	11	10
Operating margin, %	11	10
Profit margin, %	7	7
Operating capital, MSEK	320.2	246.9

KEY RATIOS, cont.	2014	2013
Return on equity, %	14	14
Return on operating capital, %	29	29
Equity ratio at the end of the year, %	64	69
Cash flow from current operations, MSEK	44.8	47.7
Cash flow, MSEK	-9.1	19.3
Cash and cash equivalents at the end of the year, MSEK	114.3	108.8
Average number of employees	384	376
Number of employees at the end of the year	405	370
Net sales per employee, MSEK	2.0	1.8

**NET SALES BY SOURCE OF REVENUE**



**EARNINGS AND DIVIDENDS PER SHARE**



<sup>1</sup> The 2005 earnings per share and dividend per share has been adjusted due to the split 3:1 in May 2006.

<sup>2</sup> Proposed dividend.

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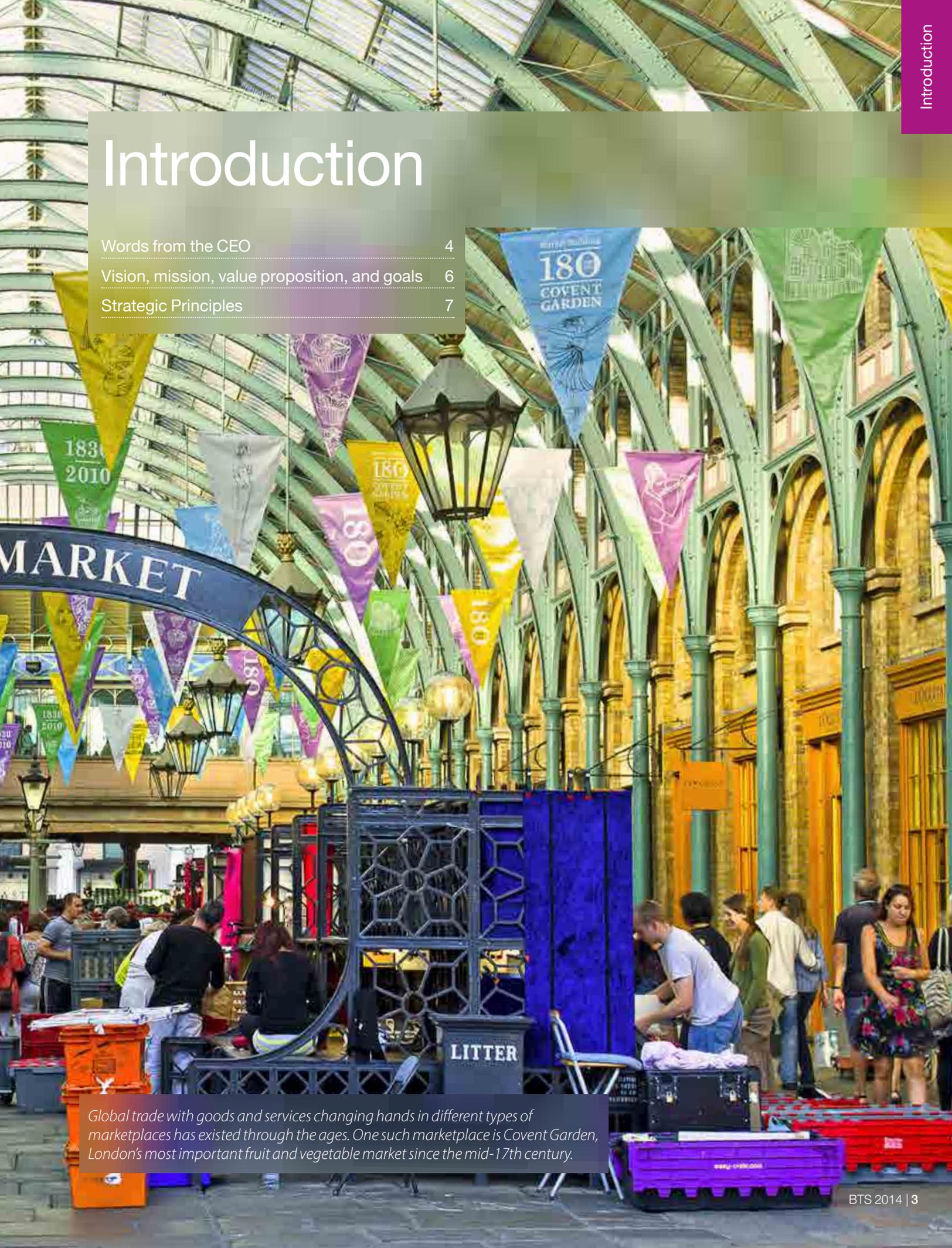
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# Introduction

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*Global trade with goods and services changing hands in different types of marketplaces has existed through the ages. One such marketplace is Covent Garden, London's most important fruit and vegetable market since the mid-17th century.*

# Results for Our Clients...

At BTS we are very engaged. We work hard, and our work is indeed rewarding.

We have learned through the years that taking a business to the next level is all about people.

It's about having the right people on the team, and having an aligned team working toward a shared goal with a shared strategy. It's also about mindset – a passionate drive to win – as well as capabilities – the right skills, tools, and resources.

As we collaborate and co-create with our clients – mostly among the Fortune Global 500 – and unleash powerful tools and programs, our most important rewards are the results our clients achieve.

We see these results come, for example, in the form of a well-executed strategy, revenue growth, more-effective leaders, and better customer service, or as higher efficiency in a supply chain.

We are passionate about our customers' results – they bring purpose and continued success for us.

### Revenue Growth

A lot of our work supporting our clients is to help in driving growth. For example, we worked with all the offices of a major bank to create a more consistent and structured sales approach. As a result of the program, 86 percent of the offices reported increased sales.

In another example, we developed 1,000 store managers of a retail chain with a big impact – the majority of stores reported significantly higher sales, and the top one reported a 22-percent increase. We also worked with all the sales executives of a global technology company; one executive reported 8M USD in newly won business due to our work with them.

### Profitability

After we worked with all the leaders of a food company to better understand their key drivers of profitability, the company reported several hundred millions of profit improvements. At another food company, one employee estimated saving the company USD 200,000 as result of going through our program. One global manufacturing company trained all the employees in their supply unit, with big impacts on lead times, quality, and cost.

### Innovation

Innovation at the right speed is critical in today's marketplace. We worked intensively with a leading cloud computing company's technology team, and as a result they managed to launch a key new product within a highly demanding time plan. At a leading

global media and entertainment company, we helped to build the confidence, capability, and mindset required for a new approach to marketing and innovation, with major results on the business.

### Strategy. Executed

Let me quote the CEO of a long-term client of BTS: "Strategies are strategies, and it is good to have a direction to hold onto. But what's important is the execution. It is almost better to have great execution than to have a great strategy.

Research<sup>1</sup> shows conclusions pointing in the same direction. For example, two-thirds of the CEOs who are fired have been fired as a result of poor strategy execution – not because of the quality of their strategies.

At BTS, we participate in a large number of projects every year where we help bring strategies to reality, by building alignment, mindset, and capabilities through the organization.

"The BTS simulation was a Jet-Assisted Take-off for our New Strategy," beamed the CEO of a major US financial services company. Or, as the top team of one of the world's leading software houses told us, "We couldn't have done it without you... we significantly accelerated the execution of our # 1 priority."

### Lives Saved

We also help global companies with the challenging task of making cultural change happen. One key area for industrial businesses is to build a culture of safety leadership. We have partnered over several years with a global energy business, which has had all the safety processes and technical training in place for many years, but which was still not achieving their objectives. After we worked with them to develop safety as a leadership and employee behavior, the number of accidents decreased significantly. Since this initiative, there have been no fatal accidents in the company, compared to an average of four deaths per year previously.

### Better Businesses. Better Planet

In the midst of many current geopolitical and economic challenges, it is easy to lose perspective on the progress in the world. The world economy has grown 40 percent over the past ten years. Over 700 million people have been lifted out of poverty. Since 2000, 28 countries have transitioned from being poor to being middle-income countries. In the developed world we have seen – despite many economic challenges – significant innovation and continuous productivity improvement.

<sup>1</sup>Study by: Ram Charan, Fortune Magazine, 2001

The main engines behind this progress – making lives better in many corners of the world – are the commercial enterprises and their continuous quest for innovation and productivity improvement. As the world is becoming more open with more free markets both between countries and within countries – these commercial enterprises have increasing opportunities and can do a better job.

Innovations from the businesses of the world are bringing better, and more enjoyable, services and products to all of us. Productivity growth is giving us “more for less” every year.

In the midst of the market economy’s forces of creative destruction, there are winners and losers. What differentiates the winners from the losers is the effective execution of strategy and change. Our company, BTS, is at the heart of this type of advancement for hundreds of businesses all over the planet.

### Reigniting Growth

During 2014, BTS returned to growth. Revenues grew 9 percent for the year, adjusted for changes in exchange rates, with growth accelerating during the second half to 19 percent. Profits grew faster, at nearly 48 percent. The return to growth was driven by a turn-around at BTS USA, as well as by realizing the benefit of our investments in Digital Services.

Prospects for continued growth during 2015 are strong – we won a record number of new customers during 2014, and we have made record investments in marketing, innovation, and our people. Some trends among customers – such as a greater demand for digitalized services and for globally consistent solutions – are driving an increased demand for our services. BTS is seeing that investments in our global organization and leading digital solutions are paying off.

### BTS Going Digital

All industries are becoming digitalized; when and how this occurs differ between industries. Many companies who suffer digital disruption experience what can be called a “Kodak moment.”

BTS revenue from Digital Services grew approximately 29 percent to record levels, as did our investments in digital technology. Today BTS offers market-leading, digital-enabled social and mobile learning experiences, as well as digital-enabled on-the-job tools.

### An Acquisition Takes Us into a New Business

Identifying the right talent is critical for today’s businesses, but traditional talent assessment methods are lagging behind and do not leverage digital technology. Complemented by the acquisition of Fenestra, BTS will offer highly effective solutions in this space.

We are excited to welcome Fenestra into the BTS family. Fenestra has a highly innovative, world-leading, assessment solution portfolio. We share the same customer-centric business model, approach to digitalization, development methodology, and core values.



### Our Solid Financial Position

BTS has a positive net cash position and an equity ratio of 64 percent.

### Outlook

BTS has for 20 years demonstrated a capability to grow organically, while maintaining good profit levels. Today we are the world leader in our field, with substantial opportunities to continue our growth. The result before taxes for 2015 is expected to be better than it was last year.

Stockholm, April 2015

A handwritten signature in blue ink, appearing to read "Henrik Ekelund".

Henrik Ekelund  
President & CEO of BTS Group AB

# The global leader in accelerating strategic alignment and execution

BTS is the world leader in customized business simulations and other discovery learning solutions that enable leading organizations to learn, change, and improve. The unique BTS process offers fast strategic alignment and rapid capability building to accelerate execution and to improve business results.



## Vision

“The global leader in accelerating strategic alignment and execution – innovating how organizations learn, change, and improve.”



## Mission

“We build commitment and capability to accelerate strategy execution and to improve business results.”



## Value Proposition

“We deliver better results, faster. The unique BTS process offers fast strategic alignment and rapid capability building.

Our key differentiators:

- Simulations and experiential solutions – the most effective way to help organizations understand, align and execute on strategies and business initiatives.
- In-depth customization to what is relevant and actionable on the job.
- A results-focused approach that comprehensively and efficiently secures and measures business impact.”



## Financial Goals

BTS's financial goals shall over time be:

- An organic growth, adjusted for changes in exchange rates, of 20 percent.
- 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 eleven 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 predominantly be 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 & 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

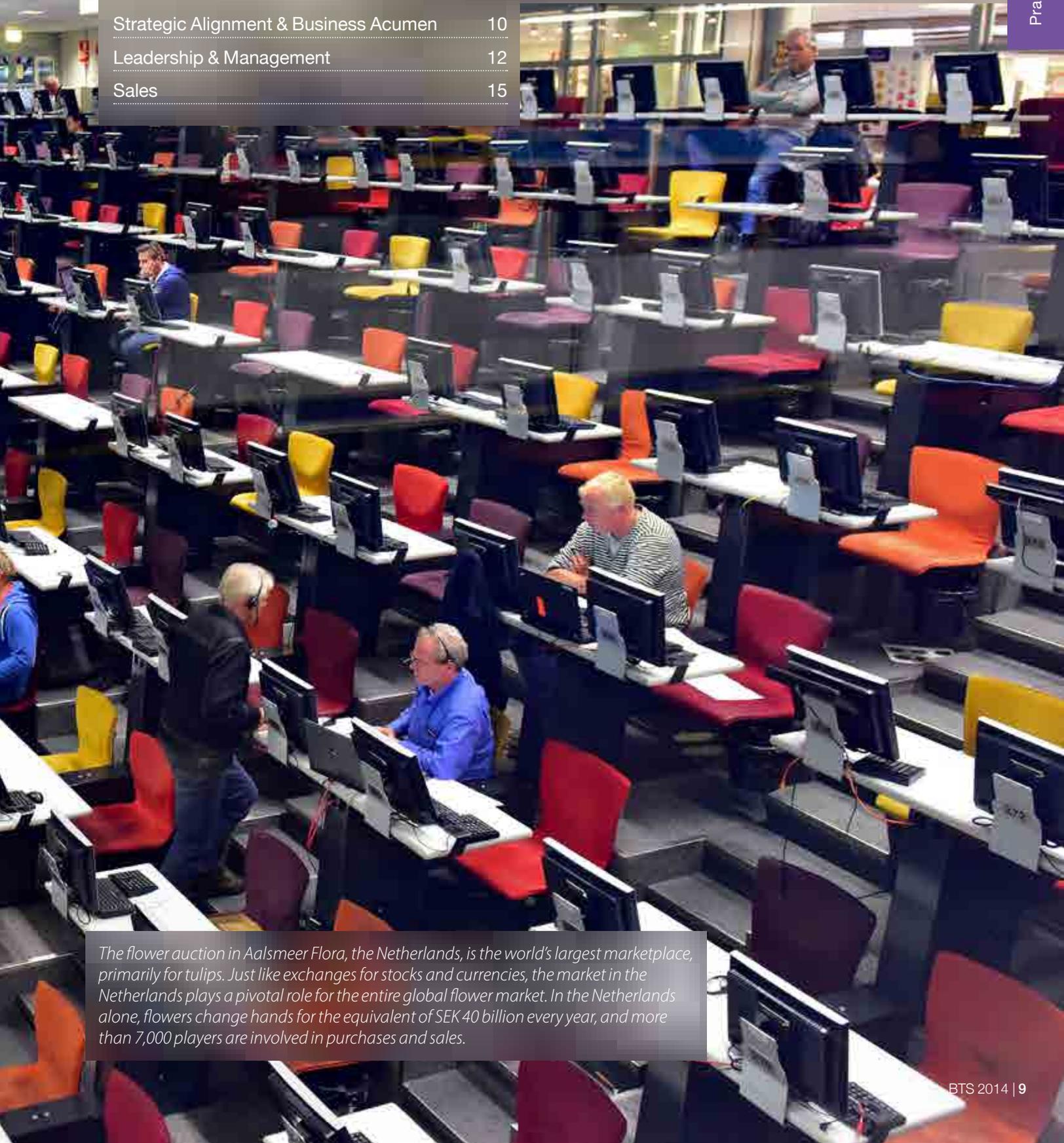
BTS's professionals are all very visible to the client, and the company spirit is a main driver of client and employee satisfaction. BTS emphasizes a positive and professional company culture expressed in six core values.

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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*The flower auction in Aalsmeer Flora, the Netherlands, is the world's largest marketplace, primarily for tulips. Just like exchanges for stocks and currencies, the market in the Netherlands plays a pivotal role for the entire global flower market. In the Netherlands alone, flowers change hands for the equivalent of SEK 40 billion every year, and more than 7,000 players are involved in purchases and sales.*

# Better and faster results through exceptional strategy execution

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

Through working with many of the world's leading companies over the past 25+ 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.

Companies invest considerable resources and leadership time toward building alignment, mindset, and capability during a strategy shift. However, town hall meetings, PowerPoint presentations, and off-site events often fail to make the expected impact, as individual relevance is lost in the crowd. Traditional methods rely heavily on one-way communication and create missed opportunities for engaging at the individual level.

### Customized business simulations win hearts and minds

Using customized business simulations and experiential learning tools, BTS helps organizations win the hearts and minds of their employees by engaging people more deeply in the strategy, and supporting the skill development and behavioral change necessary for execution. We leverage methods that include small- and large-group discussions, practice-by-doing, and leader engagement that lead to high retention and on-the-job action.

### The three forces driving strategy execution

Consider what execution would look like without one of these three forces:

- ▶ To execute without first coordinating Alignment is to undertake an initiative without communicating roles and responsibilities to the individuals responsible for making the initiative succeed.
- ▶ To execute without developing the right Mindset means there will be limited emotional commitment, the primary source of discretionary effort and employee engagement.
- ▶ To execute without developing business and leadership Capability is to ask people to do something new without providing the tools needed to be successful.

Harness all of the critical components of exceptional execution to generate better and faster results.

### Strategy alignment could increase ROE by 12.5 percent

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.

After 25 years of exploring the inner design of strategic alignment, we know that firms can confidently say they have coordinated alignment when leaders can answer "yes" to the following three questions:

- 1) Can you describe your strategy, and what makes it distinctive, in 30 words or less? If yes...
- 2) Do your colleagues in the leadership ranks, and their direct reports down to the front line, describe the strategy in the same way? If yes...
- 3) Can everyone in the firm identify where and how they contribute to successful execution?

BTS solutions ensure that leaders at all levels in an organization can answer yes to all three questions.

"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 the strategy. These forces are influenced by how much pressure to perform is perceived within the environment."



### **Mindset: drive execution**

Mindset is the turbo-boost in the execution engine. Employees will only adopt a new strategy with a sense of purpose and urgency if they believe that it is the right strategy. Traditional approaches to communicating strategy (such as road shows or PowerPoint decks) have proven notoriously ineffective for winning the hearts and minds of employees. The process of experimentation and discovery inherent in all BTS solutions has been used successfully by many Fortune 100 companies to nimbly adopt the optimal mindset for effective strategy execution.

### **Capability: accelerate mastery through experiential learning**

New strategies often call for the quick development of a new set of skills and behaviors. Traditional classroom approaches to capability development typically fail to develop the right capabilities fast enough to be of value in executing strategy. BTS employs simulations and experiential-based solutions, which have been proven to accelerate the mastery of the critical capabilities that organizations need to execute their strategies effectively.

Our customized strategy and business simulations create a workforce that is aligned behind your strategy, has the right mindset to approach it with purpose and urgency, and is able to quickly master the capabilities necessary to execute the strategy.

### **The business acumen practice: focusing on high leverage behaviors**

#### ***Business Acumen Defined***

Business acumen is an intuitive understanding of how to assess the internal and external environment, identifying where economic value can be made, creating differentiated options to make it, and then aligning people and resources to execute. In short, it is the skills, insights, and intuition needed to make better decisions, faster.

Few leaders would argue with the idea that having more business skills is better than having fewer. But the surprising truth is that even the most complex business problems can usually be solved by a small number of high-leverage behaviors, and, therefore, by the critical business skills that make those behaviors possible. This behavioral version of the “80/20 rule” applies to job roles, as these are really, after all, just behaviors at a higher level of analysis.

BTS solutions focus on identifying the high-leverage behaviors firms need to succeed, and then we engineer backwards to determine the right business acumen managers need to execute them – whether in Marketing, Sales, Operations, Supply Chain, Project Leadership, Finance, M&A, Innovation, or other business disciplines. To translate insights into habits that managers will develop on the job, we employ simulations and experiential-based solutions, as well as a selection of practice methodologies and performance support tools for use back on the job.

# Learning and development as a strategic differentiator

As organizations continue to navigate challenging conditions, they need to do everything they can – likely with limited resources – to strengthen their employees' focus on the skills and priorities needed to propel the businesses forward. Recharging employees' commitment and sense of optimism will allow organizations to boost competitiveness and keep – as well as attract – great talent.

In a state of seemingly constant change, an organization's ability to turn strategy into action through leadership that aligns performers to the organization's key strategic initiatives and priorities is a differentiator. Leaders must simultaneously gain and maintain their performers' emotional commitment or mindset to achieve the organizational strategy and work with change. Finally, leaders must determine and build – both in themselves and in others – the capabilities essential to success. Put another way, successful strategy execution = Alignment x Mindset x Capability in leaders.

Leaders at various levels within an organization own different aspects of strategy execution. For example, at the most senior level,

it is crucial that leaders are aligned on key initiatives and enable others to accomplish success. Moving down the leadership pipeline, the specific leadership and technical capabilities critical to successful execution and the ability to positively influence the mindset of teams become more important.

To better understand how well leaders understand the connection between business strategy, leadership, and results, BTS, in association with TalentKeepers, engaged people managers at 417 companies on a variety of issues. According to that research:

- ▶ Almost half (48 percent) of respondents agreed that their organizations have identified the behavioral capabilities required by leaders and managers to achieve business goals/results.
- ▶ However, only about a third (32 percent) said that their companies allocated the necessary resources to develop leadership capabilities, highlighting a significant disconnect. Further validating this disturbing trend, a 2013 study conducted by Bersin and Associates revealed that only 32 percent of the organizations studied link their management development to



strategic results. The research found that the majority of companies studied rely upon a patchwork of disparate training courses linked to personal development, rather than an integrated learning approach tied to business outcomes. The 26 percent of organizations taking an integrated leadership approach demonstrated significantly stronger performance and successfully achieved their strategic goals.

Additional research from McKinsey and Associates shows that companies spend far more on the development of executives and technical specialists (23 percent and 25 percent, respectively, of training budgets) than on the critical audience of front-level and middle-level leaders (9 percent), who are responsible for engaging and enabling the majority of the workforce to carry out the day-to-day operations that will deliver the strategic goals.

BTS's research, combined with ancillary research, highlights the challenges and the critical importance of developing leaders with execution at the forefront—connecting day-to-day work to business strategy and results.

### Leading for Business Results™

Against this backdrop, the BTS Leadership and Management practice launched LEADING FOR BUSINESS RESULTS™, designed to support the leadership development initiatives most important to our clients' success. Central to the approach is a core curriculum of

development programs and modules that are specifically tailored to meet the key challenges facing leaders at every level, from aspiring first-line leaders up to the executive suite. LEADING FOR BUSINESS RESULTS™ is an ever-evolving solution set. Evolution of the curriculum is driven through collaboration with our clients. Some programs developed are lightly tailored versions of the core content; others are more unique. Either way, we learn and adapt continuously to design and deliver programs with even greater impact in the ever-changing climate. This learning is shared across clients and projects to ensure a consistently up-to-date and high-quality delivery for all our participants.

As our clients are global, we turn this approach into unified, consistent, global-reaching programs that drive consistency in behavior, and that we have the capacity to deliver locally. Unique features of our LEADING FOR BUSINESS RESULTS™ include:

- ▶ Our experiential approach to learning: with solutions that create a real impact by turning “knowing” into “doing”, bringing about real changes in mindset, capability, and behavior.
- ▶ Our ability to drive learning, development, and results within regions as well as across global organizations.
- ▶ Our ability for global coverage – creating consistency in the key messages and approaches shared with participants, while allowing for tailoring to different geographic contexts through local delivery.

## The core curriculum of LEADING FOR BUSINESS RESULTS™

### 1st Tier



#### Transition to Front-Level leader

Individuals at this level operate and contribute to projects as individual contributors; they do not have line management responsibility for others but are accountable for their own work, development, and results. They rely on their own personal influence, drive, and motivation to achieve results.

### 2nd Tier



#### Front-Level leader

The first transition to leadership represents potentially the most significant shift in behavior and attitude. No longer is success about the individuals' performance; rather, individuals are rewarded for their ability to deliver results through other people. The characteristics of this transition include focusing time and attention on managing and developing a team, and realizing the need to set a clear vision and to hold others to account to deliver it. It requires a major shift from measuring your own results to measuring your impact on others.

### 3rd Tier



#### Experienced Front-Level leader

Companies often have a large number of experienced Front-Level Leaders in whom they have made no investment for several years. Still, these leaders have a critical impact on the business. Leadership development for this critical audience – to enable them to drive improvement in productivity, innovation, and growth – is frequently missing.

### 4th Tier



#### Mid-Level leader

Leaders at this level set the local agenda in line with the overall strategy. They have a sense of autonomy and can drive their unit to deliver. The focus is on delivering a larger, more complex agenda through other managers, communicating and integrating activities across the business, and contributing collaboratively with other areas to achieve results.

### 5th Tier



#### Senior-Level leader

These leaders are transitioning from being operational to being strategic, without complete responsibility for either. Leaders at this level have to balance the needs of the company as a whole with sensitivity to local needs and pressures. The roles involve considerable complexity and managing from a distance.

## Learning and Execution Journeys

Developing leaders who grow others to accomplish at increasingly higher levels of performance does not occur through single-event training. BTS Learning and Execution Journeys address building leadership and managerial capability through a holistic approach.

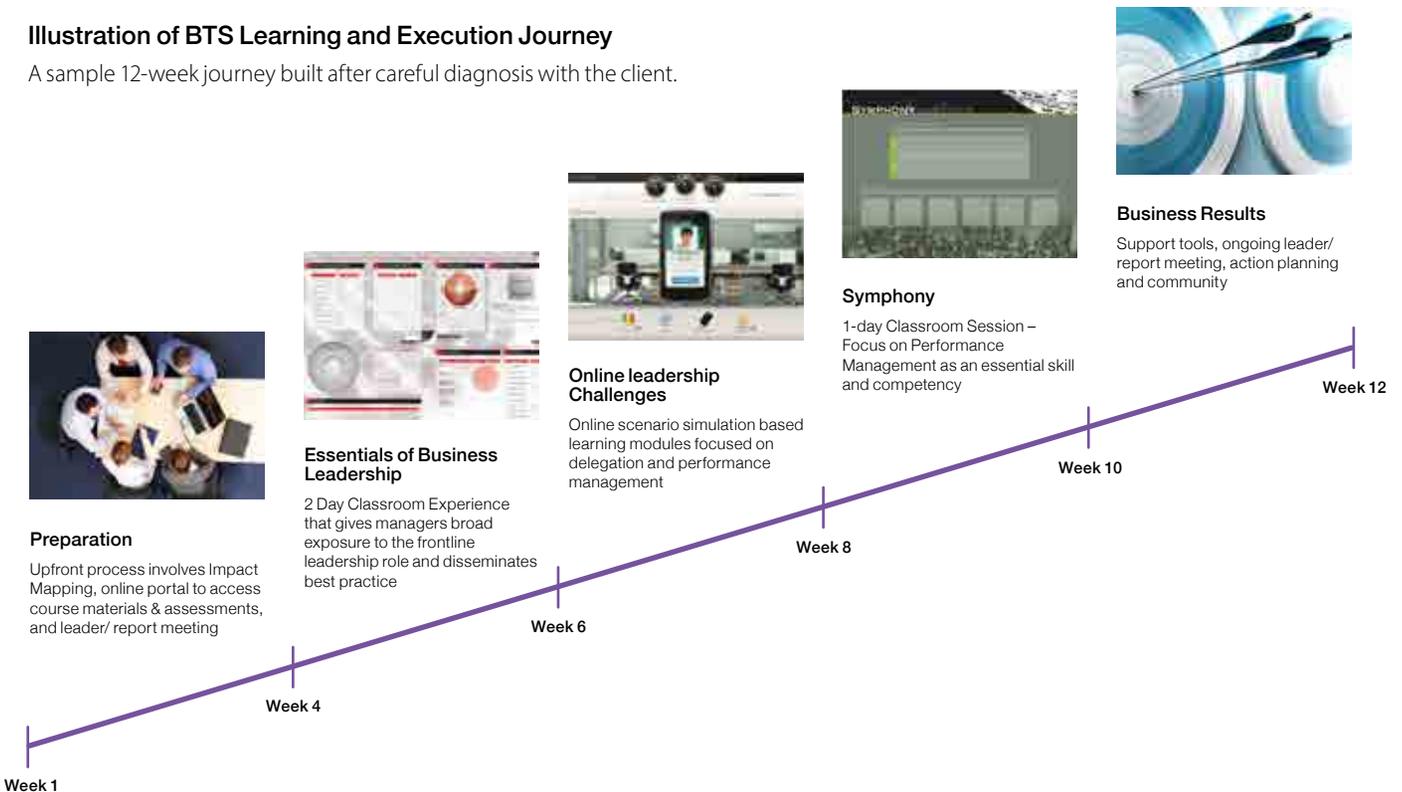
The Journey starts off with a “prime” phase. This prime stage is about establishing the business and personal relevance for the development opportunity – creating personal goals for development and a line of sight with desired business outcomes. Leaders and managers then engage in the program experience and grow new capabilities (typically delivered through in-person workshops or to groups through virtual technology, complemented with 1-to-1 face-to-face or virtual coaching).

Learning sustainment, which is about enriching, continuing, and reinforcing the learning, follows through a range of ongoing activities, often facilitated digitally via mobile phones and i-pads. Our focus is on enabling an ongoing individual learning journey that meets both organizational and unique personal needs and preferences.

The illustration below is a sample journey, but there can be several cycles of “engage” and “sustain” activities over a period of time. We work with our clients to customize the learning journey with just the right blend of activities over the most desirable timeframe to maximize on-the-job application and behavior change.

## Illustration of BTS Learning and Execution Journey

A sample 12-week journey built after careful diagnosis with the client.



## Sales

# Sales Practice

An enterprise technology firm grows key accounts from 25% to 33% of total revenue. An electronics manufacturer reduces share of reps below 50% of quota from over 50% to 28%. A large telecom company increases meetings with senior decision makers by 30%. An industrial manufacturer's sales managers reach 104% of quota versus the 91% achieved by a control group. The common element in these success stories? Working with the BTS Sales Practice—whether through a sales training, digitally-enabled sales conference, or organization-wide sales transformation—all supported by our deep expertise in strategy execution, simulation experiences, and capability building.

## Our Approach

Foundational to all of the work that we do is the use of three lenses through which we view each sales execution project.

- ▶ 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.

## Changing Behavior

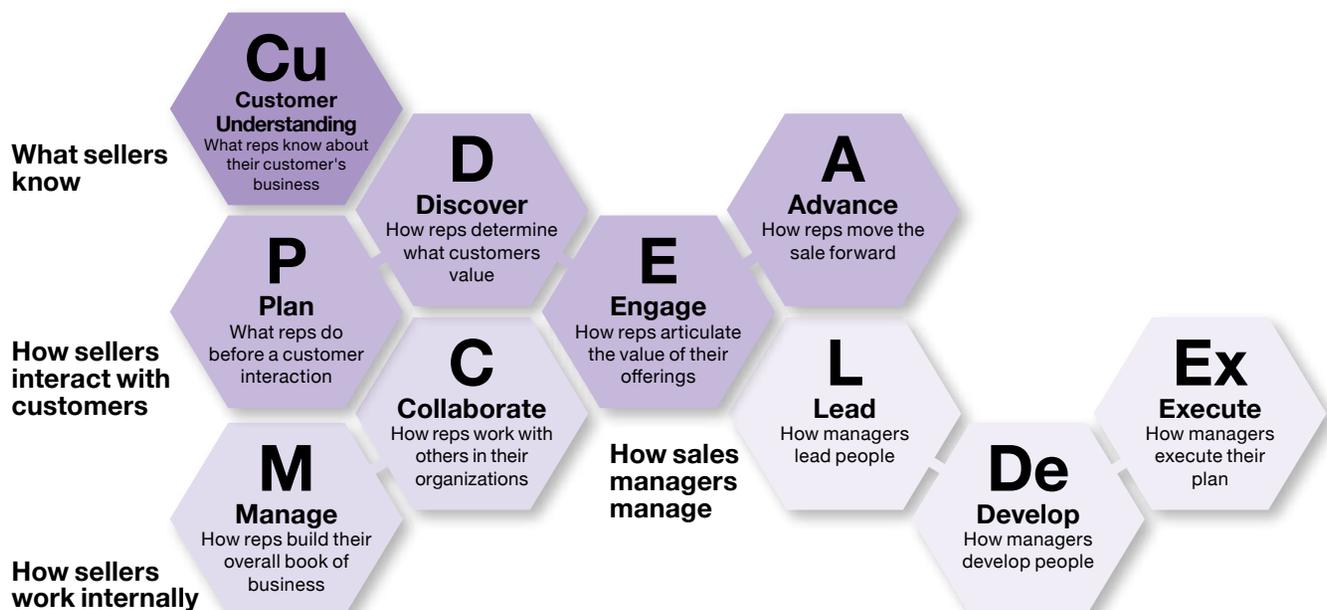
Clients come to BTS to rapidly change the behaviors that drive sales outcomes. With our clients, we identify their desired business results and corresponding leading-indicator metrics. We then find the key behaviors that differentiate the top performers from the average, uncover what customers say they want from sellers and

what leading sales forces have been implementing, and select the behaviors most applicable and scalable to the client's sales force. Based on the behaviors deemed relevant, we present delivery options to clients, recommending the formats that will drive the most change and achieve the highest results.

Then, we begin to craft customized experiences that engage salespeople on their own terms and push them to accept and practice new behaviors. After extensive research and interviews with internal and external stakeholders, the development process employs sales experts who hone the training, workshops, and simulations in order to ensure the highest relevance to the participants and the greatest impact on the critical sales behaviors. Each program is delivered by BTS consultants who foster competition and discussion to keep audiences engaged and invested. Our experiences allow sellers to practice the new behaviors in risk-free, yet realistic, environments and walk away with concrete actions that will deliver results. In collaboration with our clients, we incorporate results measurement into each of our programs so that the clients never have to guess the value of an investment in BTS.

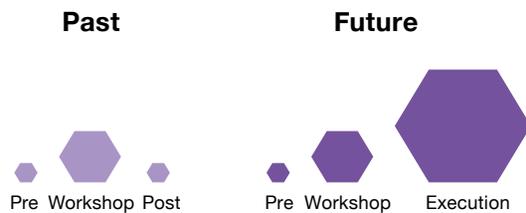
We have experience in all types of sales behavior change, but the skills our customers most commonly request are:

- ▶ Results-focused selling
- ▶ Sales management execution
- ▶ Customer understanding
- ▶ Account strategy development
- ▶ Quantifying and communicating value
- ▶ Negotiation skills



## Improving Execution

The sales manager job has expanded to near impossibility. Between forecasting, reporting, coaching, and hitting personal quotas, there simply is not enough time to be successful. We are becoming a daily execution partner to all of our clients, and in the service of that goal, we have developed a sales execution platform that automates the 30 percent of activities that sales managers struggle with the most. We designed our sales execution platform with not only managers in mind, but also reps, so that it's a sales tool that actually gets adopted in the field. The platform provides salespeople with on-the-job assistance in a way that fits seamlessly into their workflow. User-friendly and gamified, it's a subscription-based set of integrated online tools, accessible from any mobile or desktop device while people are in the field. Salespeople get competition, easy access to tools, and increasing levels of mastery. The sales organization gets data analytics and engagement. Sales managers get a break.



Our Sales Execution Enablement platform includes:

- ▶ Simulations
- ▶ Tools
- ▶ Reference and onboarding guides
- ▶ Links to collateral and content
- ▶ Action plans and "go-do" activities
- ▶ Development plans
- ▶ Crowd-sourced content
- ▶ Survey tools
- ▶ Assessments
- ▶ Real-time video coaching
- ▶ CRM and LMS Integration
- ▶ Scoreboards

"Salespeople get competition, easy access to tools, and increasing levels of mastery."

## 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*

Many clients come to us while seeking to completely change the way that they sell and partner with us to accelerate "time-to-field-readiness".

### *Sales Consulting*

We approach consulting a little differently in that we take a completely buyer-centric approach by starting with understanding your ideal customers, so that your sales process can be built around finding and growing the best business.

### *Assessment*

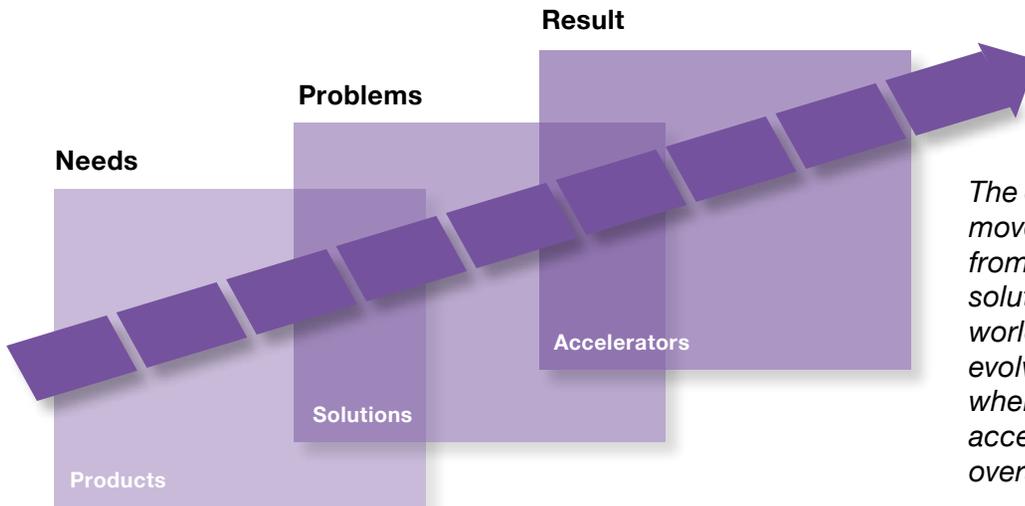
We help you define your organization's custom definition of what great selling looks like and move you away from abstract and ineffective competency models.

### *Sales Training*

In order for your people to sell differently, they have to learn how to do it. What we provide is not off-the-shelf, lecture-based sales training. We use cutting-edge research and the most engaging methods to accelerate behavior change.

### *Simulations*

Simulations are our tool of choice for quickly changing behavior, developing customer understanding, or building business acumen in your salespeople.



*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.*

### **Results Analytics**

All of our solutions come with results measurement built in.

### **Execution Platform**

We provide content and tools in the field when sellers need them. Leaders and managers get actionable data on demand.

### **Sales Conferences**

We use technology to engage each and every salesperson and make even the largest event feel personal, so that your people are engaged and invested in the change.

### **Research**

Our point of view is based on proprietary, ongoing research with the world's leading sales forces and the executive buyers around the world. Our research lives and grows with each client engagement as we gain more insight into what great selling looks like today.

### **The Evolution of Sales**

The fundamental finding is that buyers aren't getting what they want from most salespeople. Most salespeople have been left behind, as sales has evolved from product selling—delineating features and filling a need—to solution selling—putting together products and services that solve a customer's problem—and now to our current era of accelerator selling—focusing selling efforts on developing a deep understanding of the customer's business and positioning the offering to accelerate the achievement of their most pressing goals. Customers tell us they would buy more, and at a premium, if they could get salespeople to sell in a way that aligns with the way they want to buy.

### **Slowing of Buying Decisions**

Over the past several years, our research has documented a trend that appears to be the slowing of the average buying cycle. We believe there are three key causes:

- ▶ Turbulent market conditions—we believe the rate of change in all markets has accelerated, and thus a large percentage of buyers react to this uncertainty with instinctive loss minimization behavior that has led to taking fewer risks on new purchases.
- ▶ Increase in the number of choices—due to the growth of markets and the instantaneous access to product information, buyers are now faced with a far-more-cluttered marketplace.
- ▶ Non-linear buying cycles—the idea of the cyclical buying process has become outdated, so sellers applying a linear sales process will see their sales cycle slow considerably.

Fortunately for sales leaders, these changes are not immutable. In fact, once recognized and adapted to, they can give a sales force competitive advantage. BTS has identified several strategies to overcome each challenge, and we deploy these strategies through our solutions.



# Customers and Market

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*One of the world's many marketplaces is an Egyptian street market. In the Middle East marketplaces and bazaars are the natural and most important places for trade, unlike in the West, where open-air markets have become more and more rare and are now mostly a picturesque part of the street scene.*

## Customers

# Long-term relationships based on real value and results

### Valuable client base

#### *The largest companies in the world*

At present, more than 400 companies trust BTS for their strategic processes to change, grow, and succeed in an increasingly challenging global business environment. We build commitment and capability to accelerate strategy execution and improve business results.

More than 30 of the world's 100 largest companies, measured by market capitalization, are customers of BTS.

### Important customer relationships

The pressure of constant change creates continuous demand for business training in almost all industries worldwide. BTS sees considerable growth potential in its existing client base.

### Global customers in several sectors

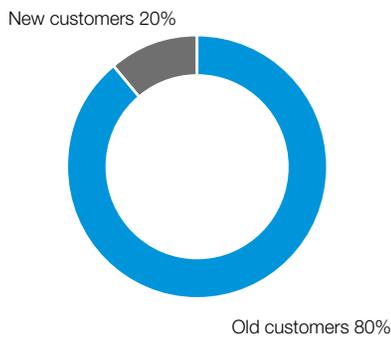
During the 1990s, BTS grew rapidly in the Manufacturing, Telecom, and Information Technology Industries, with major global companies such as Philips, Ericsson, and HP as valued customers.

During the recession in the early 2000s, BTS expanded its positions by entering four additional industries: Financial Services, Pharmaceuticals & Healthcare, Retail & Logistics, and Energy.

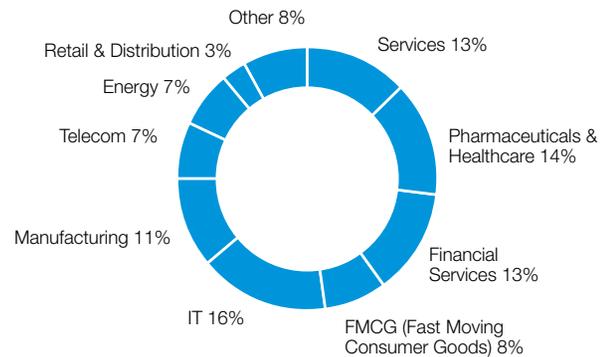
Over the past couple of years, BTS has also grown quickly into the Fast-Moving Consumer Goods and Service sectors.

With these recent additions, BTS now has built strong market positions within nine industries.

**CUSTOMER RELATIONS**



**REVENUE SOURCE PER SECTOR**



About 80 percent of annual revenues normally come from customers BTS worked with during the previous year. Typical customer relationships range from 6 to 8 years – and many extend longer.

IT	Telecom	Financial Services	Pharmaceuticals & Healthcare	Retail & Distribution	Manufacturing	Energy	FMCG	Services
HP	Ericsson	Bancomer	GSK	Federated	Honeywell	Chevron	Coca-Cola	Schlumberger
Google	Telstra	Standard Bank	Novartis	Nike	Eaton	Repsol	Mondelez	Sodexo
Microsoft	Telefónica	ANZ	UCB	U.S. Postal	Atlas Copco	Iberdrola	Unilever	Accenture

The **Coca-Cola Company** reported revenue/ case **jumped by 20%** with improved segmentation, operating income **increased by 300%**, and pricing improvements **totaled \$70 million**.

An **Information Technology Networking Company** noted an **additional \$200 million** in new opportunities after applying a new sales and innovation methodology, with **\$8 million** moved to contract.

At a **Health Insurance Powerhouse**, a leader was able to accelerate the implementation of a new project that generated approximately \$45 million in revenue.

At **Macy's**, one business unit alone generated **\$5 million** in sales opportunities. Overall, our customized engagement delivered a **3-5x return** on investment within six months.

A **Global Telecommunications Company** was able to improve cash flow by an estimated \$1.2 million.

A **Multinational Technology Firm** accelerated the implementation of a national marketing strategy by two months, generating an additional **\$133 million** in revenue.

At **Nike**, one retail location reported a **22% increase** in sales, based on the changes made by the store manager.

## Case Studies

# Accelerates a cultural transformation

## SALESFORCE.COM

### Security Starts with Workforce Alignment

Google, Facebook, Apple, The New York Times, and numerous other leading corporations across the globe have fallen victim to sophisticated cyber-attacks. In each case, employees were the unknowing entry-point into the company's system. For Salesforce, the leading provider of cloud computing, the threat of a cyber-attack is particularly close to their business.

To further the transition toward cloud computing, drive product sales, and enable future growth, the company recognizes security as critical to success. With the prevalence of new cyber threats, Salesforce is committed to further implementing a security-first culture among both current employees and new talent. To accelerate execution of the security-first initiative, the company was challenged to shift employees' mindsets and build strategic alignment to effectively protect property, assets, and sensitive information.

### Think Like a Chief Security Officer, Detection Everywhere

Navigating from strategy to execution, Salesforce aimed to create a security-first mindset among each member of the organization. The company recognized that employees must understand the role of security both internally and externally, from the customers' perspective, while also understanding common vulnerabilities, from online phishing scams to social engineering tactics and physical security threats.

To enable success, Salesforce partnered with BTS to develop an interactive strategy execution program. To deliver maximum applicability and impact, BTS consultants worked closely with the company's Trust team and cross-functional leaders to craft an experience aligned to, and reflective of, the key strategic priorities.

The resulting 90-minute customized initiative integrated a series of experiential learning activities designed to:

- ▶ Promote discussion around current security threats
- ▶ Develop alignment around the implications for Salesforce
- ▶ Identify tactical and strategic actions to help avoid or prevent incidents across all devices

Immersed in the high-impact experience, teams of cross-functional employees were given the opportunity to step outside of their traditional roles, collaborate in new ways, and explore security

vulnerabilities in a risk-free environment. Assuming the role of a cyber-attacker, individuals designed their own attack and, as a result, ultimately identified the basic behaviors each individual can practice to make the company more secure. By practicing execution in an interactive, competitive environment, the managers' first-hand experience enabled them to appreciate the threat of a cyber-attack and recognize the value of the security-first initiative.

### Cultural Transformation Ensures Long-Term Success

Following the cultural transformation and strategy execution initiative, participants were unknowingly subjected to penetration tests using phishing emails to measure the effectiveness of the Detection Everywhere program. The results demonstrated the effectiveness of the experiential learning initiative in embedding a security-first culture into the organization. Detection Everywhere alumni reported security incidents at higher rates and clicked on phishing links and downloaded non-secure files at lower rates than the general population, both indicating the positive behavioral impact.

- ▶ From the perspective of participating leaders, the program was highly impactful, and the results are tangible: 86 percent of participants say they will recommend the program to colleagues
- ▶ 81 percent of participants believe that the program better equipped them to spot a security threat inside and outside of work
- ▶ 72 percent of participants have actively worked to reduce their cyber-vulnerabilities

### Strategy Execution Partnership Set to Continue

The successful alignment of Salesforce's employees to the security-first initiative has proven instrumental in accelerating the cultural shift at every level of the organization, ultimately better protecting the company from security threats.

The positive momentum is expected to continue. Going forward, BTS will continue to serve as a strategic partner, implementing the program globally to ensure that the security-first culture is effectively embraced and the company's property, assets, and sensitive information is protected across all locations.

"81 percent of participants believe that the program better equipped them to spot a security threat inside and outside of work, and 72 percent of participants have actively worked to reduce their cyber-vulnerabilities."

<http://www.bts.com/client-success/salesforce>



“With the prevalence of new cyber threats, Salesforce.com is committed to further implementing a security-first culture among both current employees and new talent.”

SHUTTERSTOCK/REXING

## Case Studies

# Creating a dialog with 900 employees at the same time

## GRANT THORNTON

How can you create a dialog with 900 people in the room? That was the major challenge facing BTS when Grant Thornton, one of Sweden's leading audit and consulting firms, brought together all its employees in Sweden to work on their brand promise.

Grant Thornton is one of the fastest-growing audit and consulting companies in Sweden, with a focus on entrepreneurs and entrepreneurial businesses.

"Our sector finds itself in a period of transition where regulatory changes, digitalization, and competition from new players will put higher demands on companies in the industry. Our continued success requires us to change the way we work," says Grant Thornton's CEO, Peter Bodin.

Grant Thornton's brand promise, "Unlocking the potential for growth," is the guiding principle for success here. With dedicated employees who are passionate about their clients' business, the company wants to be an advisor and partner who helps its clients to develop, regardless of whether it's a question of growth, start-ups, development of new products and services, or ownership issues.

Every other year Grant Thornton gathers all its employees for a Get Together conference. This provides an unbelievably important opportunity for the company to build consensus and commitment to its goals and business plan. The most recent of these events was held in September 2014. The theme this time was the brand promise. What does unlocking potential for growth mean in practice for both clients and employees, and what is required from each individual employee to achieve this goal? The expectations from Grant Thornton's side were clear. The event must be stimulating and inspirational; it must be clearly linked to goals and business plan; and it must take the company and every employee a good way along the road toward realizing the brand promise.

Anna Sandberg is Head of BTS Sweden and Account Manager for Grant Thornton. The assignment for her and the BTS team, in partnership with the project team at Grant Thornton, was to create an event that concretized work with the brand promise during one of the Get Together days.

"We realized that this exercise must involve and motivate all employees in order to create commitment and insights. It must also be fun for the participants to contribute to the company's development. And we must find a method that works with 900 people without lapsing into chaos," explains Sandberg, who also acted as moderator on the day.

The solution was to place the employees at 108 small tables, where they could discuss the brand promise, what the challenges are, and how they might be solved. Each table had a worksheet where the group's discussions were documented, thus allowing Grant Thornton to collate the material for further work.

"Participants from different business areas and offices were mixed in order to encourage dynamics and networking. One of the first tasks was for each table to give the brand promise a specific meaning by creating an elevator pitch to describe what is unique about Grant Thornton and what "unlocking the potential for growth" means in more concrete terms. Each table then presented its pitch to a neighboring table, which was tasked with evaluating it on the basis of a number of criteria," explains Anna Sandberg. Since all employees could rate each other's presentations, they could then select the absolute sharpest explanation, which was then presented to all employees at the end of the day.

Another way of increasing the energy in the room and creating dynamics was to task each table to review a number of common reasons why implementing the brand promise is impossible. After intensive debate, it was found that in many cases these were excuses rather than real obstacles. If tables succeeded in punching holes in an excuse, they were encouraged to hold an improvised "burial ritual." Soon thereafter, people could be seen standing up and giving each other high-fives or celebrating success in some other way.

However, discussions around 108 tables are not enough to create concrete activities and change back home on the job. All participants also identified what they planned to do to help realize the brand promise. This was then followed up by the managers of each office and with several other meetings and activities. Today, Grant Thornton is well on the way to realizing its brand promise.

"One of the reasons this worked so well is that BTS understands the challenges facing a service company. They have good methods and implementation, but just having a good method is not enough. You also need to understand how the client company functions and the actual challenges a client is facing," says Peter Bodin.



## Case Studies

# Client success

### AT&T

*"Seven of your participants flew home with me after the strategy alignment initiative. They were genuinely energized, grateful, stretched, enthusiastic, motivated and exhausted. You hit it out of the park. This will make a difference in this company. This is one of my top priorities for AT&T. Well done!"*

**Randall Stephenson, CEO, AT&T**

To hold its position as the largest integrated communications company on the planet, AT&T was challenged to break down silos and shift toward more innovative and collaborative thinking. AT&T and BTS partnered to develop Leading with Distinction, a strategy execution initiative first introduced to top executives and then later cascaded to more than 6,500 leaders worldwide. Built largely around the information gathered by interviewing over 25 senior executives, the customized solution enabled leaders to practice the successful execution of the company's 3-year plan.

### AXA Life Japan (AXA)

*"Cultural change will build the foundation upon which all the other strategic initiatives will rest. If we succeed in changing our leaders' and managers' mindset, the rest should follow."*

**Jean-Louis Laurent, CEO, AXA Japan**

For over four years, AXA Life Japan had been committed to a culture transformation initiative, but the pace of change was too slow. To engage leaders in a new way, the company partnered with BTS. Immersed in an experiential learning environment, leaders translated the culture shift into specific behaviors and actions. Six months later, more than 80% of the leaders reported that the simulation-based experience was positively impacting the way they conduct business and engage others.

### VMware

*"BTS is unique in the investment they make in getting to really understand your situation and challenges and in seeking to enable your organization to develop its own responses, as opposed to providing simplistic answers that will have short half-lives."*

**Paul Maritz, CEO (former), VMware**

The largest provider of virtualization software, VMware has grown rapidly, moving beyond basic hardware consolidation and making dramatic advances in the efficiency and availability of IT resources. To be successful, the executives engaged BTS to support execution among the 500-person management team. Ultimately, a high-impact experiential learning initiative built the confidence and capability to deliver on the new strategy. Modeling the company's business challenges and future evolution, "the experience allowed leaders to not just see the new strategy, but to practice making our strategy and vision a reality," said Tod Nielsen, former VMware Co-President, Application Platform.

## UBS

*"Seventeen regional workshops, each focusing on a specific client segment or region, brought nearly 500 senior client-facing participants together. Nearly 400 cross-division client service opportunities were shared, ultimately attracting more than USD 300 million in new fees and USD 1 billion in net new assets to UBS."*

**UBS Annual Report**

Positioning the company for growth in the years ahead, UBS's top leaders recognized an opportunity to meet more needs of its already-established client base by better capitalizing on cross-divisional sales. To bring the strategy to life, UBS was challenged to empower executives in client-facing sales functions, to drive alignment around the value of cross-selling, and to build the capabilities key to closing sales. The bank partnered with BTS to create a sales initiative aligned to, and reflective of, the company, market position, and key initiatives.

## CHEVRON

*"I was skeptical at first about the value of the simulation, but I am now a strong believer in how much a simulation can provide a rich and efficient learning platform for our high-potential leaders."*

**John Watson, Chairman & CEO, Chevron**

As a large, integrated energy company, Chevron faces many difficult challenges in order to maintain its status as a leader in the sector. To keep their competitive edge, Chevron partnered with BTS to develop a program that would accelerate the development of high-potential leaders. Over the course of the two-day experience, 30 leaders were immersed in a competitive business simulation that was customized to reflect Chevron's business and strategic priorities.

## COCA-COLA

*"Winning is going to require new capabilities, models, and innovations."*

**Muhtar Kent, CEO, The Coca-Cola Company**

While the secret recipe for the taste of Coke has remained unchanged for decades, the Coca-Cola Company is transforming to meet future needs. Captured in the company's 2020 Roadmap for Growth, Coca-Cola's new management model is shifting to fit evolving markets and new competition. BTS worked with more than 470 of Coca-Cola's most senior managers to create a customized program designed to build alignment, mindset, and capability from the top down. We held more than 60 sessions of the strategy execution initiative around the world, and the results achieved are striking. "The impact that the simulation created is changing the way we work," reflected Kandy Anand, Vice President, Global Revenue Growth Management and Commercial Leadership, The Coca-Cola Company.

# BTS core markets continue to grow

### **BTS targets a growing 11 billion USD global market with 1% market share**

The total US corporate learning market grew in 2014. The market for Learning & Development related services increased by 12 percent to 91.3 billion USD in 2014 (including salaries to companies' internal training resources). US-based companies spend approximately 30 percent of their L&D budgets in the BTS core competence area of corporate learning services for executives, managers, and sales organizations. The size of this segment is estimated by BTS to exceed 11 billion USD globally, which means that BTS has a global market share of approximately 1 percent.

The US corporate L&D services market has shown healthy, continuous growth since a decline in 2009. The average annual growth since 2009 has been in excess of 8 percent. The corporate L&D market is cyclical, with sensitivity to recessions. The market in rapidly growing developing economies – such as Southeast Asia, Brazil, and Mexico – is estimated to grow significantly faster.

The BTS focus is on the people side of strategy, helping the world's leading companies turn strategy into action and results. With a strong market demand going forward, a broader scope of capabilities and services, and a solid global footprint, BTS is uniquely positioned to capitalize on future growth opportunities.

### **Human capital: the biggest challenge for CEOs**

For the year ahead, human capital was recognized by CEOs in every region of the world as the top challenge, according to The Conference Board's *2015 CEO Challenge Report*.<sup>1</sup> Identifying organizational agility and flexibility as critical competencies in today's business environment, CEOs are pursuing multiple strategies to drive results, including investing in leadership effectiveness, building a high-performance culture, and providing training to elevate talent.

BTS is adapting to meet the most-pressing needs of these global organizations. With 32 offices covering nearly all continents, and a newly expanded service portfolio, BTS is well positioned to create and deliver high-impact solutions for multinational clients—including strategy execution, business acumen, leadership development, sales transformation, innovation, and talent selection and assessment.

<sup>1</sup> "CEO Challenge 2015: Creating Opportunity out of Adversity: Building Innovative, People-Driven Organizations," The Conference Board, January 2015.

<sup>2</sup> Sull, Donald, Rebecca Homkes and Charles Sull, "Why Strategy Execution Unravels—and What to Do About It," Harvard Business Review, March 2015.

<sup>3</sup> "Why Strategy Execution Unravels—and What to Do About It," Harvard Business Review.

<sup>4</sup> Bersin, Josh, "Executive Confidence Hurt by Lack of Leadership Development," Forbes, 30 October 2014.

<sup>5</sup> "Predictions for 2015: Redesigning the Organization for a Rapidly Changing World," Bersin by Deloitte, January 2015.

### **From strategy to results: bridging the execution gap**

A well-formulated business strategy, a powerful product, or a breakthrough innovation can put an organization on the competitive map, but only sustained execution can assure long-term success. Yet, the majority of organizations struggle to effectively implement strategic initiatives.

A 2015 *Harvard Business Review* survey of more than 400 global CEOs found that execution excellence is the number one challenge facing business leaders—and people play a central role. Identifying the single greatest obstacle inhibiting success, 40 percent of CEOs cite failure to align, while another 30 percent reference an inability to coordinate across business units.<sup>2</sup>

At the individual level, employees struggle to recognize the connections between company priorities and their day-to-day work, and they do not fully understand how initiatives apply to their



role. Less than one-third of leaders reporting directly to senior executives clearly understand the relationship between strategic initiatives. Meanwhile, just 16 percent of front-line supervisors and team leaders understand how strategies relate to actions on the job.<sup>3</sup>

As long as employees do not clearly understand the business or leadership actions they can take to support the company strategy and achieve results, companies will continue to struggle to effectively execute.

In light of these challenges, the deeply customized, experiential platforms that BTS creates can play a transformational role. Immersed in a simulated environment, leaders and employees can engage with new strategies and new ways of working, practice strategy execution first-hand, and learn how to make better decisions, faster.

#### **Building organizations to last: leadership pipelines are a strategic priority**

The majority of CEOs find today's economic environment more challenging, complex, and competitive than that of prior years.

Fewer than half of all CEOs are certain they'll successfully overcome specific growth obstacles, and only 14 percent of those surveyed believe their leadership pipeline is "ready" to transition and take the lead. Business leaders aren't the only ones concerned.<sup>4</sup>

Building organizations that will last is the number one challenge on the minds of HR leaders, according to Bersin by Deloitte's *Predictions for 2015 Report*. Nearly 85 percent of HR leaders are seriously worried about their leadership pipelines, and rightfully so. The research reveals that only 32 percent of organizations have a "steady supply" of leaders at top levels.<sup>5</sup>

Going forward, as companies work to overcome this global leadership pipeline challenge, leadership initiatives and development programs are expected to play an increasing role, providing a unique opportunity for BTS.

#### **Facing the skills gap: companies double down on talent acquisition and development**

Most executives recognize large skill gaps in their organizations. With the scarcity of skilled talent in the labor market compounded



by demographic shifts, companies realize that they cannot solve the skills shortage exclusively by recruiting talent from the outside.

As a result, companies are increasingly committed to growing talent internally. Citing a recent *Forbes* article, to meet business targets, the oil and gas industry needs 60,000 petrochemical engineers by 2016, and yet, only 1,300 future engineers graduate from US schools each year. In bridging the talent gap, oil companies will be challenged to train, develop, and educate petrochemical engineers from within their own ranks.<sup>6</sup>

However, when turning to the outside labor market, companies are improving the effectiveness of their talent acquisition process and are increasingly implementing pre-hire assessments.

The consequences of selecting the wrong people are well known—higher costs associated with turnover, lost revenue opportunities due to lower productivity, and lower employee morale and engagement. Moving from traditional assessment center approaches to virtual and online assessment center technology, organizations are making efforts to hire top talent more effectively and efficiently.

Companies using these tools realize 30-40 percent improvement in the quality of candidates, according to research conducted by Bersin by Deloitte.<sup>7</sup> Through its 2014 acquisition of Fenestra Inc., a leading provider of virtual assessment solutions, BTS is now positioned to support organizations with their global talent assessment and selection challenges.

### **Leadership development: compounding challenges motivate increased investment**

Developing leaders is crucial to strategic success, and companies must take a relentless approach to building talent. This year, for the 3,300 business and HR leaders surveyed in *The Global Human Capital Trends 2015 Report*, leadership development was recognized as a top concern—and there is a significant opportunity for improvement.<sup>8</sup>

Today, 50 percent of companies have little or no leadership development, and 52 percent of companies with formal programs consider them “weak.” Looking further ahead, by 2020, millennials are expected to comprise 75 percent of the global workforce, but today only 8 percent of companies have programs targeted toward this population.<sup>9</sup>

High-impact companies spend three to four times as much on leadership initiatives as the market average, according to Bersin by Deloitte’s *Predictions for 2015 Report*. When HR focuses on leadership and management, the function drives five times the impact of a focus solely on HR operations and employee support.<sup>10</sup>

Considering the results of high-potential leadership development alone, research indicates that organizations focused on developing high-potential leaders are seven times more effective at achieving improved business and talent outcomes than are organizations without this focus. According to Bersin & Associate’s *High Impact Leadership Development Report*, these

organizations generate a 62-percent improvement in employee retention, a 66-percent increase in bench strength, and nearly 60-percent stronger business growth.<sup>11</sup>

Innovating a new approach and a differentiated point of view, BTS is disrupting the leadership development and execution space. BTS designs fun, powerful experiences that have a profound and lasting impact on people and their careers — inspiring new ways of thinking, building critical capabilities, and unleashing business success.

### **Technology redefines the landscape, but in-person learning remains valued**

The learning technology market grew by 27 percent in the past year and is now a \$4 billion industry.<sup>12</sup> Virtual learning, massive online open-enrollment courses, and online communication channels are rapidly expanding. Innovative digital media platforms have the capability to re-define how organizations approach strategy execution, culture change, merger integration, leadership off-site events, and capability development.

With employees checking mobile devices 150 times a day, the most pioneering companies deliver as much as 18 percent of development tools through mobile devices. However, an overwhelming 75 percent of companies are not yet comfortable with today’s digital learning landscape.

Despite a growing digital market, classroom-based, in-person learning is simultaneously on the rise. As organizations become more global, the need to meet, learn, and share becomes more important. To create alignment across dispersed global teams, facilitate relationships, and build cultural cohesion, corporate universities are reopening and bringing diverse groups of employees together.

BTS leverages both high-touch, team-based capability building and scalable, digitally-enabled experiences to help develop leaders from the executive level to the front line. BTS gamification, crowd-sourcing, ideation, and mobile app-based tools are helping companies successfully navigate the digital revolution. Whether it’s through classroom-based or virtual courses, BTS believes people learn best by doing, and BTS is the world leader in simulating new strategies and ways of working, empowering people to make better decisions.

<sup>6</sup> “Spending on Corporate Training Soars: Employee Capabilities Now a Priority,” *Forbes*.

<sup>7</sup> “Predictions for 2015: Redesigning the Organization for a Rapidly Changing World,” Bersin by Deloitte.

<sup>8</sup> “Global Human Capital Trends 2015: leading in the New World of Work,” Deloitte, Deloitte University Press, 2015.

<sup>9</sup> “Predictions for 2015: Redesigning the Organization for a Rapidly Changing World,” Bersin by Deloitte.

<sup>10</sup> “Predictions for 2015: Redesigning the Organization for a Rapidly Changing World,” Bersin by Deloitte.

<sup>11</sup> Loew, Laci, “The Art and Science of Building a High-Potential Strategy,” Bersin & Associates Research Report, Bersin & Associates, Nov. 2011.

<sup>12</sup> “Predictions for 2015: Redesigning the Organization for a Rapidly Changing World,” Bersin by Deloitte.

# Business Model and Processes

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A market can be a permanent trading venue throughout the year. In many of the world's major cities, trading takes place in well-organized systems and purpose-built venues. In Paris, there is always scope for more seasonal markets such as the big annual Christmas fairs.

# 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.

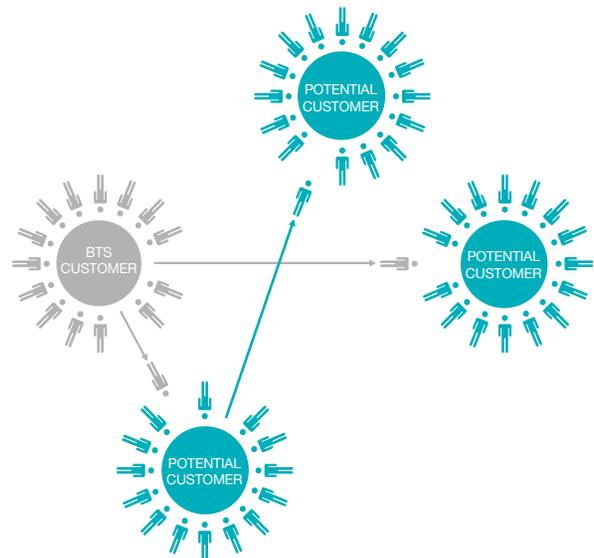
## Network-based marketing

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

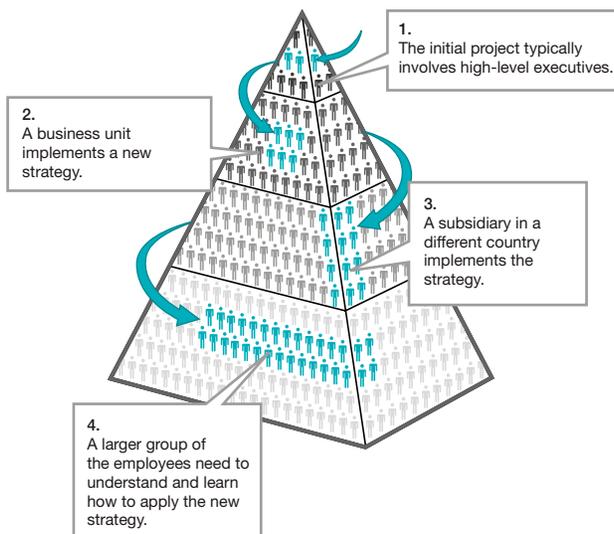
The network, composed of both those executives who make strategic decisions about change and learning initiatives and those who actually purchase solutions, helps generate opportunities for new assignments and customers. When BTS approaches a new industry, it initially focuses on a few leading companies.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

## 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.



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.



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

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 volumes in a new market and the future potential appears attractive, BTS can take the logical step and establish a new, local office.

### 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.

"BTS works continuously to develop and combine different methods of training."

### 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.

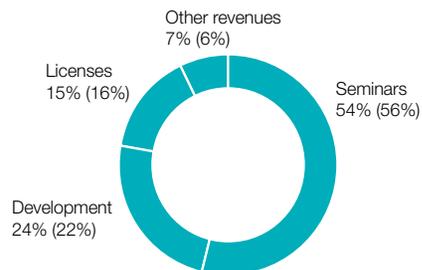
### Seminars – the majority of revenues

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



# World-Leading simulations and experiential learning platforms

Our platforms create powerful experiences, incorporate innovative experiential learning content, and integrate cutting-edge methodologies whose efficacy has been proven through successful implementation with leading organizations around the world. Our simulation-based tools allow companies to develop the mindset, alignment and capabilities within all levels of the organization.

## Fact

### Computer-Based Business Simulations

We build customized, computer-based business simulations to reflect our clients' key strategic goals, financial priorities, and market position. Our simulations are designed to be competitively dynamic so that the decisions made by one team have a direct impact on the other teams' results. We reinforce the learning objectives by integrating the simulation experience with instructor-facilitated discussions and feedback. The combination of our customized simulation technology and broad content curriculum offers participants a risk-free opportunity to test out a range of relevant strategies to drive business results.

**BTS launched its Mini-Master Platform 3.0 enabling rapid and cost-effective development of customized business simulations.**

### Scenario Simulations

Also known as "best-practice" simulations, scenario simulations are used to build leadership, project management, and sales capabilities. The simulations leverage decision-tree structures in realistic case settings, enhanced with text, audio, photography, and video. Participants read and observe real-world business situations in the simulation and then have the opportunity to react to the issues presented. Once a course of action is chosen, the simulation immediately presents the impact of the participants decisions on the ultimate goals.

**BTS has customized scenario simulations for a wide range of clients and industries—from leading consulting firms onboarding new employees to retailers building management fundamentals for new store managers.**



## Fact

**Board Simulations**

Board simulations, sometimes known as “board games,” typically represent a company’s operations and simulate its business. Teams of four to six participants manage the simulated company, physically move “money chips” through the different areas of the company, and practice real-world decision making in a risk-free environment. Participants receive feedback and analysis of the outcomes of their decisions and strategies. Know-how sessions reinforce critical capabilities and provide new tools and frameworks to optimize performance.

**BTS has developed more than 200 customized board simulation programs for global clients on four continents.**

**Engage Maps**

This highly experiential learning methodology is utilized to provide participants thoughtful processes to self-discover and implement the skills and capabilities necessary to drive desired behavioral changes. As a facilitated learning experience, these customized programs utilize the power of small groups, peer dialogue, and strategic relevance to ensure both long-term retention and immediate application back on the job. These interactive maps create opportunities for large numbers of executives, managers, and employees to understand the reasons for organizational change and to experience the implications. Through jointly developed pre-designed formats, these maps support participants in transitioning to the organization’s new environment and allow them to try out new behaviors.

**Engage Maps have become one of the fastest-growing areas of new solutions deployed by our clients. Engage Maps, combined with BTS’s computer-based business simulations, provide a powerful combination to align and implement new strategic initiatives and change at all levels of an organization.**

**Digital Solutions**

BTS Digital Services is both a specialist team and a capability, delivering Web-enabled simulations, connected learning, mobile app packages, and digital ecosystems. We create immersive, interactive digital experiences that enable participants to build skills and apply them, aligning to organizational strategy and improving business results. We believe that meaningful results are achieved through a journey of learning, development, and execution. Our Connected Solutions incorporate online, mobile, social, and gamification elements to drive motivation and enhance participant experiences.

**BTS has transformed the way many companies approach leadership off-sites. BTS’s Digital Pulse platform allows participants to contribute actively, facilitating knowledge and idea sharing—and action planning—in real time.**

**Virtual Assessment Centers**

The consequences of selecting the wrong people are well known. Web-based assessment center experiences simulate a day in the life on the job, immerse employees in new roles or unfamiliar job environments, and broaden their experiences, strengthen their skills, and assess their competencies. In the cloud, virtual assessment centers can be delivered consistently across large employee populations. Employers receive valuable insight into a participant’s strengths, development needs, and readiness for a new role. Participants experience a day in the life on the job, develop a deeper understanding of a particular role, and receive actionable feedback.

**A global financial services firm aimed to hire over 100 entry-level sales professionals in 13 national markets within two months. A two-hour assessment experience enabled the firm to make smart and data-reinforced hiring decisions, achieving their aggressive goals.**

**Tournaments**

Tournaments are multi-team, competitive simulations conducted online with support and coaching from BTS consultants. Teams from various companies, or from within the same company, participate virtually in these open or in-house learning experiences. The ultimate goal for all participants is to enhance their business acumen and strategy execution skills within a dynamic and competitive environment. Companies entering teams in BTS’s open and custom tournaments save on travel and facilities costs while retaining the benefits of experiential learning.

**BTS’s Global Tournament is the largest business tournament in the world. Each year our global tournament attracts hundreds of teams from companies around the globe.**

# Getting digital – everything, everywhere – Now!

Life has grown increasingly digital. From 4G mobile phones to social networks, from app stores to wearable devices, there is less and less that we do that is not digital. Increasingly, the daily exposure to, and use of, digital media is as prevalent in our work experience as in our personal lives. The lines between the physical and digital have grown blurry.

The four meta-trends at play in this rapidly evolving digital world are mobile, social, cloud, and big data. It's the convergence of these trends that is driving the biggest changes. There's a reason why people look at their mobile phones up to 150 times daily, why companies want to reach consumers on mobiles, and why we have wifi in every coffee shop and more and more airplanes and automobiles. It's why Facebook and Twitter increasingly depend on mobile advertising for their growth and valuation. Today, people want to do more in the moment, on demand, and personalized. It's about having access to what they need (everything), when they want it (now), wherever they are (everywhere). We are creatures of habit, and daily routines and rhythms now exist in the digital world as much as in the physical world.

Soon, we will expect things to be where and when we want them automatically. Our refrigerators will reorder items based on preferences or will order food and drink in advance of a party on your calendar. Our cars will drive us where we want to go. Our wearable devices will alert us and our doctors before health conditions arise. Our 3D printers will make the things our kids put on their holiday wish list.

Welcome to the Internet of Things. Even the most conservative estimates say that by 2020 there will be 30 billion connected devices. Cisco expects more than 200 billion. They see the opportunity. Myriad new services will emerge in this completely connected world.

## “Every Business is a Digital Business”

The implications for the business world are big. The first Internet caused immense market disruption, rapidly shifting, and even

Replacing whole industries. It would be unwise to expect that the Internet of Things would cause any less of a transformation. Accenture already recognizes this reality, declaring in its technology vision: “every business is a digital business.”

Companies who are ready for this digital revolution will thrive, while those who aren't ready will perish. IDT and others expect companies to generate upwards of \$10 trillion (yes, trillion with a T) in revenue as a result of these technological innovations. To become digital disrupters, more c-suites will count a Chief Digital Officer among their ranks. The workforce of the future will be increasingly digital-enabled and virtual.

Like consumers, today's employees want things quick and easy. They want “large” to feel “small.” They need to be connected and involved. Everything needs to be personalized. And it's all about achievement. At the same time, companies need to be as agile, adaptive, and productive as possible. Just as enterprises are embracing mobile, social, cloud, and big data to reach and serve their customers, they also need to harness these trends to align, engage, and enable their workforce. Using mobile devices, cloud-based app stores, crowd-sourcing, and analytics, companies can get the right learning and tools to employees on the job when and where they need them.

Bersin by Deloitte puts it this way: “It is not enough to simply offer courses in a mobile interface. Companies should invest the money to integrate all of their learning content (as well as expert and social tools) into one easy-to-use interface, making continuous learning and knowledge contribution a part of your everyday life. This is the type of interface that young employees expect to find in your organization, and it drives the enablement of continuous learning.”

	Benefits to organizations	Benefits to employees
<b>Mobile</b>	<ul style="list-style-type: none"> <li>• More on-the-job learning and doing for increased productivity</li> </ul>	<ul style="list-style-type: none"> <li>• What I need in the moment it's needed, not just at my desk</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>• Multiplier effects of ecosystems and communities of learning</li> </ul>	<ul style="list-style-type: none"> <li>• Collaborate and learn with those you know and trust</li> </ul>
<b>Cloud</b>	<ul style="list-style-type: none"> <li>• Low overhead, easy to integrate without the need to own it all</li> </ul>	<ul style="list-style-type: none"> <li>• Easy access to information and tools everywhere</li> </ul>
<b>Big Data</b>	<ul style="list-style-type: none"> <li>• Targeted interventions based on actionable insights</li> </ul>	<ul style="list-style-type: none"> <li>• Better decision making and improved experiences with the right data</li> </ul>

### Embed Strategy Execution in the Daily Rhythm of Work

Together with the right mindset and capability, company-wide alignment is vital to strategy execution. At a basic level, everyone in an organization needs a common understanding of the strategy, why it's important, and what's in it for them. Beneath that layer, strategy execution becomes much more targeted and personal. Different people in various levels and functional areas will need deeper understanding and specific capabilities to execute. Using a combination of push-learning and pull-learning and application, digital media can be used effectively to:

- ▶ Target experiences based on actual needs and real performance data at the individual and group levels
- ▶ Personalize and socialize experiences to bring strategy to life, maximizing individual, team, and organizational impact
- ▶ Provide continuous on-demand tools to embed alignment, mindset, and capability in daily work
- ▶ Aggregate and analyze data to take the pulse of strategy execution in action and learn from it

#### IDC Predictions 2014

- Smartphone and tablet sales will outpace PCs 2.5:1
- Cloud spending will surge by 25% to more than \$100B
- Big Data will grow by 30%
- The Internet of Things (IoT) will be \$8.9T in revenue on 30 billion devices by 2020
  - Frost & Sullivan: 80 billion connected devices by 2020
  - Cisco: 212 billion connected devices, a \$14T opportunity
- Standalone corporate social networks will become extinct

#### Accenture Technology

- "Every business is a digital business" is Accenture's Technology Vision
- Companies are now promoting "Chief Digital Officers"
- Trend: Digital-physical blur- A new layer of connected intelligence and decision at the point of action
- Trend: From workforce to crowd source- Access to a truly liquid workforce with pools of premier talent gathered in virtual communities coalescing around specific business problems
- Trend: The business of applications and software as a core competency- Sharp shift toward simpler, more modular, and more custom apps, a push toward application ecosystems, and enterprise app stores
  - 54% of high-performing IT groups have deployed a mobile-enterprise app store (22% for other IT groups)

Digital platforms help companies improve capability and execution in the daily rhythm of work, make the most of fewer formal learning interventions, and also increase opportunities for informal and social learning on the job. Time away from work is reduced, the multiplier effects of collaboration are realized, and interventions are targeted based on actionable insights. The result is an elevated and continuous achievement of commitments by leaders and their employees – in other words, superior execution – and better results, faster.

### BTS Gets Digital

To deliver on this promise, BTS is getting digital, and we are quickening our pace. We recognize digital as essential to accelerating strategy alignment and execution. It is also a key enabler of our ability to innovate how organizations learn change and improve. In 2013, BTS acquired Wizerize A/S and launched a new Digital Services group to extend our world-leading strategy alignment capabilities and position ourselves to lead in digital-enabled social and mobile experiences.

With state-of-the-art technology and innovative methodologies, the software platform acquired enables the creation and delivery of highly customized learning experiences via mobile devices, tablets, and computers. The Pulse® application turns attendees into active participants, accelerating knowledge sharing, learning, co-creation, and a shared commitment to action. It enables clients to make events and off-sites transformational, not just informational. Recognizing further opportunities, we are also investing to extend the technology platform to enable wider capabilities for online, social, mobile, and gamified experiences and on-the-job application.

As the business world grows ever more connected, BTS will increasingly integrate digital into designed experiences for our clients across large off-site events, classroom-based initiatives, continuous online learning, mobile applications, and results assurance. We need to get digital.

#### Bersin by Deloitte Predicts

- "It is not enough to simply offer courses in a mobile interface. Companies should invest the money to integrate all of their learning content (as well as expert and social tools) into one easy-to-use interface—making continuous learning and knowledge contribution a part of your everyday life. This is the type of interface that young employees expect to find in your organization, and it drives the enablement of continuous learning."
- Move beyond informal learning to a focus on continuous learning
- Extend and expand from engagement survey to continuous engagement
- Talent analytics comes to the front of the stage
- Mobile, video, MOOCs, social tools and wearable computing
  - People check their cellphones up to 150 times per day
  - LinkedIn provides validation certification for MOOC completion

Client	Need	Result
US-based Professional Services Firm	Align partners around a one-firm value proposition to clients.	Through a team-based social simulation experience, 2,000 participants crafted value propositions and video-based client pitches, which were crowd-sourced to surface best practices.
Leading Silicon Valley Software Developer	Enable salespeople to penetrate accounts; sell larger, more-strategic deals; and deliver maximum value to clients.	Participating in a multi-week online journey, salespeople conducted customer research, acquired new skills, and applied them in competitive sales simulation challenges and field go-do activities.
US-based Subsidiary of Large Canadian Bank	Accelerate execution of its growth strategy through quality customer conversations.	In an event engaging 800 participants, branch managers participated in a one-day simulation experience using iPads, with leaders as table coaches using an iPad-based app to monitor and debrief team decisions, and with executives as floor coaches using an iPad-based app to gain real-time insights into alignment and capability across regions.
Global Technology Services Firm	Drive profitable growth through exceptional account planning.	Using a customized online resource, hundreds of key client account leads socialized their success journeys and created and implemented personalized plans to apply 5 key success factors to expand accounts.
International Professional Services Firm	Build personal networks across member firms to enhance collaboration.	Hundreds of new partners participated in a social networking activity based on our Pulse app as part of a larger event, connecting with new people and then sharing and recording videos of success stories across member firms; as a result, they created stronger personal networks and a set of crowd-sourced videos with ratings and comments.
Large Telecom Service Provider	Improve sales and service center performance.	In this Brandon Hall Silver Award winning online simulation experience, first- and second-level managers practiced skills gained in their new manager training, captured insights, and followed up with their leaders to apply their learning in a personalized plan.
International Shipping Company	Align senior executives to strategy and create a clear, systematic game plan to execute.	Using our Pulse application and digital-enabled event capability, the top 200 executives engaged in brainstorming and crowd-sourcing of ideas and actions in plenary sessions and six strategic initiative breakout rooms, resulting in an aligned set of shared commitment to action on the initiatives and individual action plans.
Leading Cloud-Based Services Provider	Enhance leadership capabilities in agile software development.	As part of a technology manager boot camp experience, participants have ongoing access to a mobile app that reinforces execution challenges and choices, embeds key behaviors in on-the-job management, and crowd-sources insights.

## Growth, Profitability, and Acquisitions

# Growth and profit year after year

Growth has averaged 15 percent the last 10 years, of which 12 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, 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:

- ▶ New tailor-made business simulations were developed and sold to companies in four additional industries: Financial Services,
- ▶ Pharmaceuticals & Biotechnology, Retail & Distribution, and Energy.
- ▶ Expansion to two new markets occurred: Australia and Spain.
- ▶ The sales organization was strengthened, as was the collaboration with strategically important external partners.
- ▶ The customer base was significantly expanded.

### 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 2010–2014

During the five years 2010–2014 BTS's revenues grew by an average of 8 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.

## Processes

# Internal efficiency drives excellence

### Product development

#### *Efficient product development*

Continuous, state-of-the-art product development is crucial to BTS's growth and market-leading role in the field of discovery-based learning. BTS maintains valuable structural capital in the form of solutions, platforms, and processes.

Also, BTS has assimilated this experience into its systems and processes. New experience and knowledge are introduced successively as the business activities of its customers change. At the same time, BTS develops new services based on the latest advances in methodology and technology. Product development at BTS has two parts: external and internal development.

#### *External product development*

External product development involves developing new learning solutions in the areas of business acumen, leadership, sales, and operational excellence. It also encompasses solutions for new media – for example, Web-based business simulations.

BTS strives to conduct its product development efforts in close collaboration with its customers.

#### *Internal product development*

Internal product development refers to internal work with BTS development platforms and methodologies, which forms the foundation for creating new learning solutions. BTS's solutions are based on technologies that are generally available on the market: Excel, Visual Basic, and Flash, for example. Internal product development is directed toward the following tools:

- ▶ BTS Mini Master is a common development environment for all computer-based simulations which, through a high degree of reuse, results in shorter development times and higher quality.
- ▶ BTS Document Platform is used for searching and reusing existing documents.
- ▶ BTS Flash Platform is used for Web-based simulations.

### Quality measurement

To ensure delivery quality, BTS uses two types of follow-up:

- ▶ Initial Quality Survey – This survey is completed by seminar participants at the conclusion of each business simulation to assess the quality of the program. On a scale of 1 to 5, BTS's internal goal is to achieve a score of at least 4.6.
- ▶ Verification of Knowledge Transfer & Application – BTS provides a process to verify that participants are applying the skills and knowledge they have acquired. BTS offers customers the opportunity to measure the long-term results of the training. This follow-up shows that 50–90 percent of participants have retained knowledge that they now apply in their everyday work. It also shows that the improvements in business results pay for the customers' investment in the training many times over.

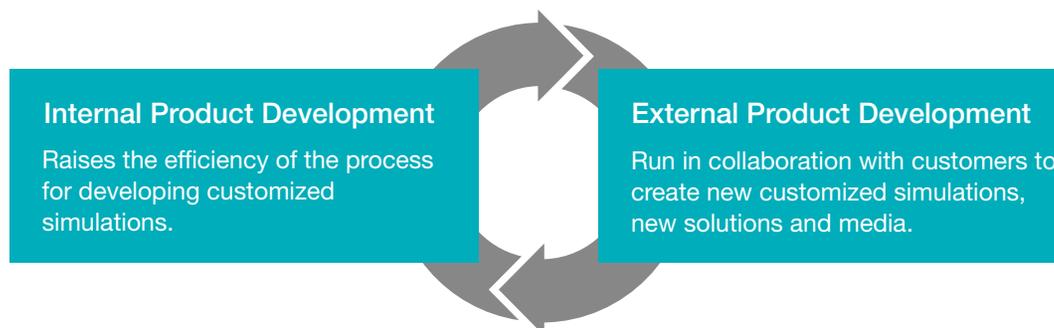
### Quality assurance

In order to reduce dependence on individual employees and to assure the long-term quality of BTS's training courses, all methods, technologies, and business simulations are well documented.

### Rights

BTS owns all the rights to all the solutions it develops for customers. This means that the company is free to reuse both general skills and intellectual property – for example, software and adaptations – when developing new business simulations.

“BTS works systematically to develop and apply efficient processes that improve quality and productivity.”



# Organization and Corporate Social Responsibility

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*West Side Market in Cleveland, Ohio, is one of the world's great markets. This particular one is Cleveland's oldest publicly owned market, dating all the way back to the 1840s. Here there is not only a wealth of different products, but the market also attracts cultures and ethnicities from the four corners of the globe.*

## Organization

# Problems become opportunities to BTS employees

### BTS 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, Chicago, Los Angeles, New York, San Francisco, Scottsdale, and Stamford.

#### *BTS Europe*

Amsterdam, Bilbao\*, Brussels, Helsinki, London, Madrid\*, Munich, Paris, Rome and Stockholm.

\*Bilbao and Madrid are from 2015-01-01 a part of BTS Other markets

#### *BTS Other Markets*

Bangalore, Bangkok, Dubai, Johannesburg, Melbourne, Mexico City, 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 Way<sup>SM</sup> 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 three 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.

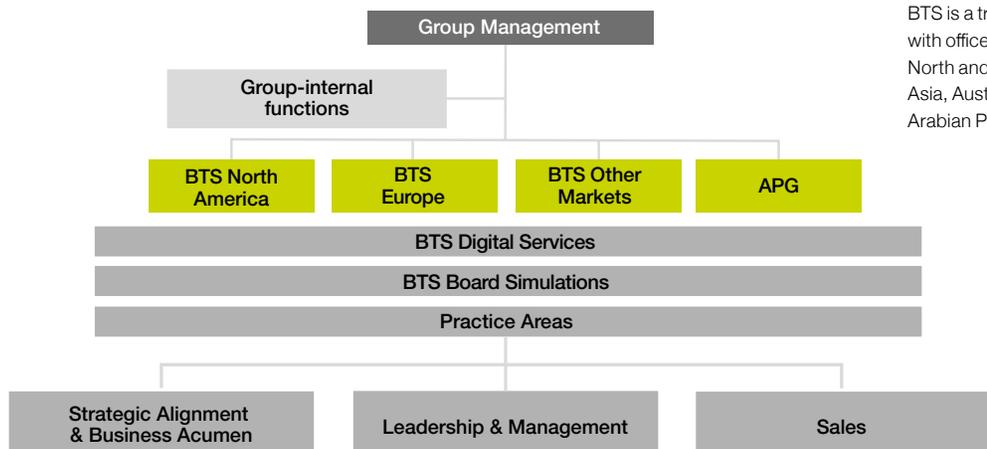
#### *Practice Areas*

BTS has three 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

#### *Group-Internal Functions*

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



BTS is a truly global organization with offices close to our clients in North and South America, Europe, Asia, Australia, Africa and the Arabian Peninsula.

## Employees

# The most powerful aspects of our culture

Our people are the heart and soul of BTS. Our culture and values are ever present in the way we work and in the way we bring new talent to the organization.

### Freedom & responsibility

BTS empowers employees with freedom and autonomy. They have the freedom to manage their own time when they are on the road, at client sites, and in the office. The flip side is an enormous amount of client-facing responsibility. Our consultants lead executives and managers at the world's largest companies through BTS's simulations and experiential learning solutions.

### Achievement & excellence

We believe that if you find the right people and give them freedom and responsibility, they will achieve great results. Our people 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 innovative new digital application, we believe in delivering excellence. Our unique culture nurtures people who are highly motivated to pursue high levels of achievement and excellence.

### Fun & adventure

The very nature of our work is fun. We literally engage in sophisticated, bottom-line-oriented business simulations with highly experienced and capable people from the business world; our clients are executives and managers of premier companies across the globe. Leading 25 top executives through a two- to three-day simulation experience is an adventure that we liken to being a tour guide on an "intellectual adventure trip."

### Learning organization

Teamwork is the foundation upon which BTS is built – and learning is our top priority. We work hard to develop our employees through coaching, mentoring, teamwork, and training programs. BTS believes that an organization can grow and improve by "leaders teaching future leaders." BTS's leaders and employees help each other develop new skills and overcome challenges.



### Built on diversity

We value the diverse background of our employees. Our success is built upon teams of highly talented and diverse professionals who develop innovative solutions and deliver them to our global client base. Diversity makes our team environment rich with new perspectives and capabilities.

### Career roadmap

Employees at BTS are evaluated on the value they deliver for the organization – and for our clients. Opportunities are based on merit, and employees have the opportunity to move up the career roadmap once they have obtained and demonstrated the necessary skills.

### New recruitment

BTS's success is largely attributed to recruiting, developing, and retaining the best and most engaged employees. We hire for the person, not the position. We seek curious and creative people from diverse backgrounds who desire a fast-paced, entrepreneurial environment, and who are passionate about doing engaging work that has immediate impact for our clients. We invest heavily in a mutual fit. BTS has a clearly defined process for identifying, attracting, and retaining top talent with strong potential for development.

KEY FIGURES, EMPLOYEES	2014	2013	2012	2011	2010
Number of employees at the end of the year	405	370	385	335	299
Of whom women, % <sup>1</sup>	40	40	38	37	36
Net turnover per employee, KSEK	2,035	1,830	2,111	2,147	2,517

<sup>1</sup> Yearly average number

## Core Values

# True north

### **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.

### **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.

### **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.

### **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.

### **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.

### **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.



# Reducing the impacts 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.

## **Sustainability: Offsetting Our Carbon Footprint**

Climate change is recognized as a compelling international issue with many national governments committed to taking coordinated action and reducing greenhouse gas emissions. We identify environmental sustainability as a pressing priority, and we are taking action. BTS is committed to reducing greenhouse gas emissions from daily operations and embedding sustainability into our communities.

The BTS Global Environmental Committee is devoted to identifying, promoting, and enabling sustainable business practices to advance the positive environmental impact of our firm and our professionals. Through company-wide participation and local office contribution, the Committee aims to apply our collective resources,

reduce our carbon emissions, and build a culture of environmental preservation.

To further this commitment to sustainability, BTS has partnered with the environmental non-profit and rainforest conservation specialist, World Land Trust, to purchase and protect 100 acres of South America's threatened tropical rainforest annually. Through this effort, BTS is assisting in establishing the Las Tangaras Nature 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.

World Land Trust-US (WLT-US) is a conservation organization dedicated to preserving biodiversity through strategic land purchases by working with local partners to acquire and save threatened rainforests and other critical habitats. Over the past 23 years, WLT-US has secured almost 2 million acres for biodiversity conservation. Currently, the Las Tangaras Nature Reserve is a critical initiative for the environmental non-profit.

Dr. Paul Salaman, Director of Conservation at World Land Trust-US, reflected, "Our partnership with BTS has been vital in achieving the goal of building one of the most vitally-needed rainforest corridors and protected areas for wildlife in South America."

# Education and entrepreneurship create jobs

At BTS, we are convinced 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 responsibility.

BTS adopted a community-related policy as part of its overall Corporate Social Responsibility (CSR) policy. The BTS social work shall focus on projects aimed at improving living conditions for people in some countries where we operate, or might operate, in the future.

The purpose of these initiatives is primarily to contribute financially to projects in the community and to contribute by making technology and human resources available to these projects, thus acting as catalysts to improve the daily lives of people.

The investments in time and money will primarily focus on initiatives, organizations, and projects that share our vision of great opportunities for positive development and change through learning processes and skill transfer.

BTS believes that real change in people's lives and in communities must be based not only on financial aid, but, rather, on the combination of financial support and knowledge transfer. BTS policy is to select and support organizations and projects based on the

following main principles:

- ▶ BTS shall only select and engage with organizations and projects where the organization is truly efficient and can ensure, and show, that the investment is channeled to the project directly.
- ▶ BTS will not tolerate donations being used for administrative purposes or for non-charitable work.
- ▶ BTS contributions, being financial or through making other resources available, shall focus on projects where the learning process plays a material role and is fundamental in the way the organization works.

### Pro Bono Work

Hand-in-Hand was founded more than 20 years ago by the teaching couple Gunnel and Olle Blomqvist from Sweden, with the objective of fighting poverty and child labor. After approximately 10 years, the well-known industry leader Percy Barnevik and the Indian Professor Kalpana Sankar dedicated themselves to the

*The picture shows Stefan Hellberg, Executive Vice President and co-founder of BTS Group, in conversation with representatives of one of the Hand-in-Hand villages.*



project. Together, they drew up the guidelines for what is today an important part of the effort to combat poverty and child labor. Hand-in-Hand built its business on creating opportunities for people to get out of poverty, for children to escape child labor, and for women to strengthen their roles in the villages. The program works primarily by promoting self-sufficiency, organizing women in villages into self-helping groups responsible for different village improvement projects related to health, education, and the environment. The organization helps projects establish schools to bring children out from forced-labor situations, and to deliver health and nutrition education for women. Hand-in-Hand supports the establishment of citizen centers in the villages where they operate. A citizen center aims to serve as a common junction in the village where residents can learn to use a computer, get cellphone services, borrow books, learn about women's health issues, etc. The number of new centers has increased rapidly. Each center has a manager responsible for the center's operations and financial development. As a center is financed by Hand-in-Hand microloans with a payback plan, the managers need to know how their decisions and different events have an impact on their center and the money streams. They learn sound financial practices on the job

#### **BTS-sponsored Village in Thenputhur, Tamil Nadu, India**

All selected villages that are ready to develop their society require funding from donors. BTS began supporting one village a year and a half ago, and the results are impressive. A vast number of women are now engaged and healthier (280 women participate in 21 self-helping groups, and 20 children are now off the fields and are learning in the village classrooms. Quality in the village is fast improving. The journey of helping more villages continues.

#### **BTS supporting Citizen Center entrepreneurs**

BTS has also developed and delivered a customized citizen center learning solution, a manual board simulation that helps the women responsible for the citizen center learn how to financially plan and budget their cash flow, as they are growing their business and attracting new customers.

The village people are developing an understanding of what it means in revenues and costs when adding more services, bringing new people into their business, and handling all kinds of incidents that affect their money balance.

A next ambition is to support individual women entrepreneurs, who normally run a small workshop, goat farm, milk production operation, or home retail shop outside their front door, to better understand how their money status is changing day to day and what they need to do to plan better.

BTS provides all the development work and the materials pro bono.



**Hand in Hand** fights poverty by helping women to start their own businesses. It's all about help to self-help. The women are offered education and training, which give them the right tools to change their life situation in the long run. The Hand-in-Hand model is tried and tested and the results are striking. More than 1.67 million women have, so far, been trained, which in turn have resulted in 1.19 million micro-businesses.

By the started businesses, more than 3 million people have achieved better living conditions. Hand-in-Hand was founded in its present form by Percy Barnevik and Dr. Kalpana Sankar, and operates mainly in India, but also in the southern and eastern Africa as well as in Afghanistan.





# Advantage Performance Group

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*Marketplaces can be famous for different things. The stock exchange on Wall Street is famous as the world's financial trading epicenter. The market in Kadikoy, Istanbul, Turkey, is not only the venue for more than 4,000 traders, it is also the one place in the entire Middle East where the largest number of women visitors and stallholders are to be found.*

# Poised to help clients accelerate positive business results

Advantage Performance Group (APG) specializes in helping their clients accelerate business results, optimize their sales organizations, and create an engaged and effective talent pool.

Advantage Performance Group (APG) specializes in helping organizations accelerate positive business results by focusing on two main areas:

1. Sales Optimizations: Helping sales organizations define the culture, the tools, and the cadence that drive stellar performance.
2. Talent Optimization: Ensuring that leaders and employees not only understand the business strategy, but believe in it and can execute it as well.

In order to succeed in these two areas, we believe that you need to have:

- ▶ The right people in the organization.
- ▶ The right processes to support them.
- ▶ The right capabilities and mindset at the right point in time to deliver desired business results.

### Creating positive business results

APG is uniquely positioned to capture the business of organizations that are emerging from the recent downturn with strong momentum as well as those that continue to struggle. The primary reason is that the Advantage Way<sup>SM</sup> methodology creates measurable business impact from every learning initiative.

When clients implement the Advantage Way<sup>SM</sup> 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.

A partnership with APG results in accelerated performance and provides the solid metrics to secure success for our clients.

### Network model

Acquired by the BTS Group in 2006, APG has more than 400 client relationships. Many of these partnerships span more than a decade. APG is a network of approximately 40 full-time consultants located across the US. These highly experienced performance consultants have joined APG because they share the values and the culture of the organization, and they welcome the opportunity to act as true business partners with clients. Their independence within the APG model allows them to truly focus upon the process and solutions to match each individual client's unique needs and desired results. The network also includes more than 100 seasoned facilitators who deliver learning both virtually and on-site across client organizations.

APG has long-standing relationships with a large team of global thought leaders (such as BTS) who provide unparalleled expertise in a variety of areas, including:

- ▶ Business Acumen
- ▶ Leadership Development
- ▶ Sales Leadership and Strategy
- ▶ Strategy Alignment and Execution
- ▶ Sales Effectiveness
- ▶ Digital Platforms
- ▶ Change Leadership
- ▶ Organizational Assessment
- ▶ Executive Coaching
- ▶ Communications (Large Meetings, Organizational Messaging/Alignment, Customer Events/Initiatives, etc.)

"A partnership with APG results in accelerated performance and provides the solid metrics to secure success for our clients."



**Differentiators**

APG’s differentiators are:

- ▶ An ability to create a positive bottom-line impact from learning initiatives or other strategic initiatives: APG is able to commit its clients to a complete alignment with business results from the very beginning.
- ▶ An ability to provide a continuous stream of broad and deep consulting and learning solutions: Thought leaders, such as BTS, allow APG to provide solutions that have a strategic focus and that are uniquely relevant to every level and function of the organization.
- ▶ An ability to deliver proven, best-practice expertise based on decades-long relationships and experiences.

**Strategic direction for 2015**

APG’s 2015 strategic direction will focus on three aspects of the current business environment that are a particularly good fit for the firm:

1. Need for improved leadership and strategy execution: Every organization is experiencing change at some level. APG has particular expertise in this area. In 2015, APG will be partnering with clients to help them implement these shifts in their business process and overall strategy and embed them into their culture so they can achieve their desired business results. Not every organization has the same needs when it comes to leading change. Therefore, APG’s value proposition begins with our customers rather than the thought leadership.
2. Continued need for sales organizations – especially in the mid-market – to optimize their performance. Even leading sales teams are ready to retool and optimize their organizations to equip their salespeople and sales managers to capture – or recapture – much-needed market share. APG has outstanding sales best practices, research, tools, systems, and processes for this purpose. APG’s unique Sales Leadership Cadence<sup>SM</sup> gives sales organizations a consistent, standardized approach to managing sales – whatever their sales strategy is. By using this approach, companies find that they also obtain consistent and increased results.
3. Need for the overall organization to improve the performance of their people – from individual contributors to senior executives: Our Talent Optimization approach utilizes a Talent Architecture<sup>SM</sup> which paints a 3-5 year roadmap for the entire organization. It especially focuses on the significant steps of the leadership pipeline and clarifies the performance and development needs as an individual progresses through his or her career. This also includes the need for employees to make better business decisions. Supported by innovative simulations and the learning experiences of business acumen thought leaders such as BTS, APG is well equipped to make sure every employee knows how their actions affect the bottom line – and how to make smarter, more informed decisions that will help their organizations succeed.

# The BTS Advantage Way<sup>SM</sup> System

## Link your investment directly to business results

Research shows that 85 percent of all training has zero impact on job performance. BTS decided to help its clients beat those odds.

Our solution is the BTS Advantage Way<sup>SM</sup> system. We guarantee that when you implement Advantage Way<sup>SM</sup>, your organization will achieve documented business results as well as improved job performance. And for the first time, you will be able to measure the business impact of training – solid proof of its value to your organization.

The Advantage Way<sup>SM</sup> is the result of a strategic alliance with Robert O. Brinkerhoff, Ed.D., world-renowned authority on training effectiveness and evaluation. It is based on more than 30 years of research and practice, and it has been proven with leading organizations, such as Limited Brands, Boeing, Anheuser-Busch, and Children’s Healthcare of Atlanta.

### Direct link to business results

The BTS Advantage Way<sup>SM</sup> system:

- ▶ Gives each employee a clear “line of sight” to the business impact he or she must make after learning concludes.
- ▶ Engages managers at all levels in ongoing coaching conversations with their people, to ensure that learners continue to use new behaviors that will help them achieve agreed-to business results.
- ▶ Includes APG’s proprietary Success Case Evaluation Method<sup>SM</sup> which measures and demonstrates behavioral and bottom-line results of learning.

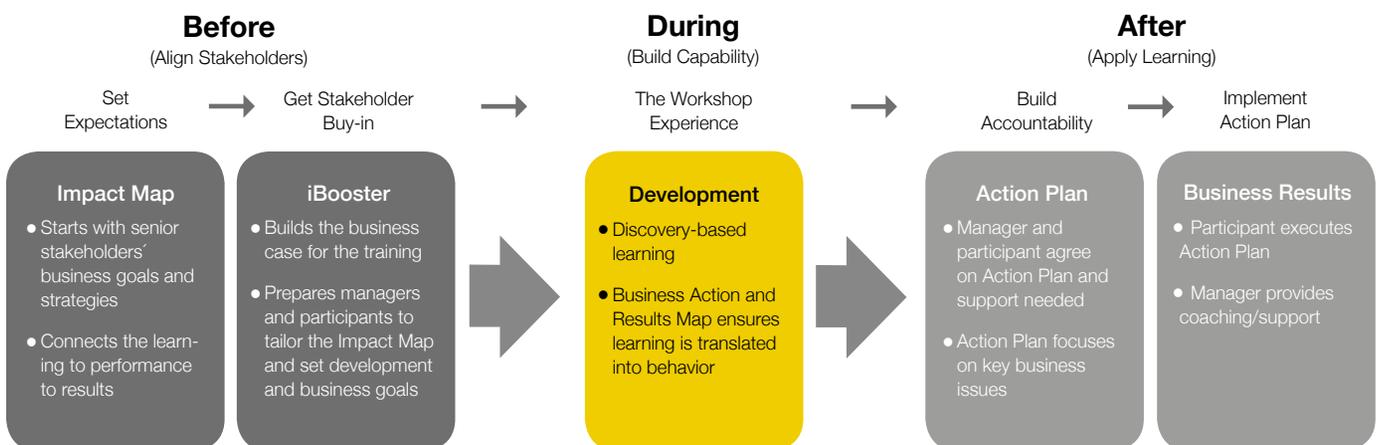
The BTS Advantage Way<sup>SM</sup> system includes cutting-edge development for HRD professionals and easy-to-use tools for managers and learners, all aimed at the goal of delivering better business results from training. The system is easy to implement, enabling organizations to convert learning consistently, quickly, and effectively into meaningful business results.

### Benefits to the organization

When the BTS Advantage Way<sup>SM</sup> system becomes an integral part of the learning culture, organizations will find that:

- ▶ The business impact derived from learning investments consistently doubles or triples.
- ▶ Learning initiatives are more tightly aligned to specific business challenges.
- ▶ Productivity improves.
- ▶ Learning and Development professionals are seen as valued business partner consultants, and they are evaluated on their contribution to the success of the organization.
- ▶ Cultural or systemic obstacles that may impede learners’ success back on the job are identified and removed.
- ▶ There is organization-wide commitment to the strategies and processes that reinforce new behaviors after training, including coaching and measurement.

“When the BTS Advantage Way<sup>SM</sup> system becomes an integral part of the learning culture, the business impact from learning investments consistently doubles or triples.”





# Financial Information

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# 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, 2014, there were 863 (682) 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.

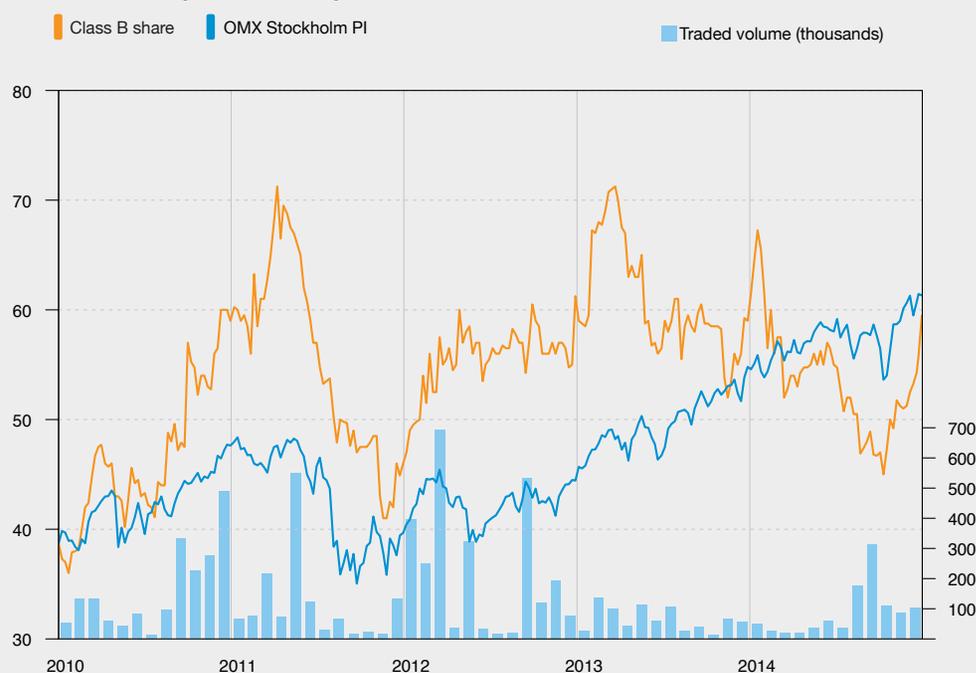
## Dividend policy

The Company's goal is to distribute 30%–50% of profit after tax in the long run.

SEK	2014	2013	2012	2011	2010
Share price at December 31	59.50	59.00	61.25	46.00	59.00
Earnings per share	3.01	2.57	3.53	3.20	3.28
Price/earnings ratio, December 31	19.8	23.0	17.4	14.4	18.0
Cash and cash equivalents per share, December 31	6.13	5.85	5.25	4.68	4.90
Equity per share, December 31	23.30	19.14	18.08	17.19	15.50
Dividend per share	1.75 <sup>1</sup>	1.75	1.75	1.60	1.50

<sup>1</sup> Proposed dividend.

## BTS Group AB share price 2010–2014



## 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	0:10
1999	New issue	8,200	108,200		82,000	1,082,000	0:10
2001	Stock dividend issue	4,219,800	4,328,000			1,082,000	4:00
2001	4:1 split		4,328,000	1,319,700	1,926,300	4,328,000	1:00
2001	Conversion of Class A to Class B shares			-1,475,000	1,475,000	4,328,000	1:00
2001	New issue	1,500,000	5,828,000		1,500,000	5,828,000	1:00
2002	New issue	69,300	5,897,300		69,300	5,897,300	1:00
2006	3:1 split		5,897,300	569,200	11,225,400	17,691,900	0:33
2006	New issue	118,800	6,016,100		356,400	18,048,300	0:33
2012	New issue	5,922	6,022,022		17,765	18,066,065	0:33
2013	New issue	174,601	6,196,623		523,805	18,589,870	0:33
2014	New issue	18,834	6,215,457		56,500	18,646,370	0:33

### 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
Stefan af Petersens incl companies	37,800	2,293,095	2,330,895	12.5	10.2
Placeringsfond Småbolagsfond Norden	0	1,774,716	1,774,716	9.5	6.7
Swedbank Robur Småbolagsfond Sverige	0	1,321,230	1,321,230	7.1	5.0
Lannebo Micro Cap	0	1,280,490	1,280,490	6.9	4.9
Stefan Hellberg incl companies	0	893,994	893,994	4.8	3.4
Lannebo Microcap II	0	880,598	880,598	4.7	3.3
Jonas Åkerman	0	879,350	879,350	4.7	3.3
Nordea Småbolagsfond Sverige	0	428,775	428,775	2.3	1.6
AMF Aktiefond Småbolag	0	384,007	384,007	2.1	1.5
<b>10 largest shareholders</b>	<b>853,800</b>	<b>13,283,295</b>	<b>14,137,095</b>	<b>76.1</b>	<b>83.0</b>
Total remaining shareholders	0	4,509,275	4,509,275	23.9	17.0
<b>Total all shareholders</b>	<b>853,800</b>	<b>17,792,570</b>	<b>18,646,370</b>	<b>100.0</b>	<b>100.0</b>

# Five-Year Summary

## Income statement

Consolidated income statements in summary

SEK millions	2014	2013	2012	2011	2010
Net sales	781.5	688.2	770.5	697.7	694.6
Operating expenses	-690.0	-610.4	-666.0	-602.1	-592.2
Depreciation of property, plant, and equipment	-6.5	-6.3	-5.8	-4.0	-3.4
Amortization of intangible assets	-2.6	-1.7	-1.4	-2.4	-7.0
<b>Operating profit</b>	<b>82.4</b>	<b>69.8</b>	<b>97.4</b>	<b>89.2</b>	<b>92.0</b>

## Net sales per operating unit

SEK millions	2014	2013	2012	2011	2010
BTS North America	362.2	311.5	385.8	345.8	345.8
BTS Europe	193.9	162.8	150.2	123.9	133.7
BTS Other markets	128.3	122.4	131.9	107.9	73.4
APG	97.1	91.5	102.6	120.1	141.7
<b>Total</b>	<b>781.5</b>	<b>688.2</b>	<b>770.5</b>	<b>697.7</b>	<b>694.6</b>

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

SEK millions	2014	2013	2012	2011	2010
BTS North America	42.5	35.6	63.2	58.7	69.4
BTS Europe	26.8	26.7	21.3	11.7	14.0
BTS Other markets	13.1	9.8	14.9	16.5	11.3
APG	2.6	-0.6	-0.6	4.7	4.3
<b>Total</b>	<b>85.0</b>	<b>71.5</b>	<b>98.8</b>	<b>91.6</b>	<b>99.0</b>

## 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, Italy, the Netherlands, Spain\*, Sweden and the UK.

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

**APG** consists of operations in Advantage Performance Group

\*Spain is from 2015-01-01 a part of BTS Other markets

## Balance sheet

Consolidated balance sheets in summary

SEK millions	2014	2013	2012	2011	2010
<i>Assets</i>					
Non-current assets	261.4	181.4	174.0	174.4	169.9
Accounts receivable	239.0	156.0	158.5	196.9	167.1
Other current assets	67.2	72.6	91.1	61.9	57.6
Cash and cash equivalents	114.3	108.8	94.9	84.4	88.4
<b>Total assets</b>	<b>681.9</b>	<b>518.9</b>	<b>518.5</b>	<b>517.6</b>	<b>483.0</b>
<i>Equity and liabilities</i>					
Equity	434.5	355.8	326.6	310.2	280.1
Interest-bearing liabilities	–	–	–	9.3	28.0
Non-interest-bearing liabilities	247.4	163.1	191.9	198.1	174.9
<b>Total equity and liabilities</b>	<b>681.9</b>	<b>518.9</b>	<b>518.5</b>	<b>517.6</b>	<b>483.0</b>

## Cash flow

Consolidated cash flow in summary

SEK millions	2014	2013	2012	2011	2010
Cash flow from operating activities	44.8	47.6	59.7	49.3	65.1
Cash flow from investing activities	–21.0	–15.7	–14.4	–7.9	–4.6
Cash flow from financing activities	–32.9	–12.6	–27.9	–45.3	–44.4
Cash and cash equivalents, start of year	108.8	94.9	84.4	88.4	75.4
<b>Cash flow for the year</b>	<b>–9.1</b>	<b>19.3</b>	<b>17.4</b>	<b>–3.9</b>	<b>16.1</b>
Translation differences in cash and cash equivalents	14.6	–5.4	–6.9	–0.1	–3.1
<b>Cash and cash equivalents, end of year</b>	<b>114.3</b>	<b>108.8</b>	<b>94.9</b>	<b>84.4</b>	<b>88.4</b>

## Financial ratios for the Group

SEK millions	2014	2013	2012	2011	2010
Net sales	781.5	688.2	770.5	697.7	694.6
Operating profit (EBIT)	82.4	69.8	97.4	89.2	92.0
Operating margin (EBIT margin), %	10.5	10.1	12.6	12.8	13.2
Operating profit before amortization of intangible assets (EBITA)	85.0	71.5	98.8	91.6	99.0
Operating margin before amortization of intangible assets (EBITA margin), %	10.9	10.4	12.8	13.1	14.3
Profit margin, %	7.2	7.0	8.3	8.3	8.5
Earnings per share, SEK	3.01	2.57	3.53	3.20	3.28
Return on equity, %	14.2	14.0	19.6	19.6	22.0
Return on operating capital, %	29.1	29.3	42.4	40.1	40.3
Operating capital	320.2	246.9	229.8	222.6	219.7
Equity	434.5	355.8	326.6	310.2	280.1
Equity per share, SEK	23.30	19.14	18.08	17.19	15.50
Equity/assets ratio, %	63.7	68.6	63.0	60.0	58.0
Dividend per share, SEK	1.75 <sup>1</sup>	1.75	1.75	1.60	1.50
Cash flow	-9.1	19.3	17.4	-3.9	16.1
Cash and cash equivalents	114.3	108.8	94.9	84.4	88.4
Number of employees at year-end	405	370	385	335	299
Average number of employees	384	376	365	325	276
Annual net turnover per employee	2.0	1.8	2.1	2.1	2.5

<sup>1</sup> 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.

# 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 2014. 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 firm active in learning which supports companies in executing change and improving business performance. BTS is the world leader in customized simulation models and experiential learning as well as solutions that help organizations to grow and achieve success through change and improvement processes. BTS adds value within three main areas: strategic development and business acumen, leadership and management, and sales. Most BTS clients are major corporations.

## Revenue and profit

BTS's net sales increased by 12% during the year, to SEK 781.5 million (688.2). Adjusted for changes in exchange rates, revenues increased by 9%.

Operating profit before amortization of intangible assets (EBITA) increased by 19% during the year, to SEK 85.0 million (71.5).

Operating profit was charged with SEK 2.6 million (1.7) for amortization of intangible assets attributable to acquisitions.

Operating profit increased by 18% in 2014, to SEK 82.4 million (69.8).

The operating margin before amortization of intangible assets (EBITA margin) was 11% (10). The operating margin (EBIT margin) was 11% (10). Consolidated profit before tax for the year increased by 19%, to SEK 82.9 million (69.7).

Net sales for BTS's operations in North America totaled SEK 362.2 million (311.5) in 2014. Adjusted for changes in exchange rates, revenues increased by 10%. Operating profit before amortization of intangible assets (EBITA) totaled SEK 42.5 million (35.6). The operating margin before amortization of intangible assets (EBITA margin) was 12% (11).

Net sales for Europe totaled SEK 193.9 million (162.8) in 2014. Adjusted for changes in exchange rates, revenues increased by 13%. Operating profit before amortization of intangible assets (EBITA) totaled SEK 26.8 million (26.7) in 2014. The operating margin before amortization of intangible assets (EBITA margin) was 14% (16).

Net sales for BTS Other markets totaled SEK 128.3 million (122.4) in 2014. Adjusted for changes in exchange rates, revenues increased by 5%. Operating profit before amortization of intangible assets (EBITA) totaled SEK 13.1 million (9.8) in 2014. The operating margin before amortization of intangible assets (EBITA margin) was 10% (8).

Net sales for APG reached SEK 97.1 million (91.5) in 2014. Adjusted for changes in exchange rates, revenues increased by 1%. Operating profit before amortization of intangible assets (EBITA) totaled SEK 2.6 million (-0.6) in 2014. The operating margin before amortization of intangible assets (EBITA margin) was 3% (-1).

## Financial position

At the end of the period, cash and cash equivalents were SEK 114.3 million (108.8). The Group's interest-bearing loans, attributable to previously completed acquisitions, totaled SEK 0.0 million (0.0) at the end of the period. Equity totaled SEK 434.5 million (355.8) at year-end, and the equity/assets ratio was 64% (69). BTS's cash flow from operating activities for the year was SEK 44.8 million (47.6).

## Business combinations

In 2014 BTS acquired all the businesses of the American companies Sandra Hartog Associates, Inc. and Fenestra, Inc. consisting of employees, technology, intellectual property rights, customer relations, trademark rights and all equipment, which will strengthen BTS's position in the fast-growing market for services and technology within assessment services. This is an asset acquisition and was made through BTS's subsidiary BTS USA Inc.

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

The Board of Directors proposes that the 2014 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 2014 AGM, see Note 6.

## Employees

The number of employees in BTS Group AB at December 31, 2014 was 405 (370). The average number of employees during the year was 384 (376).

## 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 two shareholders, Henrik Ekelund and Stefan af Petersens, whose holdings each exceeded 10% of votes at year-end 2014. 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 1.9 million (1.8), and profit after financial items SEK 30.0 million (14.3). Cash and cash equivalents were SEK 2.2 million (5.0).

### **Outlook for 2015**

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

### **Market trends**

In 2014, the market for BTS's services has seen positive development in North America where clients are showing an increased willingness to invest.

### **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 25% of its sales in 2014. 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: Manufacturing, Telecommunications, Information Technology, Financial Services, Pharmaceuticals & Biotechnology, Retail & Distribution, Services, Energy, and Fast-Moving Consumer Goods (FMCG). The global distribution of its customers' operations helps reduce BTS's exposure to fluctuations in specific industries.

##### *Geographical spread*

46% of BTS's sales in 2014 were in the North America operative unit, Europe represented 25%, Other markets accounted for 16% and APG 13%. 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), when one of these currencies varies while the other rates are unchanged.

	Percentage change	Change, SEK thousands, full-year 2014
SEK/USD	+/-10%	8,744
SEK/EUR	+/-10%	1,561
SEK/GBP	+/-10%	1,161

### 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 16,520 thousand (14,318), which corresponds to the largest credit exposure to any single group.

### Multiple-year review

Performance for the past five fiscal years is presented below.

SEK thousands	2014	2013	2012	2011	2010
Net turnover	781,454	688,234	770,548	697,730	694,650
Operating expenses	-690,035	-610,439	-665,972	-602,116	-592,285
Depreciation of property, plant, and equipment	-6,464	-6,267	-5,761	-4,036	-3,342
Amortization of intangible assets	-2,568	-1,685	-1,418	-2,409	-6,981
<b>Operating profit</b>	<b>82,387</b>	<b>69,842</b>	<b>97,396</b>	<b>89,169</b>	<b>92,042</b>
Operating margin, EBIT, %	11	10	13	13	13
Number of employees at year-end	405	370	385	335	299
Average number of employees	384	376	365	325	276
Net turnover per employee	2,035	1,830	2,111	2,147	2,517

### 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.

### 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.

### Proposed appropriation of earnings

#### Parent Company

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

	SEK
Profit brought forward	27,555,178
Profit for the year	29,299,607
<b>Total</b>	<b>56,854,785</b>

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

	SEK
To be distributed to shareholders: SEK 1.75 per share totaling	32,631,148
To be carried forward	24,223,637
<b>Total</b>	<b>56,854,785</b>

It is proposed that the dividend be paid on May 15, 2015.

### 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 99%, and the Group's equity/assets ratio to 62%. 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	2014	2013
<b>Net sales</b>	9	<b>781,454</b>	<b>688,234</b>
<i>Operating expenses</i>			
Other external expenses	3, 4, 5	-333,692	-284,910
Employee benefit expenses	6	-356,343	-325,529
Depreciation of property, plant, and equipment and amortization of intangible assets	7, 8	-9,031	-7,953
<b>Total operating expenses</b>		<b>-699,066</b>	<b>-618,392</b>
<b>OPERATING PROFIT</b>	9	<b>82,388</b>	<b>69,842</b>
<i>Financial items</i>			
Financial income	10	857	565
Financial expenses		-355	-724
<b>Total gain/loss on financial items</b>		<b>502</b>	<b>-159</b>
<b>PROFIT AFTER FINANCIAL ITEMS</b>		<b>82,890</b>	<b>69,683</b>
Tax on profit for the year	11	-26,805	-21,848
<b>PROFIT FOR THE YEAR</b>		<b>56,085</b>	<b>47,835</b>
Profit for the year attributable to:			
Parent Company's shareholders		56,085	47,835
<b>Earnings per share</b> (profit for the year attributable to Parent Company shareholders)	12		
Basic and diluted earnings per share, SEK		3.01	2.57
No. of shares at year-end		18,646,370	18,589,870
Proposed dividend per share, SEK	13	1.75	1.75

## Consolidated statement of comprehensive income

SEK thousands	NOTE	2014	2013
<b>PROFIT FOR THE YEAR</b>		<b>56,085</b>	<b>47,835</b>
<b>Other comprehensive income</b>			
<i>Items that later could be reclassified to profit or loss</i>			
Translation differences in equity	17	52,474	-6,409
<b>Other comprehensive income for the year, net after tax</b>		<b>52,474</b>	<b>-6,409</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>108,559</b>	<b>41,426</b>
portion attributable to Parent Company shareholders		108,559	41,426

# Consolidated Balance Sheet

SEK thousands	NOT	12-31-14	12-31-13
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>			
Goodwill	7	207,045	143,033
Other intangible assets	7	31,702	16,603
<i>Property, plant, and equipment</i>			
Equipment	8	13,927	13,716
<i>Financial assets</i>			
Deferred tax assets	15	2,041	1,201
Other non-current receivables	18	6,704	6,888
<b>Total non-current assets</b>		<b>261,419</b>	<b>181,441</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Accounts receivable	18	239,005	155,980
Other receivables	18	5,045	4,855
Prepaid expenses and accrued income	16	62,112	67,759
Total current receivables		306,162	228,594
Cash and cash equivalents		114,293	108,833
<b>Total current assets</b>		<b>420,455</b>	<b>337,427</b>
<b>TOTAL ASSETS</b>		<b>681,874</b>	<b>518,868</b>

SEK thousands	NOTE	12-31-14	12-31-13
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	17		
Share capital		6,215	6,197
Other paid-in capital		62,692	60,015
Reserves		-5,668	-58,142
Retained earnings, including profit for the year		371,266	347,713
<b>Total equity</b>		<b>434,505</b>	<b>355,783</b>
<b>Non-current liabilities</b>			
Other liabilities	18	153	213
<b>Current liabilities</b>			
Accounts payable	18	22,458	16,971
Tax liabilities		28,693	19,189
Other current liabilities	18, 19	55,126	11,462
Accrued expenses and prepaid income	20	140,939	115,250
<b>Total current liabilities</b>		<b>247,216</b>	<b>162,873</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>681,874</b>	<b>518,868</b>
<b>Pledged assets</b>	21	<b>10,000</b>	<b>10,000</b>
<b>Contingent liabilities</b>	22	-	-

# Consolidated Cash Flow Statement

SEK thousands	NOTE	2014	2013
<b>Operating activities</b>			
Operating profit		82,388	69,842
Adjustments for non-cash items			
Depreciation and amortization		9,031	7,953
Financial items	10	502	-159
Tax paid for the year		-19,466	-18,615
<i>Cash flow from operating activities before changes in working capital</i>		72,455	59,021
<i>Cash flow from changes in working capital</i>			
Change in accounts receivable		-54,628	2,499
Change in other operating receivables		1,768	18,402
Change in accounts payables and other operating liabilities		25,218	-32,364
<i>Cash flow from changes in working capital</i>		-27,642	-11,462
<b>Cash flow from operating activities</b>		<b>44,813</b>	<b>47,559</b>
<b>Investing activities</b>			
Acquisition of property, plant, and equipment		-4,719	-3,948
Acquisition of intangible assets		-16,322	-11,650
<b>Cash flow from investing activities</b>		<b>-21,041</b>	<b>-15,598</b>
<b>Financing activities</b>			
Change in other liabilities		-339	-431
New issue		-	19,977
Dividends to shareholders		-32,532	-32,184
<b>Cash flow from financing activities</b>		<b>-32,871</b>	<b>-12,638</b>
<b>Cash flow for the year</b>		<b>-9,099</b>	<b>19,323</b>
Cash and cash equivalents, start of year		108,833	94,910
Translation differences in cash and cash equivalents		14,559	-5,399
<b>Cash and cash equivalents, end of year</b>		<b>114,293</b>	<b>108,833</b>

# Parent Company's Income Statement

SEK thousands	NOTE	2014	2013
<b>Net turnover</b>	3	<b>1,885</b>	<b>1,825</b>
<i>Operating expenses</i>			
Other external expenses	3,4	-739	-841
Employee benefit expenses	6	-973	-973
<b>Total operating expenses</b>		<b>-1,712</b>	<b>-1,813</b>
<b>OPERATING PROFIT</b>		<b>173</b>	<b>12</b>
<i>Financial items</i>			
	10		
Gains/losses on other securities and receivables held as non-current assets		29,797	14,299
Interest income and similar profit/loss items		8	10
Interest expenses and similar profit/loss items		-	-43
<b>Total gain/loss on financial items</b>		<b>29,805</b>	<b>14,266</b>
<b>PROFIT AFTER FINANCIAL ITEMS</b>		<b>29,978</b>	<b>14,278</b>
Tax on profit for the year	11	-678	-682
<b>PROFIT FOR THE YEAR</b>		<b>29,300</b>	<b>13,596</b>

## Parent Company's statement of comprehensive income

SEK thousands	NOTE	2014	2013
<b>PROFIT FOR THE YEAR</b>		<b>29,300</b>	<b>13,596</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>29,300</b>	<b>13,596</b>
Attributable to Parent Company shareholders		29,300	13,596

# Parent Company's Balance Sheet

SEK thousands	NOTE	12-31-14	12-31-13
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Financial assets</i>			
	14		
Participations in Group companies		101,976	101,976
<b>Total non-current assets</b>		<b>101,976</b>	<b>101,976</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from Group companies		984	–
Prepaid expenses and accrued income	16	–	52
Total current receivables		984	52
Cash and cash equivalents		2,227	5,013
<b>Total current assets</b>		<b>3,211</b>	<b>5,066</b>
<b>TOTAL ASSETS</b>		<b>105,187</b>	<b>107,042</b>

SEK thousands	NOTE	12-31-14	12-31-13
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	17		
<i>Restricted equity</i>			
Share capital		6,215	6,197
Statutory reserve		41,390	41,390
Total restricted equity		47,605	47,586
<i>Non-restricted equity</i>			
Retained earnings		27,555	43,815
Profit for the year		29,300	13,596
Total non-restricted equity		56,855	57,411
<b>Total equity</b>		<b>104,460</b>	<b>104,998</b>
<b>Current liabilities</b>			
Accounts payable		174	263
Liabilities to Group companies		–	1,141
Tax liabilities		149	103
Other current liabilities		16	16
Accrued expenses and prepaid income	20	388	521
<b>Total current liabilities</b>		<b>727</b>	<b>2,045</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>105,187</b>	<b>107,042</b>
<b>Pledged assets</b>	21	–	–
<b>Contingent liabilities</b>	22	4,394	3,661

# Parent Company's Cash Flow Statement

SEK thousands	NOTE	2014	2013
<b>Operating activities</b>			
Operating profit		173	12
Financial income and expense	10	8	-32
Tax paid for the year		-631	-630
<i>Cash flow from operating activities before changes in working capital</i>		-450	-651
<i>Cash flow from changes in working capital</i>			
Change in operating receivables		-931	1,018
Change in accounts payables and other operating liabilities		1,330	1,514
<i>Cash flow from changes in working capital</i>		399	2,532
<b>Cash flow from operating activities</b>		<b>-51</b>	<b>1,881</b>
<b>Investing activities</b>			
Dividends received from subsidiaries		26,897	11,199
<b>Cash flow from investing activities</b>		<b>26,897</b>	<b>11,199</b>
<b>Financing activities</b>			
Group contributions		2,900	3,100
New issue		-	19,977
Dividends to shareholders		-32,532	-32,184
<b>Cash flow from financing activities</b>		<b>-29,632</b>	<b>-9,107</b>
<b>Cash flow for the year</b>		<b>-2,786</b>	<b>3,973</b>
Cash and cash equivalents, start of year		5,013	1,040
<b>Cash and cash equivalents, end of year</b>		<b>2,227</b>	<b>5,013</b>

# Changes in Consolidated Equity

## Attributable to Parent Company

SEK thousands	Note 17	Share capital	Other paid-in capital	Reserves	Retained earnings	Total equity
<b>Opening balance at January 1, 2013</b>		<b>6,022</b>	<b>40,213</b>	<b>-51,733</b>	<b>332,061</b>	<b>326,563</b>
<i>Comprehensive income</i>						
Profit for the year					47,835	47,835
Other comprehensive income						
Translation differences				-6,409		-6,409
<i>Total comprehensive income</i>		0	0	-6,409	47,835	41,426
<i>Transactions with shareholders</i>						
Share-based payments as per IFRS 2		175	19,802			19,977
Dividends to shareholders					-32,184	-32,184
<i>Total transactions with shareholders</i>		175	19,802	0	-32,184	-12,207
<b>Closing balance at December 31, 2013</b>		<b>6,197</b>	<b>60,015</b>	<b>-58,142</b>	<b>347,713</b>	<b>355,783</b>
<b>Opening balance at January 1, 2014</b>		<b>6,197</b>	<b>60,015</b>	<b>-58,142</b>	<b>347,713</b>	<b>355,783</b>
<i>Comprehensive income</i>						
Profit for the year					56,085	56,085
Other comprehensive income						
Translation differences				52,474		52,474
<i>Total comprehensive income</i>		0	0	52,474	56,085	108,559
<i>Transactions with shareholders</i>						
New issue		18	2,677			2,695
Dividends to shareholders					-32,532	-32,532
<i>Total transactions with shareholders</i>		18	2,677	0	-32,532	-29,837
<b>Closing balance at December 31, 2014</b>		<b>6,215</b>	<b>62,692</b>	<b>-5,668</b>	<b>371,266</b>	<b>434,505</b>

# Changes in Parent Company Equity

SEK thousands	Note 17	Share capital	Statutory reserve	Retained earnings	Profit for the year	Total equity
<b>Opening balance at January 1, 2013</b>		<b>6,022</b>	<b>41,390</b>	<b>29,651</b>	<b>26,545</b>	<b>103,608</b>
<i>Appropriation of earnings according to AGM</i>						
Transfer to retained earnings				26,545	-26,545	0
Total comprehensive income for the period					13,596	13,596
<b>Transactions with shareholders</b>						
Dividends to shareholders				-32,184		-32,184
Share-based payments as per IFRS 2		175		19,802		19,976
<b>Closing balance at December 31, 2013</b>		<b>6,197</b>	<b>41,390</b>	<b>43,814</b>	<b>13,596</b>	<b>104,997</b>
<b>Opening balance at January 1, 2014</b>		<b>6,197</b>	<b>41,390</b>	<b>43,814</b>	<b>13,596</b>	<b>104,997</b>
<i>Appropriation of earnings according to AGM</i>						
Transfer to retained earnings				13,596	-13,596	0
Total comprehensive income for the period					29,300	29,300
<b>Transactions with shareholders</b>						
Dividends to shareholders				-32,532		-32,532
New issue		18		2,677		2,695
<b>Closing balance at December 31, 2014</b>		<b>6,215</b>	<b>41,390</b>	<b>27,555</b>	<b>29,300</b>	<b>104,460</b>

# 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 the world leader in customized simulation models and experiential learning as well as solutions that help organizations to grow and achieve success through change and improvement processes. BTS adds value within three main areas: strategic development and business acumen, leadership and management, and sales. Most BTS clients are major corporations.

The annual report and consolidated financial statements were approved by the Board of Directors on April 8, 2015.

## NOTE 2 – Significant accounting policies

Amounts are stated in SEK thousands unless otherwise indicated.

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 policies 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 standards applied by the Group

The following standards are applied by the Group for the first time in the financial year beginning 1 January 2014 and have a material impact on the Group's financial statements.

IFRS 10 Consolidated Financial Statements is based on existing principles since it identifies control as the decisive factor for determining whether a company is to be included in the consolidated financial statements. The standard provides further guidance that assists identification of control when this can be difficult to determine. Application of this standard does not have any material impact on the consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities includes the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.

### New standards and interpretations not yet adopted by the Group

A number of new standards and interpretations are effective for annual periods beginning after 1 January 2014 and have not been applied in preparing these financial statements. None of these is expected to have a material impact on the consolidated financial statements with the exception of those listed below:

IFRS 9 Financial Instruments includes requirements for classification, measurement and recognition of financial assets and liabilities. The complete version of IFRS 9 was issued in July 2014 and supersedes all sections of IAS 39 related to classification and measurement of financial instruments. IFRS 9 retains a mixed-measurement model but simplifies this in certain respects. There will be 3 measurement categories for financial assets, amortized cost, fair value through other comprehensive income, and fair value through profit or loss. Classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are recognized at fair value through profit or loss but there is also a possibility at initial recognition to recognize the instrument at fair value through other comprehensive income. No reclassification to profit or loss will take place on the disposal of the instrument. IFRS 9 also introduces a new model for the credit loss reserve based on expected credit losses. For financial liabilities, classification and measurement are unchanged except when a liability is recognized at fair value through profit or loss based on the fair value alternative. Value changes attributable to changes in own credit risk are presented in other comprehensive income.

IFRS 9 reduces the requirement for application of hedge accounting by replacing the 80-125% criteria with a requirement to demonstrate that an economic relationship exists between the hedging instrument and the hedged item and that the hedging quota is the same as that used in risk management. Hedging documentation is also changed slightly compared with IAS 39. The standard is to be applied for accounting periods beginning on 1 January 2018. Earlier application is permitted. The Group has not yet evaluated the effects of introduction of the standard.

IFRS 15 Revenue from Contracts with Customers specifies how revenue is recognized. The principles on which IFRS 15 are based will provide users of financial statements with more informative, relevant information about a company's revenue. The increased disclosure requirements involve the provision of information about type of revenue, timing of settlement, uncertainty of revenue recognition as well as cash flows arising from a contract with a customer. According to IFRS 15 revenue is recognized when the customer has control of the sold goods or services and is able to use and obtain the benefits from the goods or services.

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts as well as related SICs and IFRICs.

IFRS 15 is effective on 1 January 2017. Earlier application is permitted. The Group has not yet evaluated the effects of introduction of the standard.

No other IFRSs or ICRICs that are not yet effective are expected to have a material impact on the Group.

### 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. These transactions do not create goodwill or profits or losses.

All transactions with non-controlling interests are recognized in equity as long as they do not cause any change in control.

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 relevant to the Group

	2014 average	December 31, 2014	2013 average	December 31, 2013
USD	6.85	7.81	6.51	6.51
EUR	9.09	9.52	8.65	8.94
GBP	11.28	12.14	10.20	10.73
AUD	6.17	6.37	6.30	5.76
SGD	5.41	5.91	5.21	5.13
ZAR	0.63	0.67	0.68	0.62
MXN	0.52	0.53	0.51	0.50

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

### Income/Assignments in progress

Income is recognized on delivery of services to clients based on agreements signed. Sales are recognized net of value-added tax. Income from completed customization/development assignments and the expenses attributable to

these assignments are recognized as income and expenses, respectively, in proportion to the degree of completion of the assignment at 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 the estimated total expenses. If the outcome of a service assignment cannot be reliably calculated, the income 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 courses ("seminars") are delivered to a customer, they are recognized as revenue as soon as the course is completed.

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 customer, 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 payment

BTS Group AB issued employee stock options to the Group's employees in 2009. The plan 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 is calculated at the time of allocation and is distributed over the vesting period. 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. The stock option program expired in 2013.

### Provisions

A provision is recognized when the Company has a legal or other obligation that it deems will need to be settled, the amount of which can be estimated reliably, and settlement is likely to require resources. Provisions are measured at the present value of what is judged to be

required to settle the obligation. The calculation applies a pretax discount rate that reflects current market assessments of the time value of money and the risks associated with the obligation.

### **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 receipts and disbursements to the financial asset's or 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 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 of the assets 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 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 or brands as follows. 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 intermediately 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 that proves favorable or unfavorable.

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

### ***Loan 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.

### **Transactions in 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 analysis**

The cash flow analysis 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.

#### 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	
	2014	2013	2014	2013
<i>Öhrlings PricewaterhouseCoopers</i>				
Audit assignments	492	486	282	301
Other assignments	–	–	–	–
<i>Other auditors</i>				
Audit assignments	717	624	–	–
Other assignments	367	312	–	–
	<b>1,576</b>	<b>1,422</b>	<b>282</b>	<b>301</b>

### NOTE 5 – Leases and rental agreements

##### Group

The Group has no financial leases. Expenses for operating leases totaled till 26,154 (23,456) for the year. Future leasing and rental fees for operating leases are as follows.

SEK thousands	
2015	23,609
2016	15,963
2017	9,370
2018	6,807
2019	5,654
Later	0
<b>Total</b>	<b>61,403</b>

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	2014		2013	
	Number of employees	Of which men	Number of employees	Of which men
<i>Subsidiaries</i>				
Sweden	23	14	22	15
Denmark	2	1	1	1
Finland	4	3	4	3
Belgium	4	2	3	2
Germany	3	1	3	1
France	4	2	4	2
Switzerland	2	1	2	1
Spain	30	17	27	15
United Kingdom	32	16	30	14
The Netherlands	3	3	4	4
United States	179	112	187	114
Australia	17	13	16	12
Mexico	11	6	13	7
Brazil	8	4	9	4
Singapore	12	5	11	5
South Africa	16	6	16	5
Japan	5	4	3	3
India	17	12	11	8
South Korea	3	2	2	1
Taiwan	3	1	3	1
China	5	3	6	3
Thailand	1	1	1	1
<b>Total for the Group</b>	<b>384</b>	<b>229</b>	<b>376</b>	<b>221</b>

#### Distribution of senior executives by gender, %

	2014		2013	
	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	0	100	8	92

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

##### Parent Company

The Parent Company had no employees in 2014.

## Salaries, other compensation, and social security contributions

Group	2014		2013	
	SEK thousands	Salaries and compensation	Salaries and compensation	Social security contributions of which pension expenses
Subsidiaries		313,801	275,292	38,400
				10,015
				8,602

Pension expenses for employees who are president of or a member of the board of a Group company totaled 1,867 (1,882). 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		2014	2013
Michael Grindfors	Chairman of the Board	275	275
Mariana Burenstam Linder	Member	125	125
Stefan Gardefjord	Member	170*	170*
Dag Sehlin	Member	170*	170*
<b>Total</b>		<b>740</b>	<b>740</b>

\*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	2014		2013		
	SEK thousands	Board and CEO	Other employees	Board and CEO	Other employees
<b>In Sweden</b>					
Parent Company		740	–	740	–
Subsidiaries		2,870	21,379	3,422	19,784
<b>Total Sweden</b>		<b>3,610</b>	<b>21,379</b>	<b>4,162</b>	<b>19,784</b>
<b>Outside Sweden</b>					
United States		7,076	183,430	4,367	158,967
Europe		12,981	31,690	12,984	26,360
Other		4,586	49,049	4,874	43,795
<b>Total outside Sweden</b>		<b>24,643</b>	<b>264,169</b>	<b>22,224</b>	<b>229,122</b>
<b>Total for the Group</b>		<b>28,253</b>	<b>285,548</b>	<b>26,386</b>	<b>248,906</b>

## 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 30% of the fixed basic salary. 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 2015.

### 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 11,680 (8,728), of which pension expenses were 1,464 (1,395). All pension plans are defined-contribution plans.

The CEO Henrik Ekelund was paid salary and other benefits totaling 3,516 (3,004), including 317 (0) 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 25% (25) 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 6,699 (4,329), of which variable remuneration was 2,317 (87). Variable compensation is based on targets achieved by the Company and the individual. Provisions to pensions are made individually at 13–20 % 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

#### The 2009/2013 employee stock option plans

The 2009 Annual General Meeting voted on the 2009/2013 employee stock

option plan. A maximum of 50,000 employee stock options per person may be allocated to senior executives, and a maximum of 25,000 per person to other employees. No more than 150 people in all may be allocated employee stock options and the plan comprised a maximum of 840,000 employee stock options, entitling employees in the United States to acquire a maximum of 495,000 Class B shares and employees in other countries, including Sweden, a maximum of 345,000 Class B shares. No options shall be allocated to Board members elected by the AGM who are not employees of the Company or any other Group company or to the CEO of the Parent Company. The stock option program expired 2013.

Each employee stock option allocated to an employee entitled the holder to acquire one Class B share in BTS at an exercise price of SEK 37.70. Each employee stock option was valid for four years. The options had vesting conditions, such that a portion could be exercised each of the three years following allocation. Normally one-third of the total number allocated vests each year, provided that certain financial goals set by the Company's Board had been attained. Employee stock options that cannot be exercised are forfeited. Exercise of the stock options assumed, in principle, employment by the Company at the time of use.

Changes in the number of options on issue and their average exercise price are as follows.

	2014		2013	
	Average exercise price per share, SEK	Options (thousands)	Average exercise price per share, SEK	Options (thousands)
At January 1	–	–	37.70	630
Allocated	–	–	–	–
Utilized	–	–	37.70	–512
Forfeited	–	–	37.70	–118
At December 31	–	–	37.70	0

The value of the employee stock options was calculated using the Black and Scholes model based on the share price and other market conditions at August 31, 2009, without taking into account vesting limitations. Considering the performance conditions and assuming annual staff turnover the accounting charge was estimated and expensed in annual installments over the vesting period as per IFRS 2.

Social security contributions were recognized as expenses during the vesting period. The amounts for these provisions and thus the expense recognized were remeasured continuously based on changes in the value of the employee stock options.

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 AGM of 2009, also approved a private placement of warrants with the wholly owned Swedish subsidiary BTS Sverige AB, corp. id. no. 556566-7127. These warrants entitle BTS Sverige AB to subscribe for a maximum of 943,500 Class B shares, with the company having the right and obligation to transfer or in some other way dispose of the warrants in order to secure the obligations of the Company or of another company employing

people in the employee stock option plan to cover any resulting future expenses. A total of 529,570 warrants as stated above have been used for sub-subscription of new shares, which increased the Company's share capital by SEK 176,523 and resulted in a dilution equivalent to 3% of the share capital and 2 % of voting rights for all shares.

## NOTE 7 – Intangible assets

### Group

#### Goodwill

SEK thousands	12-31-14	12-31-13
Accumulated acquisition cost, opening balance	146.759	138.410
Purchases	37.402	8.487
Translation difference	26.610	–138
Accumulated acquisition cost, closing balance	210.771	146.759
Accumulated impairments, opening balance	–3.726	–3.726
Accumulated impairments, closing balance	–3.726	–3.726
<b>Carrying amount, closing balance</b>	<b>207.045</b>	<b>143.033</b>

#### Other intangible assets

SEK thousands	12-31-14	12-31-13
<b>Franchise contracts</b>		
Accumulated acquisition cost, opening balance	8.047	8.056
Translation difference	1.611	–9
Accumulated acquisition cost, closing balance	9.658	8.047
Accumulated amortization, opening balance	3.901	3.368
Amortization for the year	565	536
Translation difference	859	–4
Accumulated amortization, closing balance	5.325	3.901
<b>Carrying amount, closing balance</b>	<b>4.333</b>	<b>4.147</b>

SEK thousands	12-31-14	12-31-13
<b>Technology, products &amp; software</b>		
Accumulated acquisition cost, opening balance	34.812	32.951
Purchases	9.133	1.898
Translation difference	6.973	–36
Accumulated acquisition cost, closing balance	50.918	34.812
Accumulated amortization, opening balance	28.386	28.227
Amortization for the year	708	190
Translation difference	6.441	–31
Accumulated amortization, closing balance	35.535	28.386
<b>Carrying amount, closing balance</b>	<b>15.383</b>	<b>6.427</b>

SEK thousands	12-31-14	12-31-13
<b>Customer contracts</b>		
Accumulated acquisition cost, opening balance	4.015	3.386
Purchases	2.784	633
Translation difference	804	-4
Accumulated acquisition cost, closing balance	7.603	4.015
Accumulated amortization, opening balance	2.259	2.051
Amortization for the year	364	210
Translation difference	571	-2
Accumulated amortization, closing balance	3.194	2.259
<b>Carrying amount, closing balance</b>	<b>4.409</b>	<b>1.756</b>

SEK thousands	12-31-14	12-31-13
<b>Brands</b>		
Accumulated acquisition cost, opening balance	9.805	9.183
Purchases	2.784	633
Translation difference	1.964	-10
Accumulated acquisition cost, closing balance	14.553	9.805
Accumulated amortization, opening balance	5.532	4.789
Amortization for the year	931	749
Translation difference	513	-5
Accumulated amortization, closing balance	6.976	5.532
<b>Carrying amount, closing balance</b>	<b>7.577</b>	<b>4.273</b>
<b>Total closing balance, carrying amount of other intangible assets</b>	<b>31.702</b>	<b>16.603</b>

#### 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 3–4 % (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 9.5 % (9.5).

Following impairment tests and sensitivity analyses, no impairment was indicated at December 31, 2014.

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% (10).
- If the estimated growth rate for extrapolating cash flows beyond the budget period was 10 % less than the basic assumption of 3–4 %, the overall recoverable amount would decrease 4% (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 9.5% (9.5), the overall recoverable amount would decrease 14% (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

SEK thousands 12-31-14	North America	Europe	Other markets	APG	Total
Goodwill	170.357	6.912	3.238	26.538	207.045
Franchise contracts				4.333	4.333
Customer contracts	4.409				4.409
Technology, Products & Software	15.383				15.383
Brands	7.577				7.577
<b>Total</b>	<b>197.726</b>	<b>6.912</b>	<b>3.238</b>	<b>30.871</b>	<b>238.747</b>

SEK thousands 12-31-13	North America	Europe	Other markets	APG	Total
Goodwill	110.772	6.912	3.238	22.111	143.033
Franchise contracts				4.147	4.147
Customer contracts	1.756				1.756
Technology, Products & Software	6.427				6.427
Brands	4.273				4.273
<b>Total</b>	<b>123.228</b>	<b>6.912</b>	<b>3.238</b>	<b>26.258</b>	<b>159.636</b>

## NOTE 8 – Property, plant, and equipment

### Group

#### Equipment

SEK thousands	12-31-14	12-31-13
Accumulated acquisition cost, opening balance	44.608	42.236
Purchases	5.140	3.948
Disposals	-2.720	-759
Translation difference	7.126	-818
Accumulated acquisition cost, closing balance	54.154	44.608
Accumulated depreciation, opening balance	30.891	25.940
Disposals	6.464	6.267
Depreciation for the year	-2.720	-759
Translation difference	5.592	-557
Accumulated depreciation, closing balance	40.227	30.892
<b>Carrying amount, closing balance</b>	<b>13.927</b>	<b>13.716</b>

## 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 and South Africa, and 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	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>Income</b>												
External sales	362.225	311.484	193.873	162.797	128.278	122.418	97.078	91.535			781.454	688.234
Internal sales	67.035	47.563	28.504	55.121	13.554	18.967	829	440	-109.922	-122.090	0	0
<b>Total income</b>	<b>429.260</b>	<b>359.047</b>	<b>222.377</b>	<b>217.918</b>	<b>141.832</b>	<b>141.385</b>	<b>97.907</b>	<b>91.975</b>	<b>-109.922</b>	<b>-122.090</b>	<b>781.454</b>	<b>688.234</b>
Operating profit	42.115	36.069	13.960	16.324	20.404	14.666	5.909	2.783			82.388	69.842
Financial income									857	565	857	565
Financial expenses									-355	-724	-355	-724
Tax on profit for the year									-26.805	-21.848	-26.805	-21.848
<b>Profit for the year</b>											<b>56.085</b>	<b>47.835</b>
<b>Other information</b>												
Assets	451.287	307.312	145.613	121.229	97.352	81.137	35.873	28.527	-48.251	-19.337	681.874	518.868
Liabilities	182.362	93.217	59.611	48.407	31.831	22.625	21.815	18.174	-48.251	-19.337	247.368	163.086
Investments	18.823	14.789	991	339	1.180	469	47	78			21.041	15.674
Depreciation of property, plant, and equipment	-4.226	-3.663	-1.016	-1.422	-1.194	-1.162	-27	-20			-6.464	-6.267
Amortization of intangible assets	-2.003	-1.149	-	-	-	-	-565	-537			-2.568	-1.685

The Group's total sales are distributed by the following sources of revenue: Development 189,979 (154,159), Seminars 421,580 (385,472), Licenses 114,782 (105,440) and Other revenues 55,113 (43,163).

49 221 (41 180) of the Group's total revenue refers to the domicile country, Sweden. The value of the Group's assets in Sweden amounted to 47 (39).

## NOTE 10 – Financial items

<b>Group</b>		
SEK thousands	2014	2013
Interest income	857	565
Total financial income	857	565
Foreign exchange losses	-240	-546
Interest expenses	-115	-178
Total financial expenses	-355	-724
<b>Total gain/loss on financial items</b>	<b>502</b>	<b>-159</b>

### Parent Company

SEK thousands	2014	2013
<i>Gains/Losses on other securities and receivables held as non-current assets</i>		
Dividends from subsidiaries	26.897	11.200
Group contributions	2.900	3.100
	29.797	14.300
Interest income	8	10
Interest expenses	-	-44
<b>Total gain/loss on financial items</b>	<b>29.805</b>	<b>14.266</b>

## NOTE 11 – Tax on profit for the year

<b>Group</b>		
KSEK	2014	2013
Income tax as recognized in the income statement	-26.805	-21.848
Current tax expense	-28.430	-22.042
Current tax attributable to previous years	979	-182
Postponed tax income/expense (+/-)	646	376
Tax for the year	-26.805	-21.848

### Parent Company

SEK thousands	2014	2013
Current tax for the year	-678	-682

## Reconciliation of effective tax

### Group

SEK thousands	2014	2013
Profit before tax	82,890	69,683
Tax expense based on Swedish income tax rates, 22%	-18,236	-15,330
Effects of different tax rates	-8,516	-5,799
Non-deductible expenses	-1,507	-658
Non-taxable income	475	123
Tax attributable to previous years	979	-182
Effective tax recognized	-26,805	-21,848
<i>Effective tax rate</i>	<i>32.3%</i>	<i>31.4%</i>

### Parent Company

SEK thousands	2014	2013
Profit before tax	29,978	14,278
Tax expense based on Swedish income tax rates, 22%	-6,595	-3,141
Dividends from subsidiaries	5,917	2,464
Effective tax recognized	-678	-682
<i>Effective tax rate</i>	<i>2.3%</i>	<i>4.8%</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.

	2014	2013
Profit for the year attributable to Parent Company shareholders, SEK thousands	56,085	47,835
Average number of shares, basic (thousands)	18,646	18,590
Basic and diluted earnings per share, SEK	3.01	2.57

## NOTE 13 – Dividend per share

Dividends paid in 2014 totaled SEK 32,532 thousand (SEK 1.75 per share). Dividends paid 2013 totaled SEK 32,184 thousand (SEK 1.75 per share). At the AGM to be held May 7, 2015, a dividend for fiscal 2014 of SEK 1.75 per share, totaling SEK 32,631 thousand, will be proposed. The proposed dividend was not recognized as a liability in these financial statements.

## NOTE 14 – Financial assets

### Participations in Group companies

#### Parent Company

SEK thousands	No. of shares	Pctg. equity	Carrying amount 12-31-14	Carrying amount 12-31-13
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
<b>Total shares in subsidiaries</b>			<b>101,976</b>	<b>101,976</b>
Acquisition cost, opening balance			110,077	110,077
Share-based payments as per IFRS 2			-8,101	-8,101
<b>Closing acquisition cost</b>			<b>101,976</b>	<b>101,976</b>

## NOTE 15 – Deferred tax assets and liabilities

### Group

SEK thousands	2014	2013
Opening balance, net	1,201	1,054
Recognized in profit for the year	646	376
Translation differences	194	-229
<b>Closing balance, net</b>	<b>2,041</b>	<b>1,201</b>

The amount concerns unused loss carry-forwards in subsidiaries which are expected to be utilized during 2015.

## NOTE 16 – Prepaid expenses and accrued income

### Group

SEK thousands	12-31-14	12-31-13
Accrued income	39,347	47,332
Prepaid rent	2,781	2,687
Other items	19,984	17,740
<b>Total</b>	<b>62,112</b>	<b>67,759</b>

### Parent Company

SEK thousands	12-31-14	12-31-13
Other items	-	52

## NOTE 17 – Equity

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 -5,668. Opening accumulated differences totaled -58,142.

## 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	12-31-14	12-31-13
Other non-current receivables	6,935	6,888
Accounts receivable	239,005	155,980
Cash and cash equivalents	114,293	108,833
<b>Total financial assets</b>	<b>360,233</b>	<b>271,701</b>
Other non-current liabilities	153	213
Accounts payable	22,458	16,971
<b>Total financial liabilities</b>	<b>22,611</b>	<b>17,184</b>

### 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 47% (44) of the Group's total accounts receivable. The table below shows the distribution of accounts receivable by currency.

## Group

SEK thousands	12-31-14	12-31-13
SEK	10,608	9,836
USD	131,530	79,001
GBP	32,814	21,263
EUR	42,871	21,726
Other currencies	21,182	24,155
<b>Total accounts receivable</b>	<b>239,005</b>	<b>155,980</b>

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, 2014, accounts receivable totaling 36,197 (26,870) 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	12-31-14	12-31-13
Total accounts receivable	239,005	155,980
more than 30 days overdue	20,078	14,889
more than 60 days overdue	16,119	11,981

## 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 2013 the financial liabilities consisted of accounts payable.

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 2013 income statement and should only be seen as an indication of the significance of the different currencies.

	Percentage change	Change, SEK thousands, full-year 2014
SEK/USD	+/- 10%	8,744
SEK/EUR	+/- 10%	1,561
SEK/GBP	+/- 10%	1,161

## Credit risk

Credit risk refers to companies not getting paid, fully or partly, for their accounts receivable from customers. BTS only accepts creditworthy 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 239,005 (155,980). 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. The sensitivity analysis below shows the increase and decrease in interest expense resulting from a change in the market interest rate.

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	12-31-14	12-31-13
Cash and cash equivalents	114,293	108,833
Unutilized portion of bank overdraft facility	19,159	18,181
Cash and cash equivalents available	133,452	127,014

## 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 Company's equity/assets ratio was 64% (69).

## NOTE 19 – Bank overdraft facility

### Group

SEK thousands	12-31-14	12-31-13
Approved credit limit	19,159	18,181
Unutilized portion	-19,159	-18,181
<b>Credit utilized</b>	<b>0</b>	<b>0</b>

### Parent Company

SEK thousands	12-31-14	12-31-13
Approved credit limit	3,300	3,300
Unutilized portion	-3,300	-3,300
<b>Credit utilized</b>	<b>0</b>	<b>0</b>

## NOTE 20 – Accrued expenses and prepaid income

### Group

SEK thousands	12-31-14	12-31-13
Accrued salaries	51,101	36,085
Accrued social security contributions	2,060	2,731
Prepaid income	61,112	57,615
Other items	26,666	18,819
<b>Total</b>	<b>140,939</b>	<b>115,250</b>

### Parent Company

SEK thousands	12-31-14	12-31-13
Other items	389	521

## NOTE 21 – Pledged assets

### Group

SEK thousands	12-31-14	12-31-13
<i>Assets pledged for debts to credit institutions</i>		
Company mortgages	10,000	10,000

## NOTE 22 – Contingent liabilities on behalf of Group companies

### Parent Company

SEK thousands	12-31-14	12-31-13
Guarantee commitments on behalf of subsidiaries	4 394	3,661

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 7, 2015.

Stockholm, Sweden, April 8, 2015

Michael Grindfors  
Chairman of the Board

Henrik Ekelund  
Chief Executive Officer

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 10, 2015  
Öhrlings PricewaterhouseCoopers AB

Magnus Thorling  
Authorized Public Accountant

# Audit Report

To the Annual General Meeting of  
BTS Group AB (publ)  
Corp. id. no. 556566-7119

## **Report on the annual accounts and consolidated accounts**

We have audited the annual accounts and consolidated accounts of BTS Group AB for the year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 58-87.

### *Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of

material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

### *Opinions*

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 the parent company as of 31 December 2014 and of its financial performance and its cash flows 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 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, 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 annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

### **Report on other legal and regulatory requirements**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of BTS Group AB for the year 2014.

#### *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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

#### *Auditor's responsibility*

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way,

acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

#### *Opinions*

We recommend to the annual 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

Stockholm, April 10, 2015  
Öhrlings PricewaterhouseCoopers AB

Magnus Thorling  
Authorized Public Accountant

# Governance and Management

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*The New Year market on Dihua Street in Taipei, Taiwan, is a popular spot. This street is part of the historic Dadaocheng area and has been an early commercial and trading center as far back as the late Qing period in the mid-19th century.*

# 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, 2014, BTS Group AB had 863 shareholders. The ten largest shareholders had total shareholdings corresponding to 76.1 % of shares and 83.0 % of votes. A list of the largest shareholders is found on page 55 of 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.

## 2014 Annual General Meeting

The 2014 AGM was held on Tuesday, May 13, 2014, at the Company's offices in Stockholm. 23 shareholders attended, representing 77.4% of the number of shares outstanding and 84.0% 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 fiscal 2014 were adopted.
- The proposed dividend of SEK 1.75 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 650,000 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 275,000 shall be paid to the Chairman and SEK 125,000 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, Michael Grindfors and Dag Sehlin were re-elected to the Board for the period until the next AGM. Michael Grindfors was re-elected Chairman of the Board.
- Instructions for the nominating committee, such that the committee be made up of representatives from the two shareholders controlling the most votes, based on Euroclear Sweden AB's data at September 30, 2014, and the Chairman of the Board.
- 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 27, 2014. BTS's two largest shareholders in consultation with Michael Grindfors, Chairman of the Board, appointed Anders Dahl (representing Henrik Ekelund), Stefan af Petersens, Ulf Hjalmarsson (representing Lannebo Fonder) and Michael Grindfors 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 2015 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 13, 2014, 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 95 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, eleven 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 2014 evaluation. It is e.g. used as basic data when next year's work of the Board is planned.

### Compensation to the Board

The AGM held on May 13, 2014, approved a total of SEK 650,000 in fees to be paid to those Board members who receive no salary from the Company or any of its subsidiaries, such that SEK 275,000 be paid to the Chairman and SEK 125,000 each to the members. The AGM also approved a total of SEK 90,000 in fees for work on Board committees.

### Composition and independence of the 2014 Board

Member	Position	Elected	Committee work	Independent	Board meeting attendance
Michael Grindfors	Chairman of the Board	2009		Yes	11/11
Mariana Burenstam Linder	Member	2004		Yes	11/11
Henrik Ekelund	Member	1986		No <sup>1</sup>	11/11
Stefan Gardefjord	Member	2003	Audit Committee	Yes	11/11
Dag Sehlin	Member	2003	Audit Committee	Yes	11/11

<sup>1</sup> Henrik Ekelund is the largest shareholder and is President and CEO of BTS Group.

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 7, 2015.

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 four years. The 2014 AGM re-elected the registered public accounting firm Öhrlings PricewaterhouseCoopers and managing auditor Magnus Thorling for the period until the end of 2015 AGM.

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

For 2014, the Company's auditors did not review BTS's semiannual 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.

More information about senior executives is found on page 96 of the annual report.

### Guidelines for compensation and other terms of employment for senior executives

The AGM held on May 13, 2014, 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 30% of the fixed basic salary. 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 report**

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

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2014 on pages 91-94 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory 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.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, April 10, 2015  
Öhrlings PricewaterhouseCoopers AB

Magnus Thorling  
Authorized Public Accountant

# The Board of Directors and Auditor



**Michael Grindfors**  
Born 1956.

Chairman of the Board of directors of BTS Group AB since 2009.

*Shareholdings in BTS Group AB:* 50 420 class B shares.

Michael Grindfors is member of the board of AlixPartners where he previously was CEO. He has also held senior executive positions in New York and the Nordic countries in companies such as Boston Consulting Group, Goldman Sachs and Puma-Etonic-Tretorn. Michael Grindfors 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.

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.



**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.



**Mariana Burenstam Linder**  
Born 1957.

Member of the Board of BTS Group AB since 2004.

Managing Partner in Burenstam & Partners AB. Other assignments: Chairman of the board of Advisa AB. Member of the board of Latour 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 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.



**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.

AUDITOR

Öhrlings PricewaterhouseCoopers AB.  
Managing Auditor:

**Magnus Thorling**

Authorized Public Accountant.

The above information on shareholdings was correct at December 31, 2014.

# Senior Executives and Global Partners in BTS



**Henrik Ekelund**

*Global Partner*

Born 1955.

President and CEO of BTS Group AB.

See Board of Directors on the preceding page.



**Stefan Brown**

Born 1963.

CFO and Vice President of BTS Group AB.

Employed by BTS since 1990.

Options and shareholdings in BTS Group AB: 21,190 Class B shares.



**Jonas Åkerman**

*Global Partner*

Born 1963.

Executive Vice President.

President and CEO of BTS USA.

Employed by BTS since 1991.

Options and shareholdings in BTS Group AB: 879,350 Class B shares.



**Rommin Adl**

*Global Partner*

Born 1964.

Executive Vice President.

Employed by BTS since

1994.



**Philios Andreou**

*Global Partner*

Born 1967.

Executive Vice President.

President and CEO of BTS

Spain & BTS Latin America.

Employed by BTS since 2003.



**Todd Ehrlich**

*Global Partner*

Born 1968.

Executive Vice President.

Employed by BTS since 1995.



**Stefan Hellberg**

*Global Partner*

Born 1957.

Executive Vice President.

Employed by BTS since

1986.



**Peter Mulford**

*Global Partner*

Born 1968.

Executive Vice President.

Employed by BTS since 1997.



**Dan Parisi**

*Global Partner*

Born 1968.

Executive Vice President.

Employed by BTS since

1995.



**Jessica Parisi**

*Global Partner*

Born 1977.

Executive Vice President.

Employed by BTS since

1999.



**Lou Schachter**

*Global Partner*

Born 1964.

Executive Vice President.

Employed by BTS since

2006.



**Joel Sigrist**

*Global Partner*

Born 1972

Executive Vice President.

President and CEO of BTS

Europe.

Employed by BTS since

2003.



**Steve Toomey**

*Global Partner*

Born 1963

Executive Vice President.

Employed by BTS since

1995.

**Advantage  
Performance  
Group Inc.**



**Jonathan Hodge**

Born 1972.

President and CEO of APG.

Employed by BTS since 2006.

The above information on options and shareholdings was correct at December 31, 2014.

# Shareholder Information

## Annual General Meeting 2015

Shareholders in BTS Group AB (publ) are invited to the AGM on Thursday, May 7, 2015, 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 Thursday, April 30, 2015, and must have notified BTS Group AB no later than Thursday, April 30, 2015.

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](mailto: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. Any such re-registration request should be made well in advance of Thursday, April 30, 2015.

## Dividend

The Board of Directors proposes a dividend of SEK 1.75 per share.

## 2015 reporting dates and financial information

Interim reports:

January–March	May 7, 2015
April–June	August 21, 2015
July–September	November 10, 2015
Year-end report	February 2016

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](mailto:ir@bts.com). Financial information from BTS Group AB is also published on [www.bts.com](http://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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